

Review of Operations - People's Leasing Company



For People's Leasing Company (PLC), it has been a year of triumph as within just seven years of being in operation, we reached our zenith – becoming the foremost leasing company in Sri Lanka in terms of business volume. Of a total of fifty Central Bank registered leasing institutions of which 38 are members of the Leasing Association of Sri Lanka, PLC is also denoted as one of the specialised dedicated leasing companies among ten such institutions registered with the Central Bank.

The other feather in our cap was to be rated A by Fitch Ratings, an unprecedented rating for a leasing company in Sri Lanka. With this rating, we also became the first dedicated leasing company in the country to obtain a rating.

Our journey

Beginning with just three employees with the objective of being a facilitator to our parent company People's Bank, to extend leasing facilities to its customers, we believe now that PLC has come of age. Gradually releasing our ties from our parent company, we have now become a single business for the People's Bank, having reached the highest credit limit and also being one of its most stable and secure customers with an excellent recovery rate. With the industry growing rapidly, it has therefore become necessary for PLC to venture outwards to other banking institutions to leverage our business possibilities. We have already signed up a facility with Bank of Ceylon for Rs 500 million and armed with the ratings we received during the year, will aim for a debenture issue of Rs one billion in 2004. We have already securitised Rs 2.4 billion from the market. Backing by leading institutions including Hatton National Bank, DFCC, Commercial Bank and National Savings Bank has been a source of strength to us in our endeavours to increase capitalization.

Credit Line Utilisation

PLC has thus far been the biggest user of the Indian Credit Line facility given to Sri Lanka notching up Rs 2.9 million in business volume with the release of 3,200 buses and being the proven market leader in providing facilities to the transport sector. We believe that this has been one of the biggest contributors towards easing the public transport problems that Sri Lankan citizens have faced due to the increasing transit population into urban areas for employment. With the BOC acting as the apex bank and under the same credit line, we also imported a further 300 buses in December 2003 and the company's omnibus portfolio now constitutes 41% of PLC's total gross portfolio with a healthy rate of recovery.

Further, with other heavy industries showing signs of development due to increased economic development

mainly in the construction industry, we have now ventured into importing trucks and by the end of this year 105 trucks were released into the country.

Growth

With the company's leasing portfolios covering transport equipment, plant and machinery, office equipment, automation products and agricultural equipment, PLC has recorded a net profit of Rs 229.5 million by 31st December 2003 with a growth path of 94%, compared to Rs 118.5 million which also saw a fantastic growth path of 100% that year. The total turnover improved 75% this year compared to 38% last year.

For each of the last five financial years, we invested over Rs 1 billion each and from April 2002 to March 2003, our investment amounted to an unprecedented Rs 4.6 billion (at cost of asset) in new business. This showed a growth of 163%. This year too we have followed similar patterns with new investment amounting to Rs 4.75 billion (for the 9 months ending December 2003, a growth of 53%). Thus our forecasted targets have been exceeded by 43% with the month of October 2003 showing the best increase in volumes.

Our year of resounding success continued with the lease rental portfolio increasing from Rs 5.93 billion to Rs 10.23 billion recording a growth of 72.5%.

Business Strategy

One of the keys to our exceptional success has been our recovery strategy, which through the recovery profile has been a key component in our high average recovery rate. Building on our excellent customer relations and sympathetic stance in times of trials, our new recovery policy seeks to protect the interests of both the lessee and



PLC are at the forefront of the leasing business with vehicle leasing being a co-strength.

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the company, laying emphasis on the dialogue and negotiation process. By March 2003, PLC had achieved an average rate of recovery of 91.5% and by December this year our average has remained on similar lines at 90%.

Over the last two years, we also adopted a comprehensive Strategic Business Performance Plan with clearly defined goals and objectives in line with our Vision of being the most innovative, speedy and customer friendly lease provider in the country, offering low rates of interest, flexible payments and a hassle free efficient service. This plan, which fortifies all our processes and strategies, also introduces a framework wherein a target driven culture pursuant on merit is inculcated into the working processes of the company.

Branches

With 12 branches islandwide to facilitate the ease of leasing at very attractive rates, our branch business brought in a volume of Rs 1.9 billion for 9 months in 2003, a great success over the figure of last period which was Rs 1.2 billion for 9 months in 2002. The recovery rate too was extremely high and notched an average recovery rate of 91.7%. Our presence denotes the islandwide concept more aptly now with branches inaugurated this year in Trincomalee, Kalutara and Ambalantota.

People Relationships

Our 215 strong team have always been team players and have worked together to take PLC to the top. They have continued to be involved in the decision making process and have been professional and proficient in finding solutions to challenges in our seven years of operation. We place a large emphasis on effective training & development with a goal of career development and motivation that will empower them to handle responsibilities with confidence. It is they who have been in the forefront of excellent customer relations and have built strong and lasting relationships over the years to give not only our customers a personalised service but also to give our stakeholders the confidence of our company's stability and solidity in a very competitive marketplace.

Looking ahead

Our gradual repositioning to an individual identity from being under the wings of the People's Bank, has allowed us to draw strength from the past relationship and also venture into newer areas of business fearlessly. Our Rate of Return to shareholders has been impressive and we believe that we have contributed tremendously to the bottom line of the People's Bank too, in our role as a customer. Our dividend payments for the last four years have always averaged at a minimum of 25% and this year too will be no

exception. With our asset portfolio currently standing at Rs 9.5 billion and general provision of 3.35% being more than the standard requirement and probably among the highest within the industry, our strategy under our Year of Consolidation for 2003/2004 has been to focus on reaching out strategically to provincial areas, emphasis on customer retention and the diversification of products. We aim to develop Management Information Systems (MIS) and internal controls to further streamline our processes and leverage our IT strengths into networking all our branches to the Head Office enhancing it with a uni-banking system which will enable access to information and payments anywhere.

Being declared the market leader in leasing, we now aim to remain at the top, harnessing our resources to continue our journey in a constantly evolving marketplace. Given the strengths we have adopted thus far, we believe the targets we have set for ourselves are achievable and attainable.