



Fitch Affirms SriLankan Airlines' Government-Guaranteed Bonds at 'C'; Withdraws Rating

Fitch Ratings - Singapore/Colombo - 15 Jul 2024: Fitch Ratings has affirmed the rating on SriLankan Airlines Limited's (SLA) USD175 million government guaranteed 7% unsecured bonds due 25 June 2024 at 'C', and withdrawn the rating. The rating on the bonds was driven by the unconditional and irrevocable guarantee of the government of Sri Lanka (Long-Term Foreign-Currency Issuer Default Rating (IDR): RD).

Fitch has chosen to withdraw the rating for commercial reasons. Therefore, Fitch will no longer provide ratings or analytical coverage for SriLankan Airlines.

KEY RATING DRIVERS

Events of Default Triggered: SLA did not pay the bonds' principal and interest due 25 June 2024, and is currently within the 30-day grace period. In addition, the airline's previous defaults on the bond's coupon payments due 25 December 2023, 25 June 2023 and 25 December 2022 are continuing, with grace periods having expired.

Another event of default was triggered due to the 12 April 2022 announcement by the Sri Lankan government of a debt moratorium on several categories of sovereign and public-sector entities' external debt, as well as the ensuing non-payment of interest on the government's external debt.

Bonds Factor in Recovery Prospects: SLA's bonds are rated 'C', factoring in Fitch's view of average- to below-average recovery prospects following a default, in line with the agency's Corporates Recovery Ratings and Instrument Ratings Criteria, and Country-Specific Treatment of Recovery Ratings Criteria. The bonds of issuers that are very close to default show little distinction between 'RR4' and 'RR6' recoveries. Therefore, Fitch has not assigned a Recovery Rating to the bond.

DERIVATION SUMMARY

The US dollar bonds are guaranteed by the Sri Lankan sovereign, and as such SLA halted payments on the bonds upon the government's announcement of a debt moratorium on 12 April 2022 on several categories of sovereign- and state-owned entities' external debt. SLA's bond rating also factors in Fitch's assessment of average to below-average recovery prospects to investors, based on Fitch's Corporates Recovery Ratings and Instrument Ratings Criteria, and Country-Specific Treatment of Recovery Ratings Criteria.

RATING SENSITIVITIES

Not applicable as the rating has been withdrawn.

ISSUER PROFILE

SLA is Sri Lanka's national carrier and the government has full control over the company. SLA operates as a full-service carrier with a network covering Asia, Middle East, Europe and Australia. The airline's fleet consists of 21 aircraft.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

SLA's bonds are guaranteed by the government of Sri Lanka (Long-Term Local-Currency IDR: CCC-)

RATING ACTIONS

| ENTITY / DEBT ↕ | RATING ↕ | PRIOR ↕ |
|----------------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| SriLankan Airlines Limited | | |
| senior unsecured | LT C Affirmed | C |
| senior unsecured | LT WD Withdrawn | C |

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[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

- [Country-Specific Treatment of Recovery Ratings Criteria \(pub. 04 Mar 2023\)](#)
- [Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 14 Oct 2023\) \(including rating assumption sensitivity\)](#)
- [Corporate Rating Criteria \(pub. 04 Nov 2023\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

- [Dodd-Frank Rating Information Disclosure Form](#)
- [Solicitation Status](#)

- [Endorsement Policy](#)

ENDORSEMENT STATUS

SriLankan Airlines Limited EU Endorsed, UK Endorsed

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