



HAYLEYS PLC

Debenture Issue Prospectus

2018



Joint Managers to the Issue



DEBENTURE ISSUE 2018



**For an initial Issue of 30,000,000 (Thirty Million) Listed Rated Unsecured Senior Redeemable Five Year (2018/2023) Debentures of Sri Lankan Rupees 100/- (LKR One Hundred) each, to raise
Sri Lankan Rupees Three Billion (LKR 3,000,000,000/-)
With an option to issue up to a further 10,000,000 (Ten Million) Debentures to raise
Sri Lankan Rupees One Billion (LKR 1,000,000,000/-)
at the discretion of the Company in the event of an oversubscription of the initial Issue
totalling to Sri Lankan Rupees Four Billion (LKR 4,000,000,000/-)**

To be listed on the Colombo Stock Exchange

Rated '[SL]AA-(Negative)' by ICRA Lanka Limited

**Issue opens on
24 July 2018
This Prospectus is dated 17 July 2018.**

Joint Managers to the Issue

**Capital Alliance Partners
Limited**



**NDB Investment Bank
Limited**



**People's Bank Investment
Banking Unit**



The CSE has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Debentures issued herein. Please note that the company is bound by the enforcement rules set out in the CSE Listing Rules.

The delivery of this Prospectus shall not under any circumstance 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 is a material change, such material change will be disclosed to the market.

If you are in doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Managers to the issue, your Stockbroker, Lawyer or any other Professional Advisor.

Responsibility for the Content of the Prospectus

This Prospectus has been prepared by Capital Alliance Partners Limited, NDB Investment Bank Limited and the People's Bank Investment Banking Unit, on behalf of Hayleys PLC. Hayleys PLC (hereinafter referred to as "HAYL" or the "Company") 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 authorized. 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, examination and assessments on Hayleys PLC and the terms of the Debentures issued (knowledge, perception together with their own examination and assessment on Hayleys PLC and the terms and conditions of the Debentures issued) including risks associated.

Registration of the Prospectus

A copy of this Prospectus has been delivered for registration to the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (the "Companies Act"). The following documents were attached to the copy of the Prospectus delivered to the Registrar General of Companies in Sri Lanka:

1. The written consent by the Joint Managers to the Issue, Lawyers to the Issue, Bankers to the Issue, Auditors and Reporting Accountants to the Issue, Trustees to the Issue, Credit Rating Agency to the Issue and Registrar to the Issue for the inclusion of their respective names in this Prospectus.

2. A declaration by each of the Directors of the Company in terms of the Companies Act and confirming that each of them have read the provisions of the Companies Act and CSE Listing Rules relating to the issue of a Prospectus and that those provisions have been complied with.
3. The said Joint Managers to the Issue, Lawyers to the Issue, Bankers to the Issue, Auditors and Reporting Accountants to the Issue, Trustees to the Issue and Registrar to the Issue 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 "Risks Related to the Debentures" in Section 5.17 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

Instrument	Listed Rated Unsecured Senior Redeemable Debentures
Issue Rating	'[SL]AA-(Negative)' by ICRA Lanka Limited
Number of Debentures to be Issued	30,000,000 (Thirty Million) Debentures with the option to increase by a further 10,000,000 (Ten Million) Debentures, totalling up to a maximum of 40,000,000 (Forty Million) Debentures.
Aggregate Face Value/Investment Value of the Issue	LKR 4,000,000,000/- (Sri Lankan Rupees Four Billion)
Face Value/Issue Price/Par Value of Debenture	LKR 100/- (Sri Lankan Rupees One Hundred)
Tenure of Debentures	5 Years (2018/2023)
Interest Rates	Type A: Fixed Coupon Rate of 12.50% p.a. payable Semi-annually (AER: 12.89%) Type B: Floating Coupon Rate of AWPLR + 1.00% per annum, payable semi-annually
Minimum Subscription	Minimum subscription per application is 100 Debentures (LKR 10,000/-). Applications exceeding the minimum subscription should be in multiples of 100 Debentures (LKR 10,000/-).
Issue Opening Date	24 July 2018, however, Applications may be submitted forthwith.
Issue Closing Date	13 August 2018 or such earlier date on which the initial Thirty Million (30,000,000) Debentures are fully subscribed, unless otherwise decided by the Company to keep the Subscription List open until subscription of a further Ten Million (10,000,000) Debentures or part thereof as may be decided by the Company, or any clause, as per Section 5.15 of this Prospectus.

Basis of Allotment	To be allotted at the discretion of the Board of Directors in a fair manner within Seven (7) Market Days from the Date of Closure (Refer Section 6.7) However, the Number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise, will not exceed 75% of the total number of Debentures to be issued with this Prospectus under any circumstances, unless there is an undersubscription 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 institutional investor/s.
Date of Payment of Interest	Interest Payments will be made no later than three (03) Market Days from the due date of interest (Excluding such due date of interest).
Method of Payment of Principal and Interest	Through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS (arranged only at the expense of the investor). RTGS transfers however could be effected only for amounts over and above the maximum value (Sri Lankan Rupees Five Million) that can be accommodated via SLIPS transfers or by cheque marked "Account Payee Only" in the event accurate bank details have not been provided. If the Applicant has not provided details of his bank account in the Application, the entity shall make such payments to the Applicant by way of a cheque.
Maturity date	On completion of Five (05) years from the Date of Allotment, or on such earlier date on which the Debentures are redeemed or become payable in terms of the Trust Deed.

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1.0 CORPORATE INFORMATION

The Company	Hayleys PLC
Legal Form of the Company	Hayleys PLC is a Listed Company domiciled in Sri Lanka incorporated under the Companies Ordinance, No 51 of 1938. The Company was re-registered under the new Companies Act No. 07 of 2007.
Date of Incorporation	31 st of May 1952
Company Registration No.	PQ 22
Issuer Rating	'[SL]AA-(Negative)' by ICRA Lanka Limited
Place of Incorporation	Colombo, Sri Lanka
Registered/Business Office	Hayleys PLC No. 400, Deans Road, Colombo 10.
Company Secretaries	Hayleys Group Services (Private) Limited No. 400, Deans Road, Colombo 10.
Auditors to the Company	Ernst & Young, Chartered Accountants No. 201, De Saram Place, Colombo 10.
Credit Rating Agency	ICRA Lanka Limited #10-02 East Tower, World Trade Centre, Colombo 01.
Bankers	Bank of Ceylon Citi Bank Commercial Bank of Ceylon PLC Deutsche Bank DFCC Bank PLC Hatton National Bank PLC Habib Bank Hong Kong and Shanghai Banking Corporation NDB Bank PLC Seylan Bank

	Standard Chartered Bank People's Bank National Savings Bank Sampath Bank	
Board of Directors	Mr. A. M. Pandithage Mr. K. D. D. Perera Mr. S. C. Ganegoda Mr. H. S. R. Kariyawasan Dr. H. Cabral Mr. L. T. Samarawickrama Mr. L. R. V. Waidyaratne Mr. M. H. Jamaldeen Mr. M. Y. A. Perera Mr. N. L. S. Joseph Ms. J. Dharmasena	Chairman & Chief Executive Co Chairman (Non-executive) Executive Director Executive Director Non-Executive Independent Director Executive Director Executive Director Non-Executive Independent Director Non-Executive Independent Director Non-Executive Independent Director Executive Director

2.0 RELEVANT PARTIES TO THE ISSUE

Joint Managers to the Issue	Capital Alliance Partners Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02. T: +94 11 2317777 F: +94 11 2317788
	NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha, Colombo 04. T: + 94 11 2300385-90 F: +94 11 2300393
	People's Bank Investment Banking Unit No.75, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T: +94112206782
Lawyer to the Issue	Nithya Partners 97 A, Galle Road, Colombo 03. T: +94 11 4712625 F: +94 11 2328817
Registrar to the Issue	P W Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road, Colombo 08. T: +94 11 4640360-3 F: +94 11 4740588
Bankers to the Issue	National Development Bank PLC 40, Nawam Mawatha, Colombo 02. T: +94 11 2445010 F: +94 11 2449889
Trustee to the Issue	Bank of Ceylon Head Office, Bank Square,

	No 1, Bank of Ceylon Mawatha, Colombo 01. T:+ 94 11 2340890 F:+ 94 11 2340890
Auditor and Reporting Accountant to the Issue	Ernst & Young, Chartered Accountants No. 201, De Saram Place, Colombo 10. T: +94 11 2463500 F: +94 11 2697369
Rating Agency to the Issue	ICRA Lanka Limited #10-02 East Tower, World Trade Centre, Colombo 01. T: + 94 11 4339907 F: + 94 11 2333307

3.0 ABBREVIATIONS USED IN THE PROSPECTUS

AER	Annual Effective Rate
ATS	Automated Trading System
AWPLR	Average Weighted Prime Lending Rate
CAL	Capital Alliance Partners Limited
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Private) Limited
CSE	Colombo Stock Exchange
FCBU	Foreign Currency Banking Units
FY	Financial Year
HAYL	Hayleys PLC
ICRA	ICRA Lanka Limited
IIA	Inward Investment Account
LCB	Licensed Commercial Bank
NDB/NDBIB	National Development Bank/NDB Investment Bank Limited
NIC	National Identity Card
POA	Power of Attorney
RGFCA	Resident Guest Foreign Currency Account
RGRCA	Resident Guest Rupee Current Account
RTGS	Real Time Gross Settlement
Rs./LKR	Sri Lankan Rupees
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Interbank Payment System
USD	US Dollar
VAT	Value Added Tax
WHT	Withholding Tax
YoY	Year on Year

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant/s	Any investor who submits an Application Form under this Prospectus.
Application Form/Application	The Application Form that constitutes part of this Prospectus through which the investors may apply for the Debentures in issue.
AWPLR	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.
Board/Board of Directors/Directors	The Board of Directors of Hayleys PLC.
Closure Date	The Date of Closure of the Subscription List as set out in Section 5.15 of this Prospectus.
Date of Allotment	The date on which the Debentures will be allotted by the Company to Applicants subscribing hereto.
Date of Redemption	The date on which Redemption of the Debentures will take place as referred to in Section 5.8.
Debentures	Listed Rated Unsecured Senior Redeemable Debentures (2018/2023) to be issued pursuant to this Prospectus.
Entitlement Date	The Market day immediately preceding the 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.
Interest Payment Date	The dates on which payments of interest for the said Debentures shall fall due, which shall be the date Six (06) months from the Date of Allotment and every date Six (06) months thereafter of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.

Interest Period	The Six (06) month period from the date immediately succeeding a particular Interest Payment Date and ending on the 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 first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding 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).
Local Time	Sri Lanka Time (UTC+05:30)
Market Day	Any day on which CSE is open for trading.
Prospectus	This Prospectus dated 17 July 2018
Redemption	The repayment of Principal at maturity together with any interest accruing up to that time.
Senior	In relation to the Debentures, senior means 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 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 ordinary and preference shareholder/s of the Company.
Trust Deed	Trust Deed dated 16 July 2018 between Hayleys PLC and the Trustee.
The Company/Issuer/ HAYL	Hayleys PLC
Unsecured	The Debentures will not be secured by any specific assets of the Company.

5.0 ISSUE DETAILS

5.1 Issue Summary

The Board of Directors of Hayleys PLC on 24th April 2018 resolved to borrow from the public, LKR 3,000,000,000/- (Sri Lankan Rupees Three Billion) with an option to raise a further LKR 1,000,000,000/- (Sri Lankan Rupees One Billion), in the event of the oversubscription of the initial issue by way of issuing Listed, Rated, Unsecured, Senior, Redeemable Five (05) year (2018/2023) Debentures as outlined in this Prospectus.

Types of Debentures will be offered to the public:

Type	Tenure	Interest rate	Issue Price	Par Value
A	5 Years (2018/2023)	Fixed rate of 12.50% p.a. payable semi-annually (AER: 12.89%)	LKR 100.00	LKR 100.00
B	5 Years (2018/2023)	Floating Coupon Rate of AWPLR +1.00% per annum, payable semi-annually	LKR 100.00	LKR 100.00

These Debentures will be listed on the CSE.

Full subscription of the issue will result in a cumulative face value of a maximum of Sri Lankan Rupees Four Billion (LKR 4,000,000,000/-).

The public could subscribe for any number (subject to the minimum subscription and the maximum Issue value) of Debentures mentioned above. The minimum subscription would be Sri Lankan Rupees Ten Thousand (LKR 10,000/-) and thereafter in multiples of Sri Lankan Rupees Ten Thousand (LKR 10,000/-).

The Debentures will be allotted at the discretion of the Board of Directors in a fair manner within Seven (07) Market days from the Date of Closure. However, the number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise, will not exceed 75% of the total number of Debentures to be issued with this Prospectus under any circumstances, unless there is an undersubscription from the other investor/s (Investors that do not fall into the preferential category). In the event of an undersubscription of the other investor/s category as such, the other investor/s category will be allotted in full and any remaining debentures will be allocated to the identified institutional investor/s.

5.2 Objectives of the Issue and Specific Risks Relating to the Objectives

The proposed Debenture issued up to a maximum of LKR 4,000,000,000 (Rupees Four Billion) contemplated through this Prospectus would be utilised to restructure its debt portfolio by re-financing its short term borrowings.

Borrowings to be re-financed (Outstanding amounts at 16 July 2018)

Lender*	Loan Amount (outstanding)	Interest Rate	Tenor	Interest Frequency	Issue Date	Settlement Date	Purpose
HNB	Rs. 1,893 Mn	AWPLR plus (+) 2.00%	9 months	Monthly	19 Sep 2017	19 September 2018	Acquisition of Singer Sri Lanka PLC
NDB	Rs. 1,000 Mn	11.45%	Revolving basis	Monthly	09 May 2018	09 August 2018	Working Capital
Commercial Bank	Rs. 900 Mn	12.00%	Revolving basis	Monthly	09 July 2018	09 August 2018	Working Capital
Seylan Bank**	Rs. 372 Mn	11.00%	Revolving basis	Monthly	01 June 2018	01 August 2018	Working Capital

**None of the above lenders are related parties to the Company.*

***All loans would be settled in full except for the loan taken from Seylan Bank. The loan taken from Seylan Bank would be partially settled up to Rs. 207Mn in line with the issue proceeds.*

The Company has decided to execute this Debenture Issue, in order to raise the funds to re-finance part of its short term borrowings thereby restructuring its debt portfolio and to gain access to a larger investor base including insurance funds, pension funds and unit trusts. The basis adopted by the Company to prioritize the above mentioned short term borrowings to be re-financed was solely based on the cost of borrowing (the loans with highest interest cost would be settled through the proceeds of the Debenture Issue). Further the readily available liquidity will reduce risk premium, thereby reducing the overall cost of borrowing.

It is the understanding of the Company that the above mentioned objectives of the Debenture Issue will be achieved during the specified timelines, HAYL would opt to invest the Debenture proceeds in Government Securities at zero default risk or any other investment opportunity as may be decided by the Board of Directors until funds are fully utilised.

Investment in Government Securities is expected to generate a return of 7.75% to 8.94% p.a. at current rates. Nevertheless, if the Company decides to invest such funds in other investment opportunities; the Company will make a market announcement prior to proceeding with any other investment opportunity subject to following the due process.

The Company undertakes to disclose the progress of the utilization of proceeds in the format outlined below, in all of their future interim and annual financial statements, until funds are fully utilized for the respective objectives stated in the Prospectus.

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 the Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of Utilized against allocation (B/A)	Clarification if not fully utilized including where are the funds invested (e.g. whether lent to related party/s etc.).
1								
2								
3								

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the prospectus prior to submission of the Company's next immediate financial statements (i.e. either Interim Financial Statements or Annual Report), the Company would disclose by way of a market announcement, the fact that proceeds have been utilized in its entirety as per the above template.

Hence, there are no significant risk factors that may lead to the non-achievement of Debenture IPO objectives within the specified timeline. However, in the unlikely event of non-achievement of the said objectives, the Company shall allocate the funds for its other objectives after making an announcement and receiving the relevant approvals.

Further, in terms of the Articles of Association of the Company shareholder approval is not required for this Debenture issue.

5.3 Nature of the New Debentures

- Type A: Listed Rated Unsecured Senior Redeemable Debentures with a maturity period of Five (05) years repayment of capital at maturity and interest payable semi-annually until expiry to be issued at par LKR 100.00 (Sri Lankan Rupees One Hundred) per each Debenture and redeemed at par at LKR 100.00 each with a Fixed rate of 12.50% p.a. payable semi-annually (AER: 12.89%).
- Type B: Listed Rated Unsecured Senior Redeemable Debentures with a maturity period of Five (05) years repayment of capital at maturity to be issued at par LKR 100.00 per each Debenture and redeemed at par at LKR 100.00 (Sri Lankan Rupees One Hundred) each with a Floating Coupon Rate of AWPLR + 1.00% per annum, payable semi-annually.

5.4 Size of the Issue

If the Forty Million (40,000,000) Debentures are fully subscribed, the Issue would raise Rupees Four Billion (LKR 4,000,000,000/-) in total.

5.5 Interest Rate

Type A: Five Year (2018/2023) Debentures with a fixed coupon rate of 12.50% p.a. payable semi-annually (AER: 12.89%)

Type B: Five Year (2018/2023) Debentures with a Floating Coupon Rate of AWPLR + 1.00% per annum, payable semi-annually.

The interest payments in respect of the Debenture will be as follows:

The semi-annual interest payment would fall on the expiry of every Six (06) months from the Date of Allotment of the Debentures and every Six (06) months thereafter until the Date of Redemption and will be payable no later than Three (03) Market days from the Interest Payment Date (Excluding such Interest Payment Date).

The first interest payment in respect of the Debentures shall fall due on the Date of Expiry of Six (06) months from the Date of Allotment for Type A and Type B Debentures. The final interest payment will be paid with the Principal Sum on the Date of Maturity/Redemption of the Debentures.

The Floating Rate of the Type B 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.

The interest calculation will be based upon the actual number of days in each interest payment period (Actual/Actual).

Any statutory taxes and/or dues that may be applicable at the time of the interest payment will be deducted.

5.6 Listing

An Application for Listed Rated Unsecured Senior Redeemable Debentures has been made to the CSE for permission to deal in and obtain a listing, at a par value of LKR 100/- (Sri Lankan Rupees One Hundred) each, all of which are offered to the public by way of this Debenture Issue and it has been approved in principle.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. A Listing on the CSE is not to be taken as an indication of the merits of Hayleys PLC or of the Debentures issued.

5.7 Payment of Principal and Interest

Payment of Principal and interest will be made in Sri Lankan Rupees after deducting any taxes at source and charges thereon (if any) to the Debenture Holders registered as at the Entitlement Date (In case of joint Debenture Holders, the payment will be made to the one whose name stands first in the Register of Debenture Holders).

In the event accurate bank account details are provided to the CDS by the Debenture Holders, the payment of principal sum and interest shall be made to Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as RTGS (arranged only at the expense of the investor) or SLIPS. RTGS transfers however shall be accommodated only for amounts over and above the maximum value of Sri Lankan Rupees Five Million that can be accommodated via SLIPS transfers.

If the Debenture Holder has not provided to the CDS, accurate and correct details of his/her/its/their bank account/s for the payment of principal sum and interest, such payment to the Debenture Holder will be posted to the address registered with the CDS, through registered post to the Debenture Holder, by crossed cheques marked "Account Payee Only". Interest payable will be made only by cheques within Three (03) Market days from the end of each period.

In order to accommodate the Debenture interest cycles in the CDS, interest payments shall not include the Debenture Holders holding Debentures in the CDS as at the last day of the Payment Cycle but one day prior to the Interest Payment Date.

5.8 Redemption

The Debentures are redeemable at the maturity on the expiry of Five (05) years from the Date of Allotment in accordance with the provisions contained in the Trust Deed.

Notwithstanding the foregoing, these Debentures may be redeemed by the Company prior to maturity in accordance with Clause 4.3 of the Trust Deed which provides for the Company to redeem the Debentures before maturity subject to approval of the Holders of 2/3 of the par value of the Debentures outstanding.

The Debenture Holders shall not have any right or option to call for redemption of the Debentures before the date of maturity of such Debentures, except in the circumstances where the Debentures have become immediately payable in terms of Clause 11 of the Trust Deed.

On the Date of Maturity/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 for the avoidance of doubt interest shall be paid for the intervening days which are not Market Days. For the avoidance of doubt it should be noted that no interest on interest would be payable for the aforesaid interim period.

5.9 Trustees to the offering

Bank of Ceylon - Head Office, Bank Square, No. 1, Bank of Ceylon Mawatha, Colombo 01, has agreed in writing to act as the Trustee to the Debenture Issue and has issued a consent letter to this effect. The Company has entered into an agreement with the Trustee (hereinafter called the "Trust Deed").

Debenture Holders in their application for subscription will be required irrevocably to authorise the Trustee, subject to overriding clauses in the Trust Deed, to act as their agent in entering into such deeds, writings, instruments with the Company and to act as agents and Trustees for the Debenture Holders in order to facilitate the protection of the Debenture holders investment and return.

The rights and obligations of the Trustee are set out in the Trust Deed, a copy of which is available for inspection as mentioned in Section 5.16 of this Prospectus. The Debentures shall be subject to the terms and conditions and confer such rights as are incorporated in the said Trust Deed. There is no conflict of interest arising between the Trustee or its Directors and the Entity. We further note that Bank of Ceylon is a banker to the Company as mentioned on Page 1 – Section 1.0 – Bankers.

5.10 Cost of the Issue

The Directors estimate that the total cost of the issue including the Listing fee, Trustee fee, Brokerage, Printing, Marketing, Managers and Registrars fees and other costs connected with the issue will be approximately LKR 20 million and will be funded by Hayleys PLC.

5.11 Brokerage

Brokerage at the rate of 0.15 per centum of the investment value of the Debentures will be paid in respect of the number of Debentures allotted on applications bearing the stamp of any member and trading member of the CSE and any agent appointed by the Company.

5.12 Rights of Debenture Holders

Debenture Holders are entitled to the following rights

- Receive principal on the Date of Maturity/Redemption and interest on the Debentures as per Sections 5.5, 5.7 and 5.8 of this Prospectus and the provisions contained in the Trust Deed.
- In the event of liquidation, Listed, Rated, Unsecured, Senior, Redeemable Debentures will rank after all the claims of secured creditors and 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 ordinary and preference shareholder/s of the Company.
- To call, receive notice, attend and vote at the meetings of the Debenture Holders in accordance with the provisions contained in the Trust Deed pertaining to this Debenture issue.
- The other rights of the Holders of these Debentures are set out in the Trust Deed.
- To receive a copy of the Annual Report within Five 05 months of the year end.

Debenture Holders are NOT entitled to the following rights

- Attending and voting at meetings of Holders of shares and other types of debentures.
- Sharing in the profits of the Company.
- Participating in any surplus in the event of liquidation.

Obligations on the Debentures

- The Company shall repay the principal sum on the Date of Maturity/Redemption and interest on the Debentures as per Sections 5.5, 5.7 and 5.8 of this Prospectus and the provisions contained in the Trust Deed and comply with all other terms and conditions stipulated in the Trust Deed in respect of these Debentures.
- When making payment of the principal sum and interest on the Debentures, the Company shall always act on the information furnished by the CDS and it shall be the responsibility/obligation of each Debenture Holder to keep all the information in respect of such Debenture holder updated in the CDS. Each Debenture Holder shall absolve the Company from any responsibility or liability in respect of any error or absence of necessary changes in the information recorded with the CDS. In addition the Debenture Holder shall absolve CDS and CSE from any responsibility or liability in respect of any error or absence of any necessary changes initiated by the Debenture Holder in the information recorded with the CDS.

Benefits of investing in Debentures offered by the company

- Provides an opportunity to diversify the investment portfolio of the investor.
- Provides the investor with a regular cash inflow of interest payments.
- Provides the investor with an opportunity to invest in Debentures issued by a leading Company in Sri Lanka.
- Being listed on the CSE, the Debentures will have a secondary market, thus providing the investor with an opportunity to exit at the market price prevailing at the time of divestiture.
- The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions.

5.13 Credit Rating

ICRA Lanka Limited has assigned '[SL]AA-(Negative)' rating for Listed, Rated, Unsecured, Senior, Redeemable Debentures from the report dated 09 May 2018. The rating report issued by ICRA Lanka Limited is set out in Annexure II of this Prospectus.

5.14 Transfer of Debentures

- These Debentures shall be freely transferable 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 recognised 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 Debenture holder sustains the character in respect of which such Debenture Holder proposes to act or such Debenture holder'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 Subscription List and Closure Date

The Subscription List for the Listed, Rated, Unsecured, Senior, Redeemable Debentures pursuant to this Prospectus will open at 9.00 a.m. on 24 July 2018 and shall remain open for Fourteen (14) Market Days until closure at 4.30 p.m. on 13 August 2018.

However, in the event of an over subscription of the Forty Million (40,000,000) Debentures, the Subscription List will close at 4.30 p.m. on the same day on which it is fully subscribed, with notification to the CSE.

The Subscription List will be closed on an earlier date at 4.30 p.m. with notification to the CSE in an instance the Board of Directors of the Company decides to close the Issue upon the initial Issue of Thirty Million (30,000,000) Debentures becoming fully subscribed. In the event the Board of Directors of the Company decides to close the Issue without the full subscription of the 1st tranche, such a

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.

In the event of an oversubscription of the initial Issue, if the Company exercises the option to increase the Issue by a further Ten Million (10,000,000) Debentures and decides to close the Issue prior to the said Ten Million (10,000,000) Debentures being fully subscribed, the subscription list will close at 4.30 p.m. on the Market Day succeeding the date of notification made to the CSE.

Applications may however be made forthwith in the manner set out in Section 6.0 and accordingly, duly completed Application forms will be accepted (Applications available dates) by Managers to the Issue, Registrars to the Issue or by any Member/Trading Member firm of the CSE as set out in the Collection Points of Annex III of this Prospectus.

5.16 Inspection of Documents

Certified copies of the Articles of Association of the Company, the Audited financial statements of the Company for the last five years ending 31 March 2014, 2015, 2016, 2017 and 2018, Rating Report, Trust Deed and all other documents pertaining to the Company to which references are made in this Prospectus could be inspected by the public during normal business hours at the Registered Office of Hayleys PLC from the date hereof, until the Date of Maturity of the Debentures issued.

In terms of Rule 3.3.11 (b) of the CSE Listing Rules; the Prospectus, Articles of Association of the Company and the Trust Deed are also hosted in the Company's website, www.hayleys.com and the CSE website, www.cse.lk, from the date of opening of the Subscription List until the Date of maturity of the Debentures.

5.17 Risks Related to the Debentures

1. Reinvestment Risk

Interest on the Debentures are payable semi-annually for the Type A debentures and the Type B Debentures. An investor may decide to reinvest this interest payment and earn interest from that point onwards until maturity. Depending on the prevailing interest rates at the point of reinvestment, the interest rates at which Debenture Holders will reinvest such interest received being higher or lower than the return offered by the Debentures is known as Reinvestment risk.

2. Interest Rate Risk

The price of a typical 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 till maturity.

3. Credit 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 investors of the Debenture to take into account the credit rating awarded to the Company and to its Debentures by ICRA Lanka Limited, present financial strength as reflected in the Balance Sheet of the Company, asset and earnings growth and experience and skills of the Directors and senior management when forming an opinion on default risk. ICRA Lanka Limited has assigned a credit rating of '[SL]AA-(Negative)' for the Listed, Rated, Unsecured, Senior, Redeemable Debenture issue of Hayleys PLC (Refer Annex II for Rating Report) and this credit rating will be reviewed periodically.

4. Liquidity Risk

Liquidity risk refers to the ease with which the Debenture can be sold in the secondary market, after the initial placement. Since the Hayleys PLC 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 exit from the investment. Therefore the liquidity risk is mitigated to a greater degree in the Hayleys PLC 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. Inflation Risk

An increase in inflation rates will cause a decrease in the real value of coupon cash flows of the Debenture. The Debenture which offers the fixed coupon is subject to inflation risk since the interest rates are not adjusted upwards depending on the inflation rate.

6. 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.

These Debentures may be redeemed by the Company prior to maturity in accordance with Clause 4.3 of the Trust Deed which provides for the Company to redeem the Debentures before maturity subject to approval of the Holders of 2/3 of the par value of the Debentures outstanding.

6.0 APPLICATION PROCEDURE

6.1 Eligible Applicants

Applications are invited from the following categories of investors:

- Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age; or
- Corporate bodies incorporated or established within Sri Lanka; or
- Approved Unit Trusts licensed by the SEC; or
- Approved Provident Funds and contributory pension schemes registered/incorporated/established in Sri Lanka (In this case, Applications should be in the name of the Trustee/Board of Management in order to facilitate the opening of the CDS account).
- Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- Global, regional and country funds approved by the SEC; or
- Non-residents: foreign institutional investors, corporate bodies incorporated or established outside Sri Lanka, individuals and Sri Lankans resident outside Sri Lanka.

Please note that Applications made by **individuals less than 18 years of age** or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies** will be rejected.

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

When permitting Non-Residents to invest in the Debentures, the Company will comply with the relevant Foreign Exchange 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 persons resident outside Sri Lanka as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17th November 2017.

6.2 Application Methodology

Applicants applying for the new Debentures should submit their Applications in the manner as set out in this Prospectus. The Prospectus will be made available free of charge from the collection points listed in Annex III. The Prospectus can also be downloaded from www.cse.lk and the Company website www.hayleys.com

6.2.1 How to Apply

Applications should be made on the Application Forms, issued with the Prospectus. Application Forms and Prospectus are issued free of charge from the places/institutions covered in Section 2.0 and Annexure III of the Prospectus. Application Forms could also be downloaded from the Company's web site, www.hayleys.com and the CSE web site www.cse.lk (Exact size photocopies of Application Forms would also be accepted).

Care must be taken to follow the instructions given on the reverse side of the Application Form. Applications that do not strictly conform to such instructions and/or the terms and conditions set out in this Prospectus or which are incomplete or illegible may be rejected.

Applications should be made for a minimum of One Hundred (100) Debentures each. Applications exceeding the minimum subscription should be in multiples of One hundred (100) Debentures (LKR 10,000/-). Applications which are not in line with these guidelines will be rejected.

Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B) 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 more than one Application Form is submitted for one Type of Debentures from a single Applicant, those would be construed as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.

In the case of Corporate Applicants, the common seal of the company should be affixed and attested if required by the Articles of Association or such other constitutional documents of such Applicants or as per the statutes governing them. In case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the Trustees/Board of Management.

6.2.2 Minimum Subscription and Underwriting

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

In the event the Issue is under subscribed, the subscribers shall be allotted in full and funds raised shall be utilized to meet the objectives of the Issue as stipulated in Section 5.2 of the Prospectus.

In the event that this debenture issue is undersubscribed, the amount required to meet the objectives will be achieved through internally generated funds and other credit facilities that could be obtained by the Company, at its discretion depending on the situation.

6.2.3 Identification Information

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.

The NIC, passport or company registration number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the passport for purposes of identification only if they do not have a NIC number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

Citizenship/Legal Form	Identification Information			
	NIC Number	Passport Number	Company Registration Number	Common Seal or Rubber Stamp
Sri Lankan Citizens	✓			
Sri Lankan Citizens with no NIC Number – Note I		✓		
Foreign Citizens – Note II		✓		
Corporate Entities – Note III			✓	✓

Note I: In the case of Sri Lankan citizens, the passport number will be accepted only when the NIC number is not available. The CDS account must be for the same passport number.

Note II: Foreign citizens must state the passport number in the space provided.

Note III: The company registration number must be provided. The common seal or rubber stamp should be affixed and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.

Non-resident investors may be affected by the laws of the jurisdiction of their residence. If the non-resident investors 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.

6.2.4 Margin Trading

Applicants who wish to apply through their margin trading account, should submit the Application in the name of the “margin provider/Applicant’s name” signed by the margin provider. The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form.

The NIC, passport or company registration number of the Applicant, as the case may be, must be stated in the Application Form.

Resident Applicants may use the passport for purposes of identification, only if they do not have a NIC number.

A photocopy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Multiple Applications will not be entertained. The Issuer reserves the right to reject all multiple Applications or suspected multiple Applications.

6.2.5 Applications made under Power of Attorney

In the case of Applications made under Power of Attorney (POA), a copy of the said POA, certified by a Notary Public to be a true copy of the original, should be lodged with the Registrar to the Issue along with the Application Form. The original POA should not be attached.

6.2.6 Joint Applications

Joint Applications may be made. However, an Applicant of a joint Application will not be eligible to send a separate Application individually or jointly. The interest and capital payments/repayments (if any) will be drawn in favour of the principal Applicant as given in the Application Form.

6.2.7 Submission of Applications

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee only) for the full amount payable

on application should be enclosed in a sealed envelope marked "**Hayleys PLC – Debenture Issue 2018**" on the top left-hand corner and be addressed and **dispatched** by post or courier or delivered by hand to the Registrar to the Issue at the following address **prior to 4.30p.m. Local Time on the Closure Date**.

P W Corporate Secretarial (Pvt) Ltd - No. 3/17, Kynsey Road, Colombo 08.

Applications may also be handed over to the Financial Advisors and Managers to the Issue, members and trading members of the CSE as set out in Annex III prior to 4.30 p.m. Local Time on the Closure Date.

In the case of Applications dispatched by courier or post, such Applications should reach the Registrar to the Issue no later than 4.30 p.m. Local Time on the Market Day immediately following the Closure Date. Any Applications received after the above deadline shall be rejected even though the courier or postmark is dated prior to the Closure Date.

6.3. Payment of Application Monies

6.3.1. Mode of Remittance

Payment should be made separately in respect of each Application by cheque or bank draft or bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfer through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to the below (a) through (c).

- a) Remittances on Applications will be deposited in a separate bank account in the name of "**Hayleys PLC -Debenture Issue 2018**".
- b) **Payment for Applications for Debentures of a value of below LKR 100,000,000/-** could be supported by a cheque or bank draft or bank guarantee. In such instances, the Application Form should be accompanied by only one cheque or bank draft or bank guarantee and should be issued for the full amount indicated in the Application Form. An Application for Debentures of a value of below LKR 100,000,000/- accompanied by two or more cheques/bank drafts/bank guarantees or RTGS transfers will be rejected at the outset.
- c) **Applicants making Applications for Debentures of a value of above LKR 100,000,000/-** will be permitted to submit;
 - Bank draft drawn upon any licensed commercial bank operating in Sri Lanka.
 - Bank guarantee issued by a licensed commercial bank.
 - RTGS transfer with value on the date of the issue Opening Date.

- Multiple cheques drawn upon any LCB, each of which should be for a value less than LKR 100,000,000/-.

CASH WILL NOT BE ACCEPTED. ANYONE WISHING TO PAY CASH SHOULD OBTAIN A BANK DRAFT FROM A LICENSED COMMERCIAL BANK IN SRI LANKA.

6.3.2. RTGS Transfers

In case of RTGS transfers (only for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) such transfer should be made to the credit of **"Hayleys PLC - Debenture Issue 2018"** bearing account number 101000251028 at National Development Bank PLC with value on the Issue Opening Date (i.e. the funds to be made 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 the credit of **"Hayleys PLC - Debenture Issue 2018"** bearing account number 101000251028 at National Development Bank PLC with value on the Issue Opening Date (i.e. the funds to be made to the above account on the Issue Opening Date) and should be attached with the Application Form.

For such RTGS transfers, an interest rate of 3.00% per annum **(on actual/actual basis)** will be paid from the date of such transfer up to the Date of Allotment, and the entire interest earned will be paid back to the investor.

No interest will be paid for funds prior to the Issue Opening Date, if those fund transfers are affected prior to the Issue Opening Date.

No interest will be paid if the RTGS transfers are not realised before 4.30p.m. of the Closure Date.

6.3.3. Cheques or Bank Drafts – Resident Sri Lankan Investors

Cheques or bank drafts should be drawn on any LCB in Sri Lanka and crossed **"Account Payee Only"** and made payable to **"Hayleys PLC - Debenture Issue 2018"**.

Cheques or bank drafts accompanying Application Forms should be made for a minimum of One Hundred (100) Debentures for each Type of Debenture. Applications exceeding the minimum subscription should be in multiples of One Hundred (100) Debentures. Applications which are not in line with these guidelines will be rejected (as mentioned in Section 6.2.1) and will not be sent for

clearing and shall be returned via ordinary post at the risk of the Applicant, or in the case of joint Applicants, to the first named Applicant.

In the event that cheques are not realised within Two (02) Market Days from the day of presenting the same to the bank for clearing, the cheques will be returned and no allocation of Debentures will be made to the Applicants.

Cheques must be honoured on first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honoured on the first presentation will be rejected.

6.3.4. Foreign Currency Remittance

This section is applicable to citizens of Sri Lanka who are above 18 years of age and resident overseas, corporate bodies incorporated or established outside Sri Lanka, global, regional or country funds approved by the SEC and foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

The above mentioned Applications should be made only out of funds received as inward remittances or available to the credit of "Inward Investment Account" (IIA) maintained with any LCB in Sri Lanka in accordance with the regulations and directions given by the in that regard to licensed commercial banks.

An endorsement by way of a letter by the LCB 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.

6.3.5. Restrictions Applicable to Foreign Citizens Resident in Sri Lanka

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee accounts only if they possess dual citizenship where one such citizenship is Sri Lankan. Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form.

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts or bank guarantees or RTGS transfers drawn on Sri Lanka Rupee accounts maintained with any LCB in Sri Lanka but may do so via IIA/FCBU/RGFA/RGRCA accounts. Applications made by foreign citizens not in accordance to the foregoing shall be rejected.

6.3.6. Bank Guarantees

Applications made by Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 6.3.1, will be accepted. Bank guarantees will be presented to the respective banks only after the new Debentures have been allotted. Bank guarantees should be issued by any LCB in Sri Lanka and in favour of “**Hayleys PLC - Debenture Issue 2018**” in a manner acceptable to the Company and be payable on demand.

Bank guarantees should be valid for a minimum of One (01) month from the date of the Issue.

Investors are encouraged to discuss with their relevant bankers with regard to the issuance of bank guarantees and all related charges that would be incurred by the investors.

6.4. Rejection of Applications

- Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in Section 6.0 of this Prospectus will be rejected at the absolute discretion of the Company.
- Any Application Form which does not provide the NIC, passport (where NIC is not available) or company registration number as the case may be, will be rejected.
- Applications delivered by hand to the registrars to the issue after 4.30 p.m. Local Time on the Closure Date of the Issue will be rejected. Applications received by courier/post after 4.30 p.m. Local Time on the succeeding Market Day immediately following the Closure Date of the Issue, will also be rejected even if they carry a courier acceptance date/postmark date earlier than the Closure Date.
- Applications made for less than One Hundred (100) Debentures or for a number which is not in multiples of One Hundred (100) Debentures will be rejected.
- Applications which do not carry a valid CDS account number, or which indicate an inaccurate or incorrect CDS account number, shall be rejected and no allotment will be made.
- The Company reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, or to accept only one Application Form at their discretion, in such instance.
- Payment for Applications of Debentures accompanied by cheques or bank drafts or bank guarantees which are not in accordance with Section 6.3.1 (b) and (c) will be rejected at the outset.
- Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part.

6.5. 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 Market Day after the Closure Date of the subscription list, in terms of the CSE Listing Rules.

6.6. Returning of Monies of Rejected Applications

Where an Application Form is rejected, the cheque or bank draft or bank guarantee received in respect of the Application will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, the cheque or bank draft or bank guarantee received in respect of the Application will be returned to the first named Applicant.

Where the Application Form is accepted and the cheque or bank draft or bank guarantee is not honoured at the first presentation, the Application will also be rejected and the dishonoured cheque or bank draft or bank guarantee will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, the dishonoured cheque or bank draft or bank guarantee will be returned to the first named Applicant. Funds received via an IIA will be returned to the respective IIA as applicable, therefore Applicants who remit money via the IIA accounts shall mention the accurate IIA account numbers in the Application Form to enable refunds being made to such accounts.

6.7. Allotment of Debentures in Issue/Basis of Allotment

The Debentures will be allotted at the discretion of the Board of Directors in a fair manner within Seven (07) Market days from the Date of Closure. However, the number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise, will not exceed 75% of the total number of Debentures to be issued with this Prospectus under any circumstances, unless there is an undersubscription from the other investor/s (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 institutional investor/s.

A written confirmation informing successful Applicants on their allotment of New Debentures will be dispatched, as required by the CSE within Ten (10) Market Days of the closure of the Subscription List.

The Board of Directors of Hayleys PLC reserves the right to refuse any Application or to accept any Application in part only, without assigning any reason therefore.

6.8. Refunds on Applications

Where an Application is accepted only in part, the balance of the monies received on Application will be refunded. Refunds on New Debentures that have not been allotted will be refunded on or before the expiry of Ten (10) Market Days from the Closure Date (excluding the Closure Date) as required by the CSE Listing Rules. Applicants would be entitled to receive interest at the last quoted AWPLR published by the CBSL plus 5.00%, on any refunds not made by the expiry of the above mentioned period.

6.8.1. Refunds via SLIPS

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.4 or
- the Application is accepted only in part

If the Applicant has provided accurate and complete details of his bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Sri Lankan Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS or RTGS and a payment advice will be sent.

In the event of refunds over Rupees Five Million (LKR 5,000,000.00) or if the Applicant has not provided accurate and correct details of his bank account in the Application, the Company will make such refund payment to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the event the Applicant has provided accurate bank details of refunds over Sri Lankan Rupees Five Million (LKR 5,000,000/-), the Bankers to the Issue may make refund payments via RTGS transfers to the bank account specified by 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.

Refunds on Applications rejected or partly allotted Debentures would be made within Ten (10) Market Days excluding the Closure Date.

6.9. Successful Applicants and CDS Lodgement

The new Debentures allotted will be directly uploaded to the respective CDS account given in the Application Form before the expiry of Eighteen (18) Market Days from the Closure Date of the Issue, as required by the CSE Listing Rules.

All Applicants should indicate in the Application for Debentures, their NIC number or the company registration number as the case may be. The passport number may be indicated only if the Applicant does not have a NIC number.

As per the Directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated November 22nd, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited dated November 30th, 2010, all Debentures allotted shall be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted Debentures to their CDS account.

Applicants, who wish to open a CDS Account, may do so through any Member/Trading Member of the CSE as set out in the Annex III or through any Custodian Bank as set out in Annex IV of this Prospectus.

Please note that upon the allotment of Debentures under this Issue, for Applicants who have indicated their CDS account details in the Application Form, **the allotted Debentures would be credited to the Applicant's CDS account so indicated.**

Please note that Debenture certificates shall not be issued.

Applications which do not carry the CDS account number, which is not opened at the time of the closure of the Subscription List or which indicate an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

Written confirmation, upon the completion of crediting the respective CDS account will be sent to the Debenture Holder within Two (02) Market Days of crediting the CDS accounts by ordinary post to the address provided by each Debenture Holder in their respective Applications.

6.10. Declaration to the CSE and Secondary Market Trading

The Company will submit to the CSE a declaration on the Market Day immediately following the day on which Applicants' CDS accounts are credited with the new Debentures. Trading of the new Debentures on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the declaration by the CSE as per the CSE Listing Rules.

7.0. COMPANY INFORMATION

Top twenty (20) Ordinary voting shareholders of the company as at 30 June 2018 are as follows:

	Shareholders	No. of shares	(%)
1	Mr. K. D. D. Perera	37,829,697	50.44
2	Trustees of the D. S. Jayasundera Trust	8,698,017	11.60
3	Employees Provident Fund	3,776,621	5.04
4	Lanka Orix Leasing Company PLC	1,700,004	2.27
5	Hayleys Group Services (Pvt) Ltd No. 02 A/C	1,117,090	1.49
6	Mrs. A. M. L. Johnpulle & Mr. B. J. M. Johnpulle	882,165	1.18
7	Commercial Leasing & Finance PLC	734,144	0.98
8	Mrs. R. N. Ponnambalam	590,645	0.79
9	Mr. N. K. A. D. De Silva	570,166	0.76
10	Mrs. R. M. Spittel	564,697	0.75
11	Mr. R. H. S. Phillips	520,727	0.69
12	Mrs. Y. M. Spittel	465,561	0.62
13	Mr. A. C. Wikramanayake	462,204	0.62
14	Mrs. P. M Godamunne	443,447	0.59
15	Mrs. S. D. Wickramasinghe	440,281	0.59
16	Sri Lanka Insurance Corporation Ltd-Life Fund	397,418	0.53
17	Mr. G. N. Wikramanayake (Deceased)	370,422	0.49
18	Associated Electrical Corporation Ltd	361,000	0.48
19	Renuka Capital PLC	330,155	0.44
20	Akbar Brothers Pvt Ltd A/C No. 01	321,931	0.43
	Others	14,423,608	19.23
	Total	75,000,000	100

8.0 FINANCIAL INFORMATION

The following financial information is hosted on the CSE web site www.cse.lk and www.Hayleys.com;

- Audited financial statements of the Entity for the year ended 31 March 2018.
- Interim financial statements of the Entity as at 31 March 2018
- Summarized financial statement for the five years commencing from 31 March 2014 to 31 March 2018 stating the accounting policies adopted by the Entity certified by the auditors. Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

8.1. Details of borrowings of Hayleys PLC

- **Group**

Borrowings as at 31 March 2018 (in Thousands)

Type of Borrowing	Outstanding (LKR)
Finance Lease obligation	677,835
Debentures	11,075,208
Long term loans (ST portion)	46,669,748
Short term loans	34,218,211

- **Company**

Borrowings as at 31 March 2018 (in Thousands)

Type of Borrowing	Outstanding (LKR)
Finance Lease obligation	-
Debentures	3,991,423
Long term loans (ST portion)	11,938,903
Short term loans	3,875,370

Debenture Issues as at the date of the Prospectus

Year of Issue	CSE Listing	Face Value (LKR'000)	Tenure (Months)	Maturity	Outstanding (LKR'000)
2015	Listed	497,208	48	2019	497,208
2015	Listed	1,498,788	60	2020	1,498,788
2016	Listed	1,995,427	36	2019	1,995,427

Total value of borrowings as at 31 March 2018 for Hayleys PLC stands at LKR 19.81 Bn Hayleys PLC does not hold any convertible debt in issue.

The holders of Debentures are entitled to receive the Principal sum on the date of Maturity/Redemption and interest on the Debentures as per the provisions set out stated in the prospectus and the Trust Deed. The holders of the said Debentures are not entitled to any special rights or any privileges or rights of the Shareholders of the Company, including the right to receive notice, attend and vote at the General Meeting of the Company, receive any dividend or distributions or share the profits of the Company or to participate in any surplus assets of the Company in the event of liquidation.

8.2. Litigation, disputes and contingent liabilities

Apart from legal proceedings in the normal course of its business, 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.

8.3. Financial ratios of Hayleys PLC

Company

	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18
Debt Equity	78.9%	65.8%	59.9%	45.9%	107.2%
Interest Cover	1.43	2.16	2.40	2.50	2.08
Gearing	44.1%	39.7%	37.5%	31.5%	51.7%
Acid Ratio	0.42	1.27	0.51	0.60	0.28

Group

	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18
Debt Equity	71.1%	65.3%	70.6%	77.1%	154.9%
Interest Cover	3.01	3.98	4.20	3.05	1.77

Gearing	41.5%	39.5%	41.4%	43.5%	60.8%
Acid Ratio	0.77	0.83	0.76	0.79	0.64

Debt/Equity

(Liabilities on Other Financial liabilities due to Customer + Interest bearing loans & Borrowings +
Due to related companies + Bank Overdraft)
Total Equity

Interest Cover ratio

Profit before Interest & Taxes
Interest Expense

Gearing Ratio

Interest bearing borrowings
Capital employed

Acid Ratio (Times)

Current Assets- Inventories
Current Liabilities

8.4. Debt servicing details of the Issuer

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Gross interest due on Debentures	207,698,630.14	285,000,000	440,969,854.38	354,743,527.86	402,478,364.15
Debenture interest paid on due date	207,698,630.14	285,000,000	440,969,854.38	354,743,527.86	402,478,364.15
Debenture interest paid after the due date	-	-	-	-	-
Debenture interest not paid as of to date	-	-	-	-	-

ANNEX I – STATUTORY DECLARATIONS

Statutory Declaration by the Directors

We, the undersigned who are named in the Prospectus issued by Hayleys PLC 'The Company' in connection with its Issue of up to 40,000,000 Listed, Rated, Unsecured, Senior, Redeemable Debentures ('The Prospectus'), as Directors of the Company, hereby declare and confirm that we have seen and read the provisions under the Companies Act No. 07 of 2007 and the Listing Rules of CSE relating to the Issue of the Prospectus, and that the relevant provisions have been complied with.

This Prospectus has been seen, read and approved by the Directors of the Entity and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that the provisions of the CSE Listing Rules, the Companies Act No. 07 of 2007 and any amendments to it from time to time have been complied with, and after making all reasonable enquiries, to the best of their knowledge and belief, 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 Entity have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Entity and making assumptions that are considered to be reasonable at the present point in time, in the best judgement of the Directors.

An Application has been made to the Colombo Stock Exchange for permission to deal in, and for a listing of all securities in a particular class issued by the Entity and those Securities of the same class which are the subject of this Issue. Such permission will be granted when the Securities are listed on the Colombo Stock Exchange. 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. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Entity or of the Securities issued.

Name	Designation	Signature
Mr. A. M. Pandithage	Chairman & Chief Executive	Sgd.
Mr. K. D. D. Perera	Co Chairman (Non-executive)	Sgd.
Mr. S. C. Ganegoda	Executive Director	Sgd.
Mr. H. S. R. Kariyawasan	Executive Director	Sgd.
Dr. H. Cabral	Non-Executive Independent Director	Sgd.
Dr. K. I. M. Ranasoma*	Executive Director	-
Mr. L. T. Samarawickrama	Executive Director	Sgd.
Mr. L. R. V. Waidyaratne	Executive Director	Sgd.
Mr. M. H. Jamaldeen	Non-Executive Independent Director	Sgd.
Mr. M. Y. A. Perera	Non-Executive Independent Director	Sgd.
Mr. N. L. S. Joseph	Non-Executive Independent Director	Sgd.
Ms. J. Dharmasena	Executive Director	Sgd.

*Dr. K. I. M. Ranasoma resigned as director Hayleys PLC effective from 01 July 2018

Statutory Declaration by the Joint Managers to the Issue

Day, 16th July 2018

We, Capital Alliance Partners Limited, of Level 5, Millennium House, 46/58, Navam Mawatha, Colombo 02, being Joint Managers to the Debenture Issue of Hayleys PLC, hereby declare and confirm to the best of our knowledge and belief, that the Prospectus constitutes full and true disclosure of all material facts about the Issue and about Hayleys PLC, whose Debentures are being listed.

Signed by two directors of Capital Alliance Partners Limited, being duly authorised thereto, in Colombo on this day, the 16th of July 2018.

Sgd.
Director

Sgd.
Director

Day, 16th July 2018

We, NDB Investment Bank Limited, of Level 1, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04, being Joint Managers to the Debenture Issue of Hayleys PLC, hereby declare and confirm to the best of our knowledge and belief that the Prospectus constitutes full and true disclosure of all material facts about the Issue and about Hayleys PLC, whose Debentures are being listed.

Signed by two directors of NDB Investment Bank Limited, being duly authorised thereto, in Colombo on this day, the 16th of July 2018.

Sgd.
Director

Sgd.
Director

Day, 11 July 2018

We, People's Bank Investment Banking Unit, of No.75, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, being Joint Managers to the Debenture Issue of Hayleys PLC, hereby declare and confirm to the best of our knowledge and belief that the Prospectus constitutes full and true disclosure of all material facts about the Issue and about Hayleys PLC, whose Debentures are being listed.

Signed by two directors of the People's Bank Investment Banking Unit, being duly authorised thereto, in Colombo on this day, 11 July 2018.

Sgd.
Director

Sgd.
Director



ICRA Lanka assigns issue rating of [SL]AA- (Negative) for the proposed Debenture Programme of Hayleys PLC

May 09, 2018

Instrument*	Current Rated Amount (LKR Mn)	Rating Action
Proposed Senior Unsecured Redeemable Debenture Programme	4,000	Issue Rating of [SL]AA- with Negative outlook assigned;
Issuer Rating	N/A	Issuer rating of [SL]AA- with Negative outlook reaffirmed;
Senior Unsecured Listed Redeemable Debenture (issued on May 31st, 2016)	2,000	Issue rating of [SL]AA- with Negative outlook reaffirmed;
Senior Unsecured Listed Redeemable Debenture (issued on March 6, 2015)	2,000	Issue rating of [SL]AA- with Negative outlook reaffirmed;

Rating action

ICRA Lanka Limited, Subsidiary of ICRA Limited, group company of Moody's Investors Service, has assigned the issue rating of [SL]AA- (pronounced SL double A minus¹) with Negative outlook for the proposed Senior Unsecured Redeemable debenture programme of Hayleys PLC ("Hayleys"/ "the Company") amounting to LKR 4,000 Mn to be listed on the Colombo Stock Exchange. ICRA Lanka has also reaffirmed the Issuer rating of [SL]AA- (pronounced SL double A minus¹) with Negative outlook assigned to the Company. ICRA Lanka has also reaffirmed the issue ratings of [SL]AA- (pronounced SL double A minus¹) with Negative outlook for the Company's two Senior Unsecured Listed Redeemable debenture programmes amounting to LKR 2,000 Mn each.

Rationale

The assigning and reaffirmation of the Negative outlook for the ratings is on account of the impact on capital structure and projected coverage indicators of the company on account of increased debt levels in the aftermath of the Singer acquisition; the gearing of Hayleys PLC has increased from 0.7(x) as on FYE March 2017 to ~1.8 as on 9M ending FYE March 2018. Nevertheless, the company has plans to monetize some of its physical/financial assets in the near term to reduce the debt levels and ICRA Lanka will continuously monitor the same.

In September 2017, the Hayleys group acquired a 61.73% stake in Singer (Sri Lanka) PLC (Singer) for a total consideration of LKR 10.9 Bn. Hayleys PLC on its own has acquired a majority stake of 56.06%, while the balance was acquired by the group's two subsidiaries - Volanka (Pvt) Ltd and Carbotels (Pvt) Ltd. The acquisition also triggered a Mandatory Offer under the Company Takeovers & Mergers Code of 1995 (as amended) and therefore, the Group along with its subsidiary companies purchased additional shares from the other minority shareholders and currently, Hayleys group holds ~82.81% of Singer (Sri Lanka) PLC. Post the acquisition, Singer has become the largest subsidiary of the Hayleys Group (based on revenue contribution). Hayleys PLC has funded this acquisition through term debts from local lenders; the company intends to raise additional LKR 5-6 Bn through realignment and divestiture of some identified assets in the short to medium term and settle portion of the debts taken up for the acquisition.

The assigned and reaffirmed ratings take into account Hayleys position as the holding company of one of Sri Lanka's largest manufacturing conglomerates which is into diverse sectors such as purification

products, hand protection, plantations, transportation and logistics, leisure, agriculture, industrial inputs, power, construction materials, textiles, fiber and consumer products. The ratings draw comfort from the fact that several of the Hayleys group entities hold leading market shares in Sri Lanka as well as in the global markets. Over the years, the group has also diversified its revenue streams with none of its 12 sectors contributing to more than 15% of revenues (except the fast expanding logistics division). Unlike regional peers, the Group is also not entirely dependent on Sri Lanka, with over 55% of revenues being derived from exports to more than 70 countries (including deemed exports). ICRA Lanka also considers Hayleys experienced management team, the Company's strong professional setup and its sound corporate governance practices as key positives, which have complemented its business strengths. Cumulatively these factors have enabled the Group to record healthy growth rates in the past largely through prudent organic growth.

The assigned and reaffirmed ratings also take into account the substantial market buffer over the book value of Hayleys investments in publicly listed subsidiaries, Hayleys strong relationship with financial institutions, easy access to capital markets, besides the Company's access to undrawn sanctioned lines which provide comfort on the overall liquidity position. The strategic importance of the group to the promoters and their past track record of divesting/diluting stake in group entities provide incremental comfort on the group's ability to raise capital for meeting growth and repayment needs.

With no independent operations, Hayleys PLC is almost exclusively dependent on dividend income from the group entities/subsidiaries to generate cash flows for meeting administrative expenses as well as debt repayment obligations. In the post Singer acquisition, the Company further intends to upstream high dividend from the group's key subsidiaries (including Singer which has been maintaining a high dividend payout of ~60%) to support the servicing of the increased debt levels.

The Hayleys Group has restrictions on inter-company lending with each division being solely responsible for meeting its capex needs and debt obligations; however, Hayleys PLC has extended/is likely to extend financial support to a few entities. One of the Group's recently setup businesses (Global Beverages) also has sizeable debt repayment obligations which may require financing support from Hayleys for a limited period although, the plantation sector (Global beverage is a JV between Hayleys PLC and Kelani Valley Plantations PLC) has recovered significantly during 9MFY18 amidst the increased tea prices and the recovering tea volumes. Singer, being a leading retailer in the consumer durable market with a moderately strong financial profile, would be able to largely fund the operational and capex requirements, therefore, limited financial support is expected from Hayleys PLC post the acquisition.

ICRA Lanka takes note of the under-performance of the group's agriculture, hand protection, purification, leisure and textile sectors during 9MFY18 which have partially negated the positive growth in other business segments (including plantations, transport & logistics and power sectors during this period). This has impacted the overall profitability of the Group during 9MFY18.

Key rating drivers

Credit strengths

Holding company is one of the largest conglomerates in Sri Lanka with significant diversifications across several sectors of the economy; Hayleys is one of the most diversified groups in Sri Lanka with a presence spanning across 12 diverse sectors. The Group is also the largest listed manufacturing conglomerate in Sri Lanka. Starting initially with trading and Logistic & shipping operations, over the years the Group has expanded its operations to sectors such as plantations, agriculture and industrial inputs,

textiles, activated carbon, latex products, FMCG, construction materials and power. In line with the group's policy no division (barring Transport & Logistics and consumer sectors, after the Singer acquisition) contributes in excess of 15% of group turnover. This lends significant diversity to revenue streams and insulates the revenues from risk of concentration / high dependence on any one sector.

Leading market positions of several of the group companies in both local and global markets (including the recently acquired-Singer Sri Lanka PLC); the Group's revenues are also well spread across several geographies, lending a considerable measure of diversity to the revenue streams. Moreover, the Group has market leadership (both global and local) in several sectors. For instance, Haycarb is a global leader in charcoal based activated carbon, DPL is among the top players in the rubber gloves industry, Hayleys Plantations, logistics and construction materials businesses are the market leaders in their respective fields in Sri Lanka. Hayleys Agro equipment is the market leader in Sri Lanka and Hayley's Pickle products command a 60% market share in Japan. The recently acquired Singer Sri Lanka Plc, is the market leader in several segments such as sewing machines, refrigerators, smart phones and consumer durable segments. Therefore, the favourable growth outlook for these sectors provide revenue visibility over the medium term and consequently increased dividend income for the group.

Singer acquisition; generally, consumer durable industry is expected to perform well when the disposable income levels in a country increases. Moreover, Sri Lanka now being a middle income country and progressing towards upper middle income status, will result in increased business potential in the consumer durable market in the future. Therefore, Singer (Sri Lanka) being the market leader in the consumer durable market in Sri Lanka, would help the group to leverage on this potential going forward. Moreover, as Singer group's revenue targets are expected to reach ~ LKR 60 Bn, the group intends to bring about efficiency improvement measures in their product procurement process/system/sources to further increase operating profit margins.

Access to capital markets with several listed companies in the group; presence of institutional investors in few of the businesses provides incremental comfort; As compared to the historical value of investments, the market values of investments provide a significant buffer as on date. In the case of the Company's effective holding in listed entities, the buffer over book value of investments currently stands at over 70%. Moreover, most of group companies are listed in Colombo Stock Exchange and therefore, the capital support from the holding company level is relatively limited. The same, coupled with the promoter group's past inclination to divest/dilute stake provides comfort on debt servicing, as some of these investments (including some of lower yielding investments such as Global beverage and Amaya Beach) could be liquidated to service debt obligations.

Strong balance sheet with a moderate capital structure; the company has the largest asset bank across its group companies, including larger unlisted entities such as Agriculture and Transport & Logistics sectors, although these assets are not reflective of the market values. Hence, the group is currently in the process of a restructuring exercise to optimize the returns on these assets.

Experienced Management team with access to financing options; The company's experienced management team, strong professional setup and its sound corporate governance practices as key positives, have helped the company to access financial institutions as well as capital markets, besides the Company's access to undrawn sanctioned lines, provide comfort on the overall liquidity position.

Credit challenges

The moderation in debt service indicators (amidst the increased debt levels to fund the Singer acquisition), exposing the company to refinancing risks; On account of increased debt levels in the aftermath of the Singer acquisition; the gearing level of Hayleys PLC has increased swiftly from 0.8(x) as on FYE March 2017 to ~1.8(x) as on 9M ending FYE March 2018. Nevertheless, as mentioned earlier, the company would settle part of the debt through monetizing some of its physical / financial assets in the near/medium term. The balance debt will be long term with maturity periods extending upto 2025. ICRA Lanka will continuously monitor the same. However, healthy relations with financial institutions and capital market participants and healthy investment buffer, mitigate the refinancing risk.

Underperformance of certain businesses and continued support from Hayleys likely to further moderate the capital structure; the company's new investments such as global beverage operation has sustained losses. Therefore, the implementation of the company's plans to bring in strategic investors/partners for these investments need to be fast-tracked to minimize the continued support from Hayleys. On a positive note, the company's Maldives hotel project (Amaya Kudara) is currently turning around as the refurbishment of the hotel has been completed during 9MFY18. Therefore, the ability of the company to turnaround these investments in the medium term would remain as a rating sensitivity.

Company's and Group's exposure to foreign currency and other macroeconomic volatility; Since Hayleys's consolidated revenue accounts for more than 1% of Sri Lanka's GDP, the macro economic conditions such as increasing interest rate, depreciation of Sri Lankan rupee and other policy directives of other sectors would likely to have an impact on the overall performance of the group. However, given that over 50% of revenues are derived from outside of Sri Lanka, the risk is mitigated to an extent.

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

Links to applicable criteria: www.icralanka.com/images/pdf/Corporate%20Rating%20Methodology.pdf

About the company:

Hayleys PLC ("Hayleys" / "the Company") is one of Sri Lanka's largest multinational business conglomerates with a history spanning 135 years. Initially commencing commercial operations in 1878 as Chas. P. Hayley and Company, the entity was incorporated as Hayleys Limited in 1952 and subsequently converted to a PLC. Hayleys acts as a holding company and does not have any significant operations on its own. However, through over 160 direct and step down subsidiaries as well as associates, the Company controls businesses spanning across Transportation & Logistics, Agricultural Inputs, Construction Materials, Power, Fiber, Rubber Glove Manufacturing, Leisure, FMCG, Purification products (activated carbon), Power, Plantations, Textiles and BPO. The Company's consolidated revenues are well diversified with no sector (barring transportation & logistics and consumer) contributing to more than 15% of total revenues. Group's operations are also well spread geographically, with export revenues (Asia, Europe, Americas and indirect deemed exports) contributing to over 55% of revenues. During Sep CY2017, the group has acquired the controlling stake of Singer (Sri Lanka) PLC, the market leader in the consumer durable market in Sri Lanka.

Key consolidated financial indicators (audited)

Revenue and profitability indicators-Figs are in LKR Mn	FY14	FY15	FY16	FY17	9MFY18*
Operating Income	1,276.8	1,601.1	1,797.5	1,925.1	1,009.6
OPBDITA	1047.1	1331.2	1524.2	1682.4	851.4
PAT	537.5	754.4	867.8	938.4	-236.3
ROCE (%)	10.13%	8.86%	8.92%	9.53%	4.55%
NWC / OI(%)	-62.92%	-44.59%	-42.63%	-41.52%	-69.94%
Total Debt	6,523	6,920	6,586	7,832	19,467
Networth	8,269	10,522	10,999	11,570	10,772
Gearing (x)	0.79	0.66	0.60	0.68	1.81
OPBDITA/Interest & Finance Charges(x)	1.2	2.0	2.3	2.1	0.8
Total Debt/OPBDITA (x)	6.23	5.20	4.32	4.65	22.86

*-Unaudited Financials, Note; the net worth in FYE 2017 and 9MFYE2018 was adjusted for the revaluation of lands

Rating history for last three years:

Current Rating (FY2018)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (LKR Mn)	Date & Rating April 2018	Date & Rating Sep 2017	Date & Rating in March FY2017	Date & Rating in FY2016	Date & Rating in FY2015
Issuer rating	N/A	N/A	[SL]AA-(Negative)	[SL]AA-(Negative)	[SL]AA-(Stable)	[SL]AA-(Stable)	NA
Issue rating	Debenture	2,000	[SL]AA-(Negative)	[SL]AA-(Negative)	[SL]AA-(Stable)	[SL]AA-(Stable)	NA
Issue rating	Debenture	2,000	[SL]AA-(Negative)	[SL]AA-(Negative)	[SL]AA-(Stable)	[SL]AA-(Stable)	NA
Issue rating	Proposed Debenture	4,000	[SL]AA-(Negative)	NA	NA	NA	NA

ANALYST CONTACTS

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ANNEX III – COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

Hayleys PLC - Head Office

No. 400, Deans Road,
Colombo 10.
Tel: +94 11 2696331

Joint Managers to the Issue

Capital Alliance Partners Limited
Level 5, Millennium House,
46/58 Navam Mawatha,
Colombo 02.
T: +94 11 2317777
F: +94 11 2317788

NDB Investment Bank Limited,
Level 1, NDB Capital Building,
No. 135, Bauddhaloka Mawatha,
Colombo 04.
Tel : + 94 11 2300385-90
Fax : +94 11 2300393

People's Bank Investment Banking Unit
No.75, Sir Chittampalam A. Gardiner Mawatha,
Colombo 2.
T: +94112206782

Registrar to the Issue

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road,
Colombo 08.
T: +94 11 4640360-3
F: +94 11 4740588

Members of the CSE

<p>Acuity Stockbrokers (Private) Limited Level 6, Acuity House, No. 53, Dharmapala Mawatha, Colombo 03. T: +94 11 2206206 F: +94 11 2206298-9 E: sales@acuitystockbrokers.com</p>	<p>Asha Phillip Securities Limited 2nd Floor, Lakshmans Building, No. 321, Galle Road, Colombo 03. T: +94 11 2429100 F: +94 11 2429199 E: apsl@ashaphillip.net</p>
<p>Asia Securities (Private) Limited 2nd Floor, No. 176/1-2/1, Thimbirigasyaya Road, Colombo 05. T: +94 11 7722000 F: +94 11 2584864 E: marketinfo@asiasecurities.lk</p>	<p>Assetline Securities (Private) Limited No.120, 120A, Pannipitiya Road, Battaramulla. T: +94 11 4700100 F: +94 11 4700112, +94 11 4700101 E: info@assetline.lk</p>
<p>Nation Lanka Equities (Private) Limited 44, Guildford Crescent, Colombo 07. T: +94 77 7630624, 77 3030885, 77 6521001 F: +94 11 2688899 E: info@nlequities.com</p>	<p>CT CLSA Securities (Pvt) Limited 4-14, Majestic City, 10, Station Road, Colombo 04. T: +94 11 2552290-4 F: +94 11 2552289 E: info@ctcls.lk</p>
<p>John Keells Stockbrokers (Private) Limited 186, Vauxhall Street, Colombo 02. T: +94 11 2306250 F: +94 11 2342068 E: jkstock@keells.com</p>	<p>J B Securities (Private) Limited 150, St. Joseph Street, Colombo 14. T: +94 11 2490900 F: +94 11 2430070 E: jbs@jb.lk</p>
<p>Lanka Securities (Private) Limited 228/1, Galle Road, Colombo 04. T: +94 11 4706757, 2554942 F: +94 11 4706767 E: lankasec@sltnet.lk</p>	<p>Somerville Stockbrokers (Private) Limited 1A, Park Way, Park road, Colombo 05. T: +94 11 2502852, 2502854, T: +94 11 2502858, 2502862. F: +94 11 2502596 E: ssb-web@sltnet.lk</p>

<p>NDB Securities (Private) Limited Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04. T: +94 11 2314170-8, 2131000 F: +94 11 2314181 E: mail@ndbs.lk</p>	<p>First Capital Equities (Pvt) Limited. No. 2, Deal Place, Colombo 03. T: +94 11 2639898 F: +94 11 5736264 E: equity@firstcapital.lk</p>
<p>SC Securities (Private) Limited 5th Floor, 26 B, Alwis Place, Colombo 3. T: +94 11 4711000-1 F: +94 11 2394405 E: itdivision@sampathsecurities.lk</p>	<p>Bartleet Religare Securities (Pvt) Limited Level "G", "Bartleet House" 65, Braybrooke Place, Colombo 02. T: +94 11 5 220 200 F: +94 11 2 434 985 E-mail: info@bartleetstock.com</p>
<p>Capital Trust Securities (Private) Limited 42, Mohamed Macan Markar Mawatha, Colombo 03. T: +94 11 2174174-5 F: +94 11 2174173 E: inquiries@capitaltrust.lk</p>	

Trading Members (Equity)

<p>Softlogic Stockbrokers (Private) Limited No. 6, 37th Lane, Queens Road, Colombo 03. T: +94 11 7277000 F: +94 11 7277099 E: ssb.inquiry@softlogic.lk</p>	<p>Capital Alliance Securities (Private) Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02. T: +94 11 2317777 F: +94 11 2317788 E: info@cal.lk</p>
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<p>Claridge Stockbrokers (Private) Limited No. 97, Ananda Rajakaruna Mawatha, Colombo 10. T: +94 11 2689248 F: +94 11 2689250 E: csb@mackwoods.com</p>	<p>First Guardian Equities (Private) Limited 32nd floor, East Tower, World Trade Centre, Colombo 01. T: +94 11 5884400 F: +94 11 5884401 E: info@fge.lk</p>
<p>Candor Equities Limited. Level 8, South Wing, "Millennium House", 46/58 Nawam Mawatha, Colombo 02. T: +94 11 2359 100 F: +94 11 2305 522 E: info@candorh.com</p>	<p>Enterprise Ceylon Capital (Pvt) Limited 26th Floor, East Tower, World Trade Centre, Echelon Square, Colombo 01. T: +94 11 2372541 F: +94 11 2372541 E: info@ecc.lk</p>
<p>LOLC Securities (Private) Limited No.481, T.B.Jayah Mawatha, Colombo 10. T: +94 11 5889889 F: +94 11 2662883 info@lolcsecurities.com</p>	<p>Navara Securities (Pvt) Ltd No. 12B, Gregory's Road, Colombo 7. T: +94 11 2358700-20 F: +94 11 5005551 E: info@navarasecurities.lk</p>
<p>Taprobane Securities (Private) Limited 2nd Floor, No. 10, Gothami Road, Colombo 08. T: +94 11 5328200, 5328100 F: +94 11 5328177 E: contact@taprobane.lk</p>	<p>TKS Securities (Private) Limited 4th Floor, No. 245, Dharmapala Mawatha, Colombo 7. T: +94 11 7857799 F: +94 11 7857857 E: info@tksl.lk</p>
<p>Richard Pieris Securities (Pvt) Ltd No. 55/20, Vauxhall Lane, Colombo 02. T: +94 11 7448900, 5900800 F: +94 11 2330711 E: rpfs@rpsecurities.com</p>	<p>SMB Securities (Private) Limited No. 02, Gower Street, Colombo 5. T: +94 11 5886971 F: +94 11 2550100 E: info@smbsecurities.lk</p>

Trading Members (Debt)

<p>First Capital Markets Limited 02, Deal Place, Colombo 03. T: +94 11 2 639 898, 2681888 F: +94 11 2 639 899, 2756866 E: info@firstcapital.lk</p>	<p>Wealthtrust Securities Limited 32, Dudley Senanayake Mawatha, Colombo 08. T: +94 11 2 675091-4 F: +94 11 2 689605 E: info@wealthtrust.lk</p>
<p>Capital Alliance Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02. T: +94 11 2 317 777 F: +94 11 2 317 788</p>	<p>NSB Fund Management Company Limited No 255, 1st Floor, NSB Head Office, Galle Road, Colombo 03. T: +94 11 2 564 601 F: +94 11 2 574 387</p>

Annex IV – CUSTODIAN BANKS

Bank of Ceylon Head Office, 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01. Tel: 011 2317777, 011 2448348	Citi Bank, N A 65 C, Dharmapala Mawatha, P.O. Box 888, Colombo 07. Tel: 011 2447316-8, 011 2447318
Commercial Bank of Ceylon PLC Commercial House, 21, Bristol Street, P.O. Box 853, Colombo 01. Tel: 011 2445010-15, 011 238193-5	Deutsche Bank AG P.O. Box 314, 86, Galle Road, Colombo 03. Tel: 011 2447062, 011 2438057
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10. Tel: 011 2664664	The Hong Kong and Shanghai Banking Corporation Limited, 24, Sir Baron Jayathilake Mawatha, Colombo 01. Tel: 011 2325435, 011 2446591
People's Bank Head Office, 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02. Tel: 011 2781481, 011 237841-9,	Standard Chartered Bank 37, York Street, P. O. Box 112, Colombo 01. Tel: 011 4794400, 011 2480000
Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02. Tel: 011 5331441	State Bank of India 16, Sir Baron Jayathilake Mawatha, Colombo 01. Tel: 011 2326133-5, 011 2439405-6
Seylan Bank PLC Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03. Tel: 011 2456789, 011 4701812	Union Bank of Colombo Limited 15A, Alfred Place, Colombo 03. Tel: 011 2370870
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha, Colombo 15. Tel: 011 4313131	National Savings Bank 255, Galle Road, Colombo 03. Tel: 011 2573008-15

Pan Asia Banking Corporation PLC Head Office 450, Galle Road, Colombo 03. Tel: 011 2565565	Public Bank Berhard 340, R.A De Mel Mawatha, Colombo 03. Tel: 011 2576 289
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