

# DEBENTURE ISSUE 2021 PROSPECTUS



First Capital

**FIRST CAPITAL HOLDINGS PLC**



# FIRST CAPITAL HOLDINGS PLC



First Capital

## PROSPECTUS

**AN INITIAL ISSUE OF TEN MILLION (10,000,000) LISTED, RATED, SENIOR, UNSECURED, REDEEMABLE DEBENTURES AT A PAR VALUE OF LKR 100/- WITH AN OPTION TO ISSUE UP TO A FURTHER TEN MILLION (10,000,000) OF SAID DEBENTURES AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE IN ORDER TO ISSUE UP TO A MAXIMUM OF TWENTY MILLION (20,000,000) OF SAID DEBENTURES IN ORDER TO RAISE A MAXIMUM AMOUNT OF SRI LANKA RUPEES TWO BILLION (LKR 2,000,000,000/-)**

**TO BE LISTED ON THE COLOMBO STOCK EXCHANGE  
RATED “[SL] A (STABLE)” BY ICRA LANKA LIMITED**

**ISSUE OPENS ON  
01 FEBRUARY 2021**

**JOINT-MANAGERS TO THE ISSUE**



First Capital

**FIRST CAPITAL LIMITED**



**PEOPLE'S BANK – INVESTMENT BANKING  
UNIT**

**This Prospectus is dated 21 January 2021**

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed, or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Debentures which is decided solely by the Issuer. Please note that the company is bound by the enforcement rules set out in the CSE Listing Rules (as applicable).

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If there are material changes, such material changes will be disclosed to the market.

If you are in any doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Joint-Managers to the Issue, investment advisor, lawyer or any other professional advisor.

**Responsibility for the Content of the Prospectus**

This Prospectus has been prepared by First Capital Limited (hereinafter referred to as ‘Joint-Managers to the Issue/ Joint-Manager’) on behalf of First Capital Holdings PLC (hereinafter referred to as ‘FCH’ or the ‘Company’). FCH and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Company and Debentures offered herein which is material; such information is true and accurate in all material aspects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Company are honestly held or made and are not misleading in any material respect; this Prospectus contains all material facts and presents them in a clear fashion in all material respects and all proper inquiries have been made to ascertain and to verify the foregoing. The Company accepts responsibility for the information contained in this Prospectus.

No person has been sanctioned to make any representations not contained in this Prospectus in connection with this offer for Subscription of the Company’s Debentures. If such representations are made, they must not be relied upon as having been authorised. Neither the delivery of this Prospectus nor any sale made in the offering shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date of this Prospectus.

Investors should be informed that the value of investments can vary, and that past performance is not necessarily indicative of future performance. In making such investment decisions, prospective investors must rely on their knowledge, perception together with their own examination and assessment on FCH and the terms and conditions of the Debentures issued including risks associated.

## Registration of the Prospectus

A copy of this Prospectus has been registered with the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (The “Companies Act”). The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- c) The written consent of the Bankers to the Issue for the inclusion of their name in their Prospectus as Bankers to the Issue.
- d) The written consent of the Company Secretary for the inclusion of their name in the Prospectus as Company Secretary.
- e) The written consent of the Joint-Managers to the Issue for the inclusion of their name in the Prospectus as the Joint-Managers to the Issue.
- f) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Credit Rating Agency to the Issue for the inclusion of their name in the Prospectus as the Credit Rating Agency to the Issue and to the Company.
- i) The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Company, Trustee to the Issue, Bankers to the Issue and Company, Company Secretary, Joint-Managers to the Issue, Registrars to the Issue, Lawyers to the Issue and Credit Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka, withdrawn such consent.

## Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

## **Investment Considerations**

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Section 5.12 ‘Risks Involved in Investing in the Debentures’ of this Prospectus.

## **Forward Looking Statements**

Any statements included in this Prospectus that are not statements of historical fact constitute ‘Forward Looking Statements’. These can be identified by the use of forward-looking terms such as ‘expect’, ‘anticipate’, ‘intend’, ‘may’, ‘plan to’, ‘believe’, ‘could’ and similar terms or variations of such terms.

However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as forward-looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

## ISSUE AT A GLANCE

<b>Issuer</b>	First Capital Holdings PLC		
<b>Type of Debt Security/Debenture</b>	Listed, Rated, Senior, Unsecured, Redeemable Debentures		
<b>Listing</b>	The Debentures will be listed on the Colombo Stock Exchange		
<b>Number of Debentures to be issued</b>	<p>An initial issue of Ten Million (10,000,000) Debentures with an option to issue up to a further Ten Million (10,000,000) of said Debentures at the discretion of the Company in the event of an oversubscription of the initial issue.</p> <p>Oversubscription herein refers to the oversubscription of Ten Million (10,000,000) Listed, Rated, Senior, Unsecured, Redeemable Debentures and in the event of subscriptions above Ten Million (10,000,000) of said Debentures, the option to issue up to a further Ten Million (10,000,000) of said Debentures.</p>		
<b>Aggregate Face Value/ Investment Value of the Issue</b>	Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) with an option to raise further up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) at the discretion of the Company in the event of an oversubscription of the initial issue.		
<b>Issuer Rating</b>	“[SL]A (Stable)” By ICRA Lanka Limited		
<b>Issue Rating</b>	“[SL]A (Stable)” By ICRA Lanka Limited		
<b>Issue Price / Par Value</b>	LKR 100/- per Debenture		
<b>Debenture Types, Interest Rates, Tenure and Yield</b>	<b>Type of Debentures</b>	<b>Interest rate (per annum)</b>	<b>Maturity/ Redemption from the Date of Allotment</b>
	Type A	10.00% p.a. Payable Annually (AER 10.00%)	05 Years
	Type B	Weekly AWPLR + 2.00% p.a. Payable Annually, however such floating Interest Rate shall have the Cap of Twelve decimal Zero Zero per centum (12.00%) per annum and Floor of Nine decimal Zero Zero per centum (9.00%) per annum	05 Years
<b>Minimum Number of Debentures to be subscribed</b>	<p>Applicants are allowed to invest in either;</p> <ul style="list-style-type: none"> <li>• Debentures of Type A; and/or</li> <li>• Debentures of Type B</li> </ul> <p>subject to the minimum subscription of One Hundred (100) Debentures (LKR 10,000/-) and in Multiples of One Hundred (100) Debentures (LKR 10,000/-)</p>		

<b>Interest Payment Dates</b>	<p><b>Type A</b></p> <p>The dates on which payments of interest in respect of the Debentures shall fall due, which shall be One (1) year from the Date of Allotment and One (1) year therefrom during the period of the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p><b>Type B</b></p> <p>The dates on which payments of interest in respect of the Debentures shall fall due, which shall be One (1) year from the Date of Allotment and One (1) year therefrom during the period of the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.</p>
<b>Interest Period</b>	<p><b>Type A</b></p> <p>The One (1) year period from the date of a particular Interest Payment Date and ending on the date immediately preceding next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p> <p><b>Type B</b></p> <p>The One (1) year period from the date of a particular Interest Payment Date and ending on the date immediately preceding next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p>
<b>Method of Payment of Principal and Interest</b>	<p>Principal Sum and Interest will be paid to Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS, SLIPS and RTGS in the event accurate bank details have been provided, or by crossed cheques marked “Account Payee Only” in the event accurate bank details have not been provided.</p>
<b>Issue Opening Date</b>	<p>01 February 2021</p>



<b>Issue Closing Date</b>	<p>22 February 2021 or such earlier date on which;</p> <ul style="list-style-type: none"> <li>• The maximum of 20,000,000 Debentures are fully-subscribed; or</li> <li>• The Board of Directors of the Company decides to close the Issue upon the initial issue of 10,000,000 Debentures becoming fully-subscribed</li> </ul> <p>In the event the Board of Directors of Company decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 10,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, and/or;</p> <p>In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of initial issue of 10,000,000 Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following market day at 4.30 p.m.</p>
<b>Date of Allotment</b>	<p>The Date on which the Debentures will be allotted by the Company to the Applicants subscribing thereto.</p>
<b>Basis of Allotment</b>	<p>In the event of an oversubscription, the basis of allotment will be decided by the Board of Directors of the Company within Seven (07) Market Days from the Closing Date. As permitted by the Articles of Association of the Company, two Directors or any one Director and Director/Chief Executive Officer have been appointed by the Board of Directors to decide on the basis of allotment.</p> <p>The Board however shall reserve the right to allocate up to a maximum of 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.</p> <p>Number of Debentures to be allotted to identified investor/s of strategic and operational importance, on a preferential basis will not exceed 75% of the total number of Debentures to be issued under this prospectus under any circumstances, unless there is an undersubscription from the other investors (Investors that do not fall under preferential category).</p> <p>In the event of such undersubscription from the other investors, such other investor category to be allotted in full.</p>

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## 1.0 CORPORATE INFORMATION

<b>Name of the Company</b>	First Capital Holdings PLC
<b>Legal Form of the Entity</b>	<b>First Capital Holdings PLC</b> was incorporated in 1992 under the provisions of the Companies Act No. 17 of 1982 and reregistered under the Companies Act No. 7 of 2007.
<b>Company Registration Number</b>	PQ 44
<b>Date of Incorporation</b>	23 March 1992
<b>Company Rating</b>	“[SL]A (Stable)” By ICRA Lanka Limited
<b>Registered Address</b>	<b>First Capital Holdings PLC</b> No. 2, Deal Place, Colombo 3. Tel : +94 112 639 894 Fax : + 94 112 639 819
<b>Board of Directors</b>	<div>Independent, Non-Executive Director / Chairman – Mr. N. Fernando</div> <div>Non-Independent, Executive Director/ Managing Director – Mr. D. Schaffter</div> <div>Independent, Non-Executive Director – Mr. A. D. E. I. Perera</div> <div>Independent, Non-Executive Director – Ms. M. D. A. Perera</div> <div>Independent, Non-Executive Director – Mr. Chandana L. de Silva</div> <div>Independent, Non-Executive Director – Dr. N. C. de Mel</div> <div>Non-Independent, Non-Executive Director – Mr. P. Schaffter</div> <div>Non-Independent, Non-Executive Director – Mr. R. Schaffter</div> <div>Non-Independent, Executive Director / CEO – Mr. D. G. Wirasekara</div>
<b>Common Directors between First Capital Holdings PLC and First Capital Limited</b>	<div>Independent, Non-Executive Director/ Chairman – Mr. N. Fernando</div> <div>Non-Independent, Executive Director/ Managing Director – Mr. D. Schaffter</div> <div>Independent, Non-Executive Director – Mr. A. D. E. I. Perera</div> <div>Independent, Non-Executive Director – Ms. M. D. A. Perera</div> <div>Independent, Non-Executive Director – Mr. Chandana L. de Silva</div> <div>Independent, Non-Executive Director – Dr. N. C. de Mel</div> <div>Non-Independent, Executive Director / CEO – Mr. D. G. Wirasekara</div> <p>Above stated Directors of First Capital Holdings PLC (FCH) are also Directors of First Capital Limited (FCL) which is a Subsidiary of FCH, acts as Joint-Manager to the Issue. However, FCL is not involved in any of FCH's day to day business operations. Therefore, the existence of joint directorships will not lead to any conflicts of interests.</p>
<b>Company Secretary</b>	K H L Corporate Services Limited No. 15, Walukarama Road, Colombo 3. Tel: 0112145030
<b>Auditor to the Company</b>	M/s. KPMG Chartered Accountants, 32A, Sir Mohamad Macan Makar Mawatha, Colombo 3.

<b>Credit Rating Agency</b>	ICRA Lanka Limited No. 10-02, East Tower, World Trade Centre, Colombo 01.	
<b>Bankers</b>	Seylan Bank PLC Bank of Ceylon People's Bank Sampath Bank PLC Cargills Bank Limited	Hatton National Bank PLC Commercial Bank of Ceylon PLC National Development Bank PLC Nation Trust Bank PLC

**2.0 RELEVANT PARTIES TO THE ISSUE**

<b>Joint-Managers to the Issue</b>	<p>First Capital Limited No. 02, Deal Place, Colombo 03. Tel: +94 112 639 894 Fax: +94 112 639 819</p> <p>People's Bank Investment Banking Unit People's Bank Head Office, 13th Floor, No. 75, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel: +94 112 206 782 / 795 Fax: +94 112 458 842</p>
<b>Lawyers to the Issue</b>	<p>H M H K Deshapriya, Attorney-at-Law &amp; Notary Public No. 02, Deal Place, Colombo 03. Tel: +94 112 639 840</p>
<b>Trustees to the Issue</b>	<p>People's Bank 75, Sir Chittampalam A Gardiner Mawatha, Colombo 02. Tel: +94 112 206 782 Fax: +94 112 458 861</p>
<b>Registrars to the Issue</b>	<p>SSP Corporate Services (Private) Limited No. 101, Inner Flower Road, Colombo 03. Tel: +94 112 573 894 Fax: +94 112 573 609</p>
<b>Bankers to the Issue</b>	<p>Seylan Bank PLC – Millenium Branch Seylan Towers No. 90, Galle Road Colombo 03 Tel: +94 0112 456 103 Fax: +94 0112 452 501</p>
<b>Credit Rating Agency to the Issue</b>	<p>ICRA Lanka Limited No. 10-02, East Tower, World Trade Centre, Colombo 01. Tel: +94 114 339 907 Fax: +94 114 235 636</p>
<b>Auditors and Reporting Accountants to the Issue</b>	<p>M/s KPMG Chartered Accountants, No. 32A, Sir Mohamad Macan Marker Mawatha, P.O. Box 186, Colombo 03. Tel: +94 115 426 426 Fax: +94 112 445 872</p>

### 3.0 ABBREVIATIONS USED IN THE PROSPECTUS

<b>AER</b>	Annual Effective Rate
<b>EBIT</b>	Earnings Before Interest and Taxes
<b>ATS</b>	Automated Trading System of the Colombo Stock Exchange
<b>AWPLR</b>	Average Weighted Prime Lending Rate. The Average Weighted Prime Lending Rate calculation in relation to the Type B Debentures will be made as follows, the Floating Rate of the Debentures will be determined based on the immediately preceding Average Weighted Prime Lending Rates published on a weekly basis by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the Average Weighted Prime Lending Rate) at the time of commencement of an Interest Period of Type B Debenture for such period or if not published by the Central Bank of Sri Lanka or any other authority for any reason whatsoever, the last available rates published thereby or such other suitable interest reference rate as may be appropriate and may be made available by the said authorities.
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Private) Limited
<b>CSE</b>	Colombo Stock Exchange
<b>FCH/Issuer/Company</b>	First Capital Holdings PLC
<b>LKR/ Rupees/ Rs.</b>	Sri Lankan Rupees
<b>NIC</b>	National Identity Card
<b>POA</b>	Power of Attorney
<b>SEC</b>	Securities and Exchange Commission of Sri Lanka
<b>IIA</b>	Inward Investment Account
<b>RTGS</b>	Real Time Gross Settlement
<b>SLIPS</b>	Sri Lanka Inter-Bank Payment System
<b>CEFTS</b>	Common Electronic Fund Transfer Switch
<b>USD</b>	United States Dollar

#### 4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant/s</b>	Any person who submits an Application Form under this Prospectus.
<b>Application Form / Application</b>	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue.
<b>Closing Date</b>	<p>22 February 2021 or such earlier date on which;</p> <ul style="list-style-type: none"> <li>• The maximum of 20,000,000 Debentures are fully subscribed; or</li> <li>• The Board of Directors of the Company decides to close the Issue upon the initial issue of 10,000,000 Debentures becoming fully subscribed</li> </ul> <p>In the event the Board of Directors of Company decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 10,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, and/or;</p> <p>In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of initial issue of 10,000,000 Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following market day at 4:30 p.m.</p>
<b>Debentures</b>	All of the Listed, Rated, Senior, Unsecured, Redeemable Debentures to be issued pursuant to this Prospectus.
<b>Debenture Holder(s)</b>	Any person who is for the time being the holder of the Debentures in whose CDS account the Debentures are lodged as at the relevant date and includes his/her respective successors in title.
<b>Date of Allotment</b>	The date on which the Debentures will be allotted to the Debenture Holders, which will be notified to the Debenture Holders.
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.8 of this Prospectus.
<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Company, in order to qualify for the payment of any interest or any Redemption proceeds.
<b>Interest Payment Date(s)</b>	<p><b>Type A</b></p> <p>The dates on which payments of interest in respect of the Debentures shall fall due, which shall be One (1) year from the Date of Allotment and One (1) year therefrom during the period of the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p>



	<b>Type B</b> The dates on which payments of interest in respect of the Debentures shall fall due, which shall be One (1) year from the Date of Allotment and One (1) year therefrom during the period of the Date of Allotment until the Date of Redemption and includes the Date of Redemption. Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.									
<b>Issue</b>	The offer of Debentures pursuant to this Prospectus.									
<b>Market Day</b>	Any day on which trading takes place at the CSE.									
<b>Non-Resident(s)</b>	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.									
<b>Principal Sum</b>	The product of the number of Debentures allotted and Par Value.									
<b>Prospectus</b>	This prospectus dated 21 January 2021 issued by FCH.									
<b>Rate of Interest</b>	<table><tr><th>Type of Debentures</th><th>Interest rate (per annum)</th><th>Maturity/ Redemption from the Date of Allotment</th></tr><tr><td>Type A</td><td>10.00% p.a. Payable Annually (AER 10.00%)</td><td>05 Years</td></tr><tr><td>Type B</td><td>Weekly AWPLR + 2.00% p.a. Payable Annually, however such floating Interest Rate shall have the Cap of Twelve decimal Zero Zero per centum (12.00%) per annum and Floor of Nine decimal Zero Zero per centum (9.00%) per annum</td><td>05 Years</td></tr></table>	Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment	Type A	10.00% p.a. Payable Annually (AER 10.00%)	05 Years	Type B	Weekly AWPLR + 2.00% p.a. Payable Annually, however such floating Interest Rate shall have the Cap of Twelve decimal Zero Zero per centum (12.00%) per annum and Floor of Nine decimal Zero Zero per centum (9.00%) per annum	05 Years
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<b>Redemption</b>	The repayment of the Principal at maturity together with any interest accruing up to that time.									
<b>Registered Address</b>	When used in relation to a Debenture Holder means the address provided by the Debenture Holder to the CDS.									
<b>Senior</b>	The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured creditors and any preferential claims under any Statutes governing the Company but pari passu to the claims of unsecured creditors of the Company and shall rank in priority to and over any subordinated debt of the Company and the claims and rights of the shareholder/s of the Company.									
<b>Trust Deed</b>	Trust deed executed between First Capital Holdings PLC and People’s Bank on 21 January 2021.									
<b>Working Day</b>	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka.									

## 5.0 INFORMATION RELATING TO THE ISSUE

### 5.1. Nature of the Debt Securities to be Offered

The Board of Directors of First Capital Holdings PLC resolved by the resolution dated 18<sup>th</sup> November 2020 to raise a sum of LKR One Billion (LKR 1,000,000,000/-) with the option to raise further LKR One Billion (LKR 1,000,000,000/-) in the event of an oversubscription, from the public by the issue of Listed, Rated, Senior, Unsecured, Redeemable Debentures of Five (5) Years .

Under this Issue, Ten Million (10,000,000) Listed, Rated, Senior, Unsecured, Redeemable Debentures of Five (5) Year Debentures will be issued at the Issue Price of LKR 100 each with a fixed and floating interest rates with options to raise further Ten Million (10,000,000) Debentures in the event of an oversubscription.

Type	Description
Type A	<b>Listed, Rated, Senior, Unsecured, Redeemable Five (05) year Debentures</b> The Debentures will carry a Fixed Interest Rate of 10.00% p.a. payable Annually (AER 10.00% p.a.), issued at a Par Value of LKR 100/- per each Debenture.
Type B	<b>Listed, Rated, Senior, Unsecured, Redeemable Five (05) year Debentures</b> The Debentures will carry a Floating Interest Rate of Weekly AWPLR + 2.00% p.a. payable Annually, issued at a Par Value of LKR 100/- per each Debenture, however such floating Interest Rate shall have the Cap of Twelve decimal Zero Zero per centum (12.00%) per annum and Floor of Nine decimal Zero Zero per centum (9.00%) per annum

It is the intention of the Company to list the Debentures on the Colombo Stock Exchange. The Colombo Stock Exchange has given its in-principle approval for the listing of the Debentures on the Colombo Stock Exchange.

### 5.2. Invitation to Subscribe

First Capital Holdings PLC hereby invites Applications for Debentures of Type A and/or Debentures of Type B which shall rank equal and pari-passu with each other without any preference or priority of any one or more than over the others except for the Rate of Interest and as more fully described in Section 5.5 and Section 5.8 of the Prospectus respectively.

The Instrument/Issue rating of these Debentures would move in tandem with the FCH's National Long Term-Rating.

At the prospectus date, the shares of the Company are on the Second Board of the CSE due to its non-compliance with the applicable public holding requirement.

### 5.3. Subscription List

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 01 February 2021 and will remain open for Fourteen (14) Market Days including the Issue Opening Date until Closing Date at 4.30 p.m. on 22 February 2021.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with the notification to the CSE on the occurrence of the following;

- The maximum of 20,000,000 Debentures are fully-subscribed; or
- The Board of Directors of the Company decides to close the Issue upon the initial issue of 10,000,000 Debentures becoming fully subscribed

In the event the Board of Directors of Company decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 10,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, and/or;

In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of initial issue of 10,000,000 Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following market day at 4.30 p.m.

Applications can be made forthwith in the manner set out in Section 6.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the Collection Points set out in Annexure III of this Prospectus.

#### **5.4. Objective of the Issue and Specific Risks Relating to the Objective**

The Debenture Issue will provide the necessary long-term stable funding to facilitate future expansion of business activities (i.e. balance sheet growth) of the Company with favourable funding options. Raising of long-term funds (maturity of 5 years) will further improve the Company's funding profile by reducing the tenor mismatch between the interest yielding assets and interest-bearing borrowings which will also result in reduction of interest rate risk exposure.

The funds raised through the Debenture Issue will be utilized to establish a dealing Securities Portfolio consisting of listed/unlisted debt and equity amounting to LKR 2Bn within twelve months from the Date of allotment.

Further, Company expects to utilize these funds in the Dealing Securities portfolio in the following proportions

Listed Debt	35%
Unlisted Debt	50%
Listed Equities on the Colombo Stock Exchange	15%

As of 30<sup>th</sup> September 2020, the Company did not hold any listed/unlisted debts and equity in the balance sheet.

#### **Specific Risks Relating to the Objective**

With the onset of COVID-19 as a Global Pandemic by World Health Organization on 11<sup>th</sup> March 2020, Sri Lankan Government enforced several measures to control the pandemic such as entry restrictions for foreigners, movement restrictions between districts and isolation of high-risk zones. The pandemic had a negative effect on the Sri Lankan economy and the business environment. However, the Company was equipped with a strong Business Continuity Plan and had a moderate impact on the general business processes.

Further, the outbreak did not have a significant impact on the performance and valuation of assets of the group companies. The group companies did not face liquidity concerns due to the availability of unutilized banking facilities and relaxed monetary policy. The benchmark Policy rates were reduced by 250 bps in March, April, June and July 2020 along with the reduction in Statutory Reserve ratio (SRR) by 1% resulted in a favourable impact on the Group's performance.

Given the above, there is no specific risk factor that may lead to non-achievement of the objective as per the stipulated timeline.

FCH undertakes to disclose the progress of the utilization of proceeds in all of their future interim and annual financial statements, until funds are fully utilized for the objective stated in the Prospectus in the format presented below. Continuous Disclosure regarding the status of utilization of funds raised via the Debenture Issue will be presented in the following format in the subsequent interim and annual financial statements:

Debenture Issue Proceeds utilization as at dd-mm-yyyy

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related party/s etc.)
1	Investment in Listed Debt	LKR 2Bn	12 months from the date of allotment	LKR 0.7Bn	35%	To be disclosed in the Annual Report and the Interim Financial Statements		
2	Investment in Un-Listed Debt	LKR 2Bn	12 months from the date of allotment	LKR 1Bn	50%	To be disclosed in the Annual Report and the Interim Financial Statements		
3	Investment in Listed Equities on the CSE	LKR 2Bn	12 months from the date of allotment	LKR 0.3Bn	15%	To be disclosed in the Annual Report and the Interim Financial Statements		

As per Rule 7.6 (xiii) of the CSE Listing Rules, in the event the proceeds raised are fully utilized in terms of the objective disclosed in the prospectus prior to submission of the Company's next immediate financial statement (i.e. either interim financial statements or annual report), the Company will undertake to disclose the fact that proceeds have been utilized in its entirety as per the above template in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first.

Based on the Company's experience and the growth achieved as at the date there is no specific risk factor that may lead to non-achievement of expanding financial assets within the specific timeline via the proposed Debenture Issue up to LKR 2 Billion. Until such time, the Debenture proceeds are utilized for the specified disbursements, any unutilized Debenture proceeds will be invested in Government Securities or any other suitable investment instrument(s) at the discretion of the Investment Committee of the Company. In the event the Debenture proceeds are not fully utilized as per the stated objective, it will lead to a reduction in net interest margins as the remaining funds would be invested in Government Securities as opposed to listed/unlisted debt which generate higher Net Interest Margin.

Further, dependence of proceeds from the Issue to achieve the objective is marginal as the Company has access to array of funding sources, including different types of borrowings. As such, the proceeds of the Debenture Issue, is only one such source in financing its asset portfolio. In the case of an under subscription of the

Debt Issue, the Company will pursue on the other normal funding sources to finance any gaps required to achieve the growth in asset portfolio. However, we do not envisage any under-subscription of the Debt Issue and will be mitigated through appointing experienced Joint Managers to the Issue, pre-marketing and building a pipeline of potential Investors.

Investments to/with related parties will be carried out in compliance with all applicable statutes, directions and regulations. The Company, as at the date of this Prospectus has not recognized related parties for the Investments of the proceeds from the Issue. As such, the Company will invest the debt proceeds in the ordinary course of business. However, in the event, funds are lent to related parties in future, such lending will be done in accordance with Section 9 of the CSE Listing Rules.

The Company will not seek the shareholder approval for the Issue as it is not applicable.

## 5.5. Interest

The Debt Issue comprises of Debentures of Type A and Type B that will carry rates of interest as described below on the interest payment dates:

Type	Description
Type A	<b>Listed, Rated, Senior, Unsecured, Redeemable Five (05) year Debentures</b> The Debentures will carry a Fixed Interest Rate of 10.00% p.a. payable Annually (AER 10.00% p.a.), issued at a Par Value of LKR 100/- per each Debenture.
Type B	<b>Listed, Rated, Senior, Unsecured, Redeemable Five (05) year Debentures</b> The Debentures will carry a Floating Interest Rate of Weekly AWPLR + 2.00% p.a. payable Annually, issued at a Par Value of LKR 100/- per each Debenture, However such floating Interest Rate shall have the Cap of Twelve decimal Zero Zero per centum (12.00%) per annum and Floor of Nine decimal Zero Zero per centum (9.00%) per annum

In relation to Type A Debentures, Interest on the Debentures accruing on a daily basis will be paid Annually as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The Floating Rate of the Type B Debentures to be determined based on the immediately preceding Average Weighted Prime Lending Rates published on a Weekly basis by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the Average Weighted Prime Lending Rate) at the time of commencement of an Interest Period of Type B Debenture for such period or if not published by the Central Bank of Sri Lanka or any other authority for any reason whatsoever, the last available rates published thereby or such other suitable interest reference rate as may be appropriate and may be made available by the said authorities.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days (irrespective of holidays) in such Interest Period (actual/actual) and will be paid not later than Three (03) Working Days from each Interest Payment Date.

In order to accommodate the Debt interest cycles in the CDS, the payment of interest for a particular Interest Payment Date will include Debt Holders holding Debentures in the CDS as of the Entitlement Date.

Payment of the interest on the Debentures will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Debt Holders. Please refer Section 5.7 for further details on taxes applicable for Debentures.

**5.6. Payment of Principal Sum and Interest**

The Company will redeem the Debentures on the Date of Redemption as specified in Section 5.8 and the interest payments will be made as specified in Section 5.5.

The payment of Principal Sum and Interest will be made either through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as CEFTS, SLIPS and RTGS in the event accurate bank account details of the Debenture Holders are provided to the CDS to effect such transfers or by cheque/s marked "Account Payee Only" sent by ordinary mail to the addresses provided by the Debenture Holders to the CDS, at the risk of the Debenture Holders if bank account details are not provided to the CDS or the bank account details provided to the CDS are inaccurate.

RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

The payment of Principal Sum and Interest will be made in Sri Lanka Rupees in favour of the Debenture Holders as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and Interest will be made to the one whose name stands first in the register of Debenture Holders.

**5.7. Taxation**

Interest on the Debenture will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent at the time the interest payment is due to the debenture holders.

**5.8. Redemption**

First Capital Holdings PLC shall redeem the said Debentures on the expiry of Five (05) years respectively from the Date of Allotment in accordance with the provisions contained in the Trust Deed. Early redemption is not applicable for Debentures issued under this Prospectus, subject to the provisions contained in the Trust Deed. On the Date of Redemption of the Debentures, the Company shall in accordance with the provisions contained in the Trust Deed pay to the Debenture Holders the Principal Sum of the Debentures which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Maturity/ Redemption of the Debenture. If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid up to the date immediately preceding such Market Day (including holidays).

**5.9. Rating of the Debentures**

ICRA Lanka Limited has assigned a rating of [SL]A (pronounced as S L A) with Stable outlook, "[SL]A (Stable)", to these Debentures. A copy of the Rating report issued by ICRA Lanka Limited is set out in Annexure II. The Board of Directors of FCH undertakes to keep the market and the Trustee to the Issue immediately informed on any change to the credit rating of the Debenture when either the Company or any of the Directors are aware of any changes to the credit rating of the Debentures being issued under this Prospectus.

### 5.10. Trustee to the Issue

People's Bank has agreed to act as the Trustee to the Debenture Holders. The Company has entered into an agreement with the Trustee (hereinafter called the "Trust Deed"). Debenture Holders in their Application Forms for subscription will be required to authorise the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as the agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed. The monthly fee payable to the Trustee will be LKR 25,000/- plus statutory levies until maturity of the Debentures. The Trustee has no conflict of interest with the Company, except that the Trustee is one of the banks rendering banking services to FCH.

### 5.11. Rights and Obligations of the Debenture Holder

(a) Debenture Holders are entitled to the following rights.

- Receiving Annual interest at the Rate of Interest as set out in Section 5.5 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.8 of this Prospectus.
- In the event of liquidation, rank above the subordinated debt, ordinary voting and non-voting shareholders and preference shareholders of the Company.
- To receive the Annual Report of the Company within the timeline stipulated in terms of Rule 7.5 (a) of the CSE Listing Rules. Annual Report will be sent to Debenture Holders in CD form, unless a specific request for a hard copy is received by the Company.
- Calling and attending meetings of Debenture Holders under this Debenture Issue as set out in the Trust Deed.

(b) Debenture Holders do not have the following rights:

- Attending and voting at meetings of holders of Shares and other Debentures
- Sharing in the profits of the Company
- Participating in any surplus in the event of liquidation
- Calling for redemption before maturity, subject to the provisions stated in the Trust Deed

(c) Obligations on the Debentures

Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder absolve the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS/Company.

Provided further that the Debenture Holders absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.



## 5.12. Risks Involved in Investing in the Debentures

Subscribers to the Debentures will be exposed to the following risks. It is vital to note that these risks are not unique to Debentures Issued by FCH and apply generally to any Debenture listed in the CSE

### Reinvestment Risk

The calculation for Annual Effective Rate (AER) assumes that the investor is able to reinvest his coupons at the same interest rate. The investor who is paid periodic coupon faces the risk of investing these coupon payments to generate the required AER on his investment. Assuming the investor is unable to invest these coupon payments at the same interest rate on the Debenture, the Debenture Holder may not be able to generate the required AER. In case the investor can find an investment, which yields a higher interest rate than the Debenture interest, the Debenture Holder can generate a higher AER by reinvesting the coupon in such instruments.

### Interest Rate Risk

The price of a Debenture will have a negative correlation with the market interest rates. Interest rate risk captures this relationship between market interest rates and the value of Debentures. If market interest rates rise, the value of the Debentures may fall as market interest rates fall, the value of Debentures may rise (all other factors being equal). If the investor wishes to sell the Debenture prior to its maturity, he might be facing a capital loss/gain if the market interest rates have increased/decreased subsequently. Interest rate risk is irrelevant for the investor who wishes to hold the Debenture until maturity.

### Credit Risk / Default Risk

Risk of the Issuer not being able to pay interest and principal payments as promised on a timely basis is default risk/ credit risk. It is advisable for prospective Debenture investors to take into account the credit rating awarded to the Company and its Debentures by ICRA Lanka Limited, present financial strength as reflected in the Balance Sheet of the Company, assets and earnings growth, experiences and skills of the Directors and Senior management when forming an opinion on default risk. **If the Instrument rating received** by the Company falls below the investment grade rating, the securities of the company will be transferred to the **watch List**.

### Call Risk

Call risk refers to the risk that the issuer will retire all of the Principal Value of the Debentures before maturity. The risk to investor is in that, the timing of the call is not known and the investor will be faced with a re-investment risk in the event the call is made at a time when the market interest rates have declined. The Debentures issued under this prospectus do not have a call option hence free from call risk.

### Liquidity Risk

Liquidity risk refers to the ease with which the Debentures can be sold in the secondary market, after the initial placement. Since the Debentures are listed, should an investor require an exit option; they will be able to sell the Debentures through the CSE in order to convert them to cash and to exit from the investment. Therefore, the liquidity risk is mitigated to a greater degree in the Debenture. Investors have to be mindful of the fact that even though the Debentures are listed, trading of listed debt is not at an advanced stage as the equity markets in Sri Lanka.



### 5.13. Benefits of Investing in the Debentures

- Provides an opportunity to earn a regular cash flow of interest payments on a periodic basis, up to a fixed period of five (05) years.
- Opportunity to realize capital gains according to interest rate fluctuations in the financial market. Also, if held to maturity, there will be no capital loss incurred.
- Listed Debentures provide the investor with an exit option through the CSE thereby bringing liquidity to these Debentures.
- These Debentures could be used as collateral to obtain both corporate and personal facilities from financial institutions, subject to the policies of those institutions.

### 5.14. Transfer of Debentures

- These Debentures shall be freely transferable and transmittable through the CDS as long as the Debentures are listed in the CSE and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- Subject to provisions contained in the Trust Deed, the Company may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- In the case of the death of a Debenture Holder
  - The survivor where the deceased was a joint holder; and
  - The executors or administrators of the deceased (or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased) where such Debenture Holder was the sole or only surviving holder; shall be the only persons recognized by the issuer as having any title to his/her Debentures.
- Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that such person sustains the character in respect of which such person proposes to act or such person's title as the Board of Directors of the Company thinks sufficient, may at the discretion of the Board be substituted and accordingly, registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS, CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognised by the Company.

### 5.15. Listing

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE. It is the intention of the Company to list the Debentures on the Colombo Stock Exchange upon the allotment thereof. There are no other approvals required for the said Debenture issue apart from the approval of the CSE.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Company or of its Debentures.

## **6.0 PROCEDURE FOR APPLICATION**

### **6.1. Eligible Applicants**

Applications are invited for the subscription of Debentures from the following categories of applicants.

- a. Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- b. Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- c. Approved unit trusts licensed by SEC.
- d. Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- e. Regional and country funds approved by SEC and authorized to invest in Debentures.
- f. Non-Residents: foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from Applicants who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act in Gazette No. 12 of 2017 in Gazette No. 2045/56 dated 17<sup>th</sup> November 2017.

When permitting Non-residents to invest in the Debentures, the Company will comply with the relevant Exchange Control Regulations including the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Debentures of companies incorporated in Sri Lanka to foreign investors as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17<sup>th</sup> November 2017.

### **6.2. How to Apply**

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure III of this Prospectus.

The Application Form can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of the Company, [www.firstcapital.lk](http://www.firstcapital.lk) until the Closing Date.

The Prospectus will be made available and can be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of Company, [www.firstcapital.lk](http://www.firstcapital.lk) until the Date of Redemption of the Debentures.

**Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.**

Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B Debentures) under one Application Form.

In the event an applicant wishes to apply for more than one type of Debentures, separate Application Forms should be used. Once an Application Form has been submitted for a particular type of Debentures, it will not be possible for an applicant to switch between the Types of Debentures.

More than one Application submitted by an applicant under the same Type of Debentures will not be accepted. If two or more Application Forms are submitted for one Type of Debentures from a single applicant, those would be considered as multiple Applications and the Company will not accept such multiple Applications or suspected multiple Applications.

- (b) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (c) An applicant of a joint application will not be eligible to apply for the same Type of Debenture through a separate Application Form either individually or jointly. Such applicants are also deemed to have made multiple applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Company shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member). Joint Applicants should note that all parties to the Application should either be residents of Sri Lanka or Non-Residents.

- (d) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- (e) All Applicants should indicate in the Application for Debentures, their CDS account number.

All resident individual Applicants should ensure that;

- If the Applicant's CDS account carries the NIC number, the NIC number of the Applicant is stated in the relevant cage of the Application Form; or
- If the Applicant's CDS account carries the passport number, the passport number of the Applicant is stated in the relevant cage of the Application Form.

All Non-Resident individual Applicants and corporate Applicants should ensure that the passport number/company number and CDS Identification Number (CDS ID) are stated in the relevant cages of the Application Form.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

In the case of Joint Applicants, a joint CDS account in the name of the Joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (f) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (g) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. Original of the POA should not be attached.
- (h) Funds for the investment in Debentures and the payment for Debentures by Non-Residents should be made only out of the monies available to the credit of a "Inward Investment Account" (IIA) of the Non- Resident Applicants opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

**An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.**

- (i) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked **“FIRST CAPITAL HOLDINGS PLC – DEBENTURE ISSUE 2021”** on the top left-hand corner in capital letters and dispatched by post or courier or delivered by hand to the Registrars to the Issue or Collection Points mentioned in Annexure III of this Prospectus.

Applications sent by post or courier or delivered to any Collection Point set out in Annexure III of this Prospectus should reach the office of the Registrars to the Issue, **SSP Corporate Services (Pvt) Limited, No. 101, Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closing Date.** Applications received after the said period will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date or carry a postmark dated prior to the Closing Date.

Applications delivered by hand to the Registrars to the Issue after the Closing Date of the Issue will also be rejected.

**Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.**

**Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.**

**PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.**

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated.

**Hence, DEBENTURE CERTIFICATES WILL NOT BE ISSUED.**

### 6.3. Number of Debentures to be Subscribed

Applicants are allowed to invest in either;

- Debentures of Type A; and/or
- Debentures of Type B

Subject to the minimum subscription under each Type.

A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-). An applicant should apply only for one Type of Debentures under one Application Form.

### 6.4. Mode of Payment

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.
- (b) Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either;
  - A bank guarantee issued by a licensed commercial bank; or
  - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka; or
  - An RTGS transfer with value on the Issue opening date.

**Multiple bank drafts/cheques, bank guarantees or RTGS transfers will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).**

**In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than LKR 100,000,000/- will be accepted**

- (c) Cheques or bank drafts should be made payable to “**FIRST CAPITAL HOLDINGS PLC – DEBENTURE ISSUE 2021**” and crossed “Account Payee Only” and must be honoured on the first presentation.
- (d) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of “**FIRST CAPITAL HOLDINGS PLC – DEBENTURE ISSUE 2021**” in a manner acceptable to the Company and be valid for a minimum of one (01) month from the Issue opening date (i.e. 01 February 2021).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (e) In case of electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS, such transfers should be made to the credit of “**FIRST CAPITAL HOLDINGS PLC – DEBENTURE ISSUE 2021**” bearing the account number **0864-33479690-001** at Seylan Bank PLC – Millennium Branch with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

The Applicant should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of “**FIRST CAPITAL HOLDINGS PLC – DEBENTURE ISSUE 2021**” bearing the account number **0864-33479690-001** at Seylan Bank PLC – Millennium Branch with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of three decimal Zero *per centum* (3.00%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realised before the end of the Closing Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash will not be accepted.
- (g) Payment for the Debentures by Non-Residents should be made only out of the monies available to the credit of a “Inward Investment Account” (IIA) maintained with any licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks and to be in line with the relevant laws of the land.

**An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.**

- (h) The amount payable should be calculated by multiplying the number of Debentures applied for under a particular Type by the Par Value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS, the Application will be rejected.
- (i) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closing Date.



## **6.5. Rejection of Applications**

Application Forms and the accompanying cheques/bank drafts/bank guarantee or CEFTS, SLIPS and RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Company.

Applications received from Applicants who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number, will be rejected.

Any applicant who has applied for more than one Debenture type in a single Application Form will be rejected.

More than one application submitted by an applicant under the same type of Debentures will not be accepted. If two or more application forms are submitted for one type of Debentures from a single applicant, those would be considered as multiple applications and the Company will not accept such multiple applications or suspected multiple applications.

Any application form with more than three (03) natural persons as joint applicants for any type of Debentures will be rejected.

Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the Closing Date will be also rejected even if they carry a post mark dated prior to the Closing Date.

Applications delivered to any place mentioned in Annexure III should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closing Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

## **6.6. Basis of Allotment**

In the event of an oversubscription, the Board shall reserve the right to allocate up to 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.

In the event of an oversubscription, two Directors or any one Director and Director/Chief Executive Officer of the Company to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. The maximum allocation under preferential allotment is 75% of the total number of Debentures to be issued with this Prospectus under any circumstances, unless there is an under subscription from the other investors (Investors that do not fall into the preferential category). In the event of an undersubscription as such, the other investor/s category will be allotted in full and any remaining Debentures will be allocated to the identified investor/s of strategic and operational importance.



Upon the allotments being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Company reserves the right to reject any Application or to accept any Application in part only, without assigning any reason thereto. A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within Ten (10) Market Days from the Closing Date as required by the CSE.

### **6.7. Banking of Payments**

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closing Date as set out in Section 5.3 of this Prospectus, in terms of the CSE Listing Rules.

### **6.8. Refunds**

- Where an Application is rejected for reasons given in Section 6.5 of this Prospectus, subsequent to the cheque being realized, the applicant's money in full or where an Application is accepted only in part, the balance of the applicant's money will be refunded.
- The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS, CEFTS and RTGS or cheque).
- If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.
- If the applicant has provided accurate and complete details of his/her bank account in the application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees One Hundred Million (LKR 100,000,000/-) to the bank account specified by the Applicant, through RTGS and a payment advice will be sent.
- Funds received via IIA accounts will be refunded via IIA accounts in the event there are refunds to be made.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of Joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

<https://www.lankaclear.com/downloads/bank-branch-directory/>

Refunds on Applications rejected, or partly allotted Debentures would be made within eight (08) Market Days from the date of closing the issue (excluding the date of issue). Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately

preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five *per centum* (5.00%) for the delayed period on any refunds not made within this period.

#### **6.9. CDS Accounts and Secondary Market Trading**

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days, from the date of closure of the subscription list. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the Third (3<sup>rd</sup>) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

## 7.0 FINANCIAL AND OTHER INFORMATION

### 7.1. Financial Statements & Financial Summary

The following financial information is hosted on the Company's web site, [www.firstcapital.lk](http://www.firstcapital.lk) and CSE web site, [www.cse.lk](http://www.cse.lk);

- Audited financial statements of First Capital Holdings PLC for the year ended 31<sup>st</sup> March 2020
- Interim financial statements of First Capital Holdings PLC for the quarter ended 30<sup>th</sup> September 2020
- Summarized financial statement for the five years ended 31 March 2016 to 31<sup>st</sup> March 2020 preceding the date of the application stating the accounting policies adopted by the Company certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

### 7.2. Financial Year

The financial year of the Company commences on 01<sup>st</sup> April and ends on 31<sup>st</sup> March.

### 7.3. Particulars of Debt and Loan Capital

The outstanding borrowings of First Capital Holdings PLC as at 30<sup>th</sup> September 2020 comprise the following categories of borrowings;

Group	Amount (LKR.'000)
Securities sold under re-purchase agreements	-
Interest Bearing Borrowings	5,565,120
Debt Securities Issued	-
Bank overdrafts	292,142
<b>Total</b>	<b>5,857,262</b>

Source: Unaudited Financial Statements – 30<sup>th</sup> September 2020

### 7.4. Other Debt Securities in Issue - As at the date of the Prospectus

Debenture Code	Par Value (LKR)	Ranking	Tenor	Interest Rate p.a.	Issue Value LKR (Mn)	Issue Date	Maturity Date
-	-	-	-	-	-	-	-

There are no Debentures of the Company in issue and outstanding Debt Securities convertible to equity as at the date of this Prospectus.

**7.5. Key Financial Ratios/Company**

Description	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
Interest cover* (times)	2.05	1.02	2.92	1.31	1.20
Debt/Equity Ratio** (times)	1.72	2.10	1.85	3.77	5.32
Return on Equity*** (percentage)	27.25%	0.06%	64.40%	10.05%	2.10%

- (a) Interest cover ratio\* = EBIT/Interest Expense
- (b) Debt/Equity ratio\*\* = Debt/ (Debt + Equity)
- (c) Return on Equity\*\*\* = Profit after Tax/Average of the Shareholders' Funds

**7.6. Debt Servicing Details of First Capital Holdings PLC**

Description	2019/20 LKR 000'	2018/19 LKR 000'	2017/18 LKR 000'	2016/17 LKR 000'	2015/16 LKR 000'
Gross interest due on Debentures	-	30,934	47,128	73,550	68,750
Debenture interest paid on or before due date	-	30,934	47,128	73,550	68,750
Debenture interest paid after due date	-	-	-	-	-
Debenture interest not paid as of due date	-	-	-	-	-

**7.7. Litigation, Disputes and Contingent Liabilities****Contingent Liabilities of the Company as at 30<sup>th</sup> September 2020**

Company	Amount (LKR.'000)
Guarantees issued to banks and other institutions	-
Corporate guarantees given on behalf of parent/subsidiaries to obtain loans	674,010
Other contingencies	21,000
<b>Total</b>	<b>695,010</b>

The Annual Report – 2019/20 and subsequent Provisional Financial Statements showed total contingent liabilities amounting to Rs. 295Mn. The difference of Rs. 400Mn reflects a corporate guarantee given to Janashakthi Limited for its bank borrowings. This will be reported in next provisional financial statements/annual reports.

Apart from the Guarantees and Other contingencies mentioned above, the Company is not a party to any material contingent liabilities, litigation, mediation or arbitration proceedings and is not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Company, would have a significant effect upon the Company's financial position, nor has it been a party to any such proceedings in the recent past.

**7.8. Major Shareholders as at 30<sup>th</sup> September 2020**

	Shareholder Name	Shares	%
1.1	Commercial Bank of Ceylon PLC/Janashakthi PLC	31,600,000	31.21%
1.2	Seylan Bank PLC/Janashakthi PLC	25,400,000	25.09%
1.3	Janashakthi PLC	22,119,816	21.85%
1.4	Seylan Bank PLC/Janashakthi PLC	4,628,081	4.57%
1.5	Commercial Bank of Ceylon PLC/Janashakthi PLC	300,703	0.30%
2	People's Leasing & Finance PLC/Mr. D.M.P. Disanayake	794,684	0.78%
3	Mrs. Vasudevan Saraswathi	472,000	0.47%
4	DFCC Bank PLC/Mr. K.S.D. Senaweera	317,000	0.31%
5	Dr. Subashi Nemindi Samarasinghe	300,616	0.30%
6	Mr. Rajapaksa Vithanage Don Piyathilake & Mr. R.V.D.C.G. Rajapakse	277,100	0.27%
7	Mr. Dhanusha Senajith Duke De Lanerolle	275,000	0.27%
8	Mr. Arunasalam Sithampalam	264,000	0.26%
9	Dr. Withana Pathirana Somasiri, Mrs. D. V. A. Wijewardana & Mr. K. Withanapathirana	236,000	0.23%
10	Hatton National Bank PLC/Arunasalam Sithampalam	224,644	0.22%
11	Mr. Samarakoon Mudiyanse Prasanna Kumara Dissanayake	220,928	0.22%
12	Dr. Mayuramana Dewolage	219,757	0.22%
13	Mr. Nagen Dayaranjan Kurukulasuriya	208,836	0.21%
14	Mr. Wickramatunga Arachchi Pathirana Don Mahipala Wickramatunga	190,000	0.19%
15	Mr. Upali Chandrakumara Bandaranayake	165,000	0.16%
16	Mr. Amal Joseph Tissera	161,500	0.16%
17	Seylan Bank PLC/ Tharana Gangul Thoradeniya	156,545	0.15%
18	Mr. Ravindra Earl Rambukwella	142,393	0.14%
19	Citizens Development Business Finance PLC/K.D.C. Somalatha & K. Nandasiri	139,400	0.14%
20	Sithlanka (Private) Limited	135,800	0.13%
	<b>Total</b>		<b>87.85%</b>

## **8.0 STATUARY AND OTHER GENERAL INFORMATION**

### **8.1. Inspection of Documents**

The Articles of Association, Trust deed, Auditor's Report and Five Years (05) Summary of Financial Statements for the five years ended 31<sup>st</sup> March 2016 to 31<sup>st</sup> March 2020, Audited Financial Statements for the Five (05) years immediately preceding the date of this Prospectus, and Interim Financial Statements for the Quarter ended 30<sup>th</sup> September 2020, Issue Rating Report and all other documents referred to in Rule 3.3.12 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Company if any, would be made available from Seven (07) Market Days prior to the Date of Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Company, No. 02, Deal Place, Colombo 03, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of the Company are available on the website of CSE ([www.cse.lk](http://www.cse.lk)) and the website of the Company ([www.firstcapital.lk](http://www.firstcapital.lk)) from Seven (07) Market Days prior to the date of opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.3.13 of the CSE Listing Rules.

Furthermore, copies of the Prospectus and Application Forms are available free of charge from the Collection Points set out in Annexure III of this Prospectus from Seven (07) Market Days prior to the date of opening of the subscription list.

### **8.2. Underwriting**

The Issue is not conditional upon any minimum subscription amount being raised. The Company has not entered into any underwriting arrangement with regard to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full and funds raised shall be utilized to meet the Objective of the Issue as stipulated in Section 5.4 of this Prospectus, the balance funding will be sourced through Bank borrowings and other unutilized credit facilities.

### **8.3. The Minimum Subscription Applicable for Investors**

The minimum subscription requirement applicable for an investor applying for Debentures shall be One Hundred (100) Debentures (LKR 10,000/-). Any application in excess of the said minimum subscription shall be in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter.

### **8.4. Cost of the Issue**

The Board estimates that the total cost of the Issue including fees to professionals, printing, advertising, brokerage and other costs connected with the Issue will be approximately LKR 10 Million. Such costs will be financed by the internally generated funds of the Company.

### **8.5. Brokerage**

Brokerage of 25 cents (LKR 0.25) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any or a member/trading member of the CSE or Joint-Managers to the Issue or any other party identified by the Joint-Managers to the Issue as involved in the Issue.

**8.6. Board Related Party Transactions Review Committee**

The Board established the Related Party Transactions Review Committee in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange. The Related Party Transactions Review Committee, which is appointed by the Board of Directors, presently consist the following members;

- Ms. M. D. A. Perera - Committee Chairperson – Independent, Non-Executive Director
- Mr. N. Fernando - Independent, Non-Executive Director
- Mr. D. Schaffter - Non-Independent, Executive Director/ Managing Director

The Company Secretary, KHL Corporate Services Limited functions as the Secretary of the Related Party Transactions Review Committee.

## 9.0 STATUTARY DECLARATIONS

### Statutory Declaration by the Directors

This Prospectus has been seen and approved by the Directors of First Capital Holdings PLC (“Company”) and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and the Companies Act No. 07 of 2007 and amendments thereto have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, that there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the Directors.

The parties to the Issue have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company. Nevertheless, the Company Secretary, KHL Corporate Services Limited and the Joint-Managers to the Issue, First Capital Limited are related parties of First Capital Holdings PLC.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of the Debentures issued by the Company and those Debentures which are the subject of this issue. We are aware that such permission will be granted when the Securities are listed on the Colombo Stock Exchange and that the Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Further, the listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the Debentures issued.

Name of Director	Designation	Signature
Mr. N. Fernando	Independent, Non-Executive Director / Chairman	Sgd.
Mr. D. Schaffter	Non-Independent Executive Director/ Managing Director	Sgd.
Mr. A. D. E. I. Perera	Independent, Non-Executive Director	Sgd.
Ms. M. D. A. Perera	Independent, Non-Executive Director	Sgd.
Mr. Chandana L. de Silva	Independent, Non-Executive Director	Sgd.
Dr. N. C. de Mel	Independent, Non-Executive Director	Sgd.
Mr. P. Schaffter	Non-Independent, Non-Executive Director	Sgd.
Mr. R. Schaffter	Non-Independent, Non-Executive Director	Sgd.
Mr. D. G. Wirasekara	Non-Independent, Executive Director / CEO	Sgd.



**Statutory Declaration by the Joint-Managers to the Issue**

We, First Capital Limited of No. 02, Deal Place, Colombo 03, who are named in the Prospectus as the Joint-Managers to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and First Capital Holdings PLC whose Debentures are being listed.

Signed by two Directors of First Capital Limited, being duly authorized thereto, on this 19<sup>th</sup> day of January 2021.

Sgd.  
**Director**

Sgd.  
**Director**

We, People's Bank Investment Banking Unit of People's Bank Head office, 13th floor, No. 75, Sir Chittampalam A Gardiner Mawatha, Colombo 02 being the Joint Managers to the Debenture Issue of First Capital Holdings PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and First Capital Holdings PLC.

The Common Seal of People's Bank affixed on the 21st day of January 2021 at Colombo in the presence of Chairman and Actg. Secretary to the Board of People's Bank.

Sgd  
**Chairman**

Sgd  
**Actg. Secretary to the Board**

## ANNEXURE II – CREDIT RATING REPORT



## ICRA Lanka assigns [SL]A rating with Stable outlook to the proposed debenture programme of First Capital Holdings PLC

November 25, 2020

Instrument	Previous Rated Amount (LKR Mn)	Current Rated Amount (LKR Mn)	Rating Action
Proposed Senior Unsecured Redeemable Debenture programme	-	2,000	[SL]A with Stable outlook; assigned
Issuer rating	N/A	N/A	[SL]A with Stable outlook; outstanding
Commercial Paper Programme	1,500	1,500	[SL] A1; outstanding
<b>Total</b>	<b>1,500</b>	<b>3,500</b>	

### Rating action

ICRA Lanka Limited has assigned the issue rating of [SL]A (pronounced S L A) with Stable outlook to the proposed LKR 2,000 Mn (an initial issue of LKR 1,000 Mn with the option to raise a maximum of LKR 2,000 Mn) senior unsecured redeemable debenture programme of First Capital Holdings PLC (FCH or the Company).

ICRA Lanka has an issuer rating outstanding of [SL]A (pronounced S L A) with Stable outlook for the Company. ICRA Lanka also has an outstanding issue rating of [SL]A1 (pronounced SL A one) for the LKR 1,500 Mn commercial paper programme of the Company.

### Rationale

ICRA Lanka has taken a consolidated view of the First Capital group (comprising of First Capital Holdings PLC and its subsidiaries), which is involved in a range of financial services such as primary dealership, equity trading, corporate advisory, debt structuring and asset management. There is a strong interlink between the entities through sharing of a common brand, management team, systems and group treasury functions.

The ratings factor in FCH's status as the holding company of First Capital Treasuries PLC (FCT), the leading standalone primary dealer (PD) currently in Sri Lanka (Issuer rating of [SL]A with Stable outlook). The ratings also factor in the improvement in the capital and gearing profiles, with FCH's group net worth improving to LKR 4.9 Bn in June 2020 (LKR 4.0 Bn in March 2020 and LKR 3.8 Bn in March 2019) due to the healthy performance of its subsidiaries, in particular FCT. FCH's standalone gearing stood at 1.5 times in June 2020 vis-à-vis 1.7 times in March 2020 and 2.1 times in March 2019, while the consolidated gearing reduced to 5.3 times in June 2020, compared to 10.2 times and 9.7 times in March 2020 and March 2019, respectively. The ratings also take note of the presence of other financial services businesses in the First Capital group, although contribution from these entities remains modest presently. Consequently, FCH's performance remains susceptible to the risks inherent to FCT. The ratings also take cognizance of the moderation in FCH's exposure to group and related party entities in Q2 FY2021 compared with the recent past. Going forward, the ability of FCH to maintain a healthy level of earnings, leverage and liquidity while expanding operations would be key from a ratings perspective.



## Outlook: Stable

The outlook may be revised to “Positive” based on FCH’s ability to further improve its liquidity, leverage and capital profiles, and its exposure indicators. The outlook may be revised to “Negative” in case of deterioration in the earnings, leverage, and capital profiles, and in the event of significant increase in the inter-group exposures from current levels over the near-term. Any weakening in FCH’s credit risk profile, impacting dividend income, would also exert pressure on FCH’s ratings.

## Key rating drivers

### Credit strengths:

**Holding company of FCT; thus having exposure to low risk government securities:** FCH holds 94% ownership of FCT, currently the leading standalone primary dealer in the country, with a total net worth of LKR 4.6 Bn in June 2020. On a consolidated basis, exposure to treasury-backed securities contributed to about 72% of the asset base as in June 2020, vis-à-vis 81% in March 2020 and 76% in March 2019. The ratings are supported by the negligible credit risk and healthy liquidity profile of these government securities. However, ICRA Lanka takes cognizance of the non-treasury exposures of FCH, mainly in the form of corporate debt securities and short-term lending to private entities (including related parties), which have a higher credit risk. As in September 2020, related party lending exposures of FCH stood at about LKR 1.4 Bn, reduced from about LKR 3.1 Bn in June 2020 and LKR 1.9 Bn in September 2019. ICRA Lanka would continue to monitor FCH’s non-treasury related party exposures, and a significant increase of the same would be considered a rating negative.

**Good market position offering diverse financial services:** Presence of group entities offering various financial services augurs well with the initiative of the group to diversify its income sources; however, the same remains modest presently, as group performance continues to be driven by the performance of FCT. First Capital Limited (FCL), which is 100% held by FCH and involved in corporate debt structuring, corporate finance advisory services and investments reported a total fee income of LKR 175 Mn in FY2020 (LKR 69 Mn in FY2019) from transaction advisory activities. The company also generated about LKR 1.1 Bn in investment income from proprietary lending and investment activities. The asset management arm of the group, First Capital Asset Management Limited (FCAM) reported a total fee income of LKR 64 Mn in FY2020 (LKR 33 Mn in FY2019), with total assets under management at LKR 26 Bn as in 31 March 2020. First Capital Equities (Private) Limited (FCE), which is a licensed stockbroker on the Colombo Stock Exchange, made a broking income of LKR 71 Mn in FY2020 (LKR 53 Mn in FY2019).

**Strong senior management team and risk management processes reduce market and operational risks:** FCH has a well-experienced management team and a healthy governance structure, with 7 of the 9 board directors being non-executive and 5 directors being independent. The ratings also factor in the good profitability track-record of FCH (along with FCT), where the group has made healthy net interest income, fee income and trading gains over the last five years.

**Improvement in the capitalization profile through healthy internal generation:** Largely supported by the primary dealer operation, FCH recorded a healthy profitability in FY2020 and in the 3 months ended June 2020, leading to a higher accretion to the net worth. Consolidated net worth of FCH increased to LKR 4.9 Bn in June 2020, vis-à-vis LKR 4.0 Bn in March 2020 and LKR 3.8 Bn in March 2019. Consequently, the consolidated gearing stood at 5.3 times in June 2020 vis-à-vis 10.2 times in March 2020 and 9.7 times in March 2019. Stand-alone gearing of FCH was 1.5 times in June 2020, vis-à-vis 2.1 times in March 2019. ICRA Lanka notes that the net worth of the FCH group is in excess of the regulatory capital requirements of the PD business. However, ICRA Lanka also notes that the ultimate parent of FCH, Janashakthi PLC (JPLC,



rated BBB- with Negative outlook by ICRA Lanka) is dependent on the dividends upstreamed by FCH, thus it will be crucial for the company to maintain adequate capital buffers and an overall healthy capitalization profile, going forward. Thus, excessive profit distributions, diminishing the capital buffers would be a rating negative.

## Credit challenges

**Concentration on FCT for overall performance:** Notwithstanding the initiatives to diversify operating income, the overall performance of FCH continues to be largely driven by the performance of FCT; thus, exposing the FCH group to vulnerabilities specific to the PD. As in March 2020, about 82% of the group assets and 71% of the consolidated income were represented by FCT. On a consolidated basis, FCH reported a ROA and ROE of 2.5% and 27.2%, respectively in FY2020 supported by the healthy earnings of FCT, compared with the modest returns of 0.02% and 0.06% in FY2019. Due to favourable market conditions leading to further robust earnings by FCT, on a consolidated basis the ROA and ROE of FCH (annualized) stood at 14.9% and 132.2%, respectively, in the 3 months ended June 2020. However, as interest rates may bottom out in the near term leading to lower trading profits for the PD, the earnings may be comparatively lower in the next 9 months of FY2021. Nonetheless, ICRA Lanka takes cognizance of the growth of FCH's fee-based businesses, in particular the asset management business which has experienced a significant growth in AUM. Fee income from the asset management business along with advisory fees is expected to contribute further to the overall operating income and profitability, going forward.

**Negative cumulative ALM mismatch in short-term buckets:** The standalone funding profile of FCH largely comprises short-term borrowings in the form of commercial papers and short-term loans, against which FCH has extended credit to FCL (about LKR 7.1 Bn in June 2020), which in turn has undertaken various non-treasury related lending and investments. As in June 2020, the combined short-term asset liability mismatch (<1 year) for FCH and FCL stood at around negative 33% (negative mismatch of 18% in June 2019) of the total earning assets, while the same adjusted for repo borrowings on long-term securities stood at negative 14% (positive mismatch of 2% in June 2019). Although the ALM mismatch exposes FCH to re-financing risks, the group's access to funding facilities from banks and other financial institutions (the company had access to about LKR 1.9 Bn in unutilized facilities in August 2020), provides comfort from a liquidity perspective.

**Analytical approach:** For arriving at the ratings, ICRA Lanka has applied its rating methodologies as indicated below.

**Links to applicable criteria:** [ICRA Lanka's Issuer Rating Methodology and ICRA Lanka's Rating Methodology for Primary Dealers](#)

## About the company:

Incorporated in year 1992, First Capital Holdings PLC (FCH) is a public limited company listed on the Colombo Stock Exchange. FCH's equity stake of 83.02% was held by Janashakthi PLC (JPLC) as in June 2020. Previously, FCH was held by Dunamis Capital PLC (DCP). With JPLC's acquisition of DCP in December 2018, JPLC became the ultimate parent of FCH. On December 06, 2019, DCP was amalgamated with JPLC, resulting in DCP ceasing to exist and all of its subsidiaries (namely, FCH and Kelsey Development PLC) becoming the immediate subsidiaries of JPLC.

FCH is engaged in strategic investments and managing its subsidiaries i.e. First Capital Treasuries PLC (FCT) which is a Primary Dealer in Government Securities, First Capital Limited (FCL) engaged in structuring and placement of corporate debt, corporate finance advisory services and investments, First Capital Asset Management Limited (FCAM) engaged in unit trust and portfolio management, First Capital



Trustee Services (Pvt) Limited (FCTS) which is a trustee services provider for corporate debt securities and First Capital Equities (Pvt) Limited (FCE) which is engaged in stock broking activities.

For the financial year ended March 31, 2020, FCH on a stand-alone basis reported a net profit of LKR 1,006 Mn, on a total asset base of LKR 10.2 Bn, vis-à-vis a net profit of LKR 2 Mn on a total asset base of LKR 11.3 Bn during the previous fiscal. For the financial year ended March 31, 2020, FCH group (consolidated) reported a net profit of LKR 1,073 Mn, on a total asset base of LKR 45.6 Bn, vis-à-vis a net profit of LKR 8 Mn on a total asset base of LKR 41.3 Bn during the previous fiscal. For the 3 months ended June 30, 2020, FCH reported a stand-alone net profit of LKR 1,382 Mn on a total asset base of LKR 11.6 Bn and a consolidated profit of LKR 1,457 Mn on a total asset base of LKR 32.5 Bn.

## Key financial indicators (Audited)

### Consolidated

	FY2019	FY2020	Q1 FY2021*
Total Income	4,171	5,220	2,604
Profit after Tax	8	1,073	1,457
Net worth	3,822	3,953	4,875
Total Assets	41,305	45,553	32,521
Return on Equity	0.06%	27.2%	132.2%
Return on Assets	0.02%	2.5%	14.9%
Reported gearing (times)	9.7	10.2	5.3
Adjusted Gearing <sup>1</sup> (times)	12.6	11.0	5.3

### Stand-alone

	FY2019	FY2020	Q1 FY2021*
Total Income	1,216	1,126	230
Profit after Tax	2	1,006	1,382
Net worth	3,641	3,744	4,620
Total Assets	11,317	10,225	11,554
Return on Equity	0.06%	27.2%	132.2%
Return on Assets	0.02%	9.3%	50.8%
Reported gearing (times)	2.1	1.7	1.5

\*Unaudited; Ratios for Q1 FY2021 are annualized.

Note 01: Gearing based on net worth adjusted for one-off deferred tax gains

## Rating history for last three years:

Instrument	Amount Rated (LKR Mn)	Current Rating FY2021		Chronology of Rating History for the past 3 years		
		Nov-20	Oct-20	FY2020 Dec-19	FY2019 Dec-18	FY2018 Sep-17
Issuer rating	N/A	[SL]A (Stable)	[SL]A (Stable)	[SL]A- (Stable)	[SL]A- (Stable)	[SL]A- (Stable)
Commercial paper programme	1,500	[SL]A1	[SL]A1	[SL]A2+	[SL]A2+	[SL]A2+
Senior unsecured redeemable debentures	2,000	[SL]A (Stable); assigned	-	-	-	-





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**ANNEXURE III – COLLECTION POINTS**

Copies of the Prospectus and Application Form can be obtained free of charge from the following Collection Points.

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**Members of the CSE**

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Asia Securities (Private) Limited 4 <sup>th</sup> Floor, Lee Hedges Tower, No.349, Galle Road, Colombo 03. Tel: +94 11 7 722 000 Fax: +94 11 2 372 280 E-mail: <a href="mailto:marketinfo@asiasecurities.lk">marketinfo@asiasecurities.lk</a>	Assetline Securities (Private) Limited 120, 120A, Pannipitiya Road, Battaramulla. Tel: +94 11 4 700 100 Fax: +94 11 4 700 112 E-mail: <a href="mailto:info@assetline.lk">info@assetline.lk</a>
Bartleet Religare Securities (Private) Limited Level “G”, “Bartleet House”, 65, Braybrooke Place, Colombo 02. Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: <a href="mailto:info@bartleetstock.com">info@bartleetstock.com</a>	Capital Trust Securities (Private) Limited 42, Sir Mohamed Macan Markar Mawatha, Colombo 03. Tel: +94 11 2 174 174 Fax: +94 11 2 174 173 E-mail: <a href="mailto:inquiries@capitaltrust.lk">inquiries@capitaltrust.lk</a>

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