

**Date**

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Applicable Criteria

- Methodology | Non-Banking Finance Companies Rating | Jun-22

Related Research

- Sector Study | Leasing & Finance Companies | Jun-22

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LRA Assigns Initial Entity Ratings to Commercial Credit and Finance PLC

Rating Type	Entity
	Current (07-Feb-23)
Action	Initial
Long Term	BBB
Outlook	Stable
Rating Watch	-

Commercial Credit and Finance PLC (CCFP or the Company) is a licensed leasing and finance company in Sri Lanka that specializes in Hire Purchase and Finance Leases. The company's ratings reflect its medium-sized position in the leasing industry, with total assets exceeding 90 billion and a market share of around 5.6%. Since 2009, the company has experienced exceptional growth, which has stabilized in recent years as it focuses on improving book quality and changing its asset mix. Although the company saw growth in Net Interest Income in FY22, this declined in 1HFY23 due to a sudden increase in interest rates. Despite this, the company posted a net profit of LKR 1.1bn in 1HFY23, albeit lower than 1HFY22 (LKR 1.3bn). CCFP has successfully maintained a gross Non-Performing Asset (NPA) ratio below industry levels, but the current economic conditions in the country have impacted its gross NPA levels, which increased from around 4.67% as of FY22 to 9.9% as of 1HFY23. Asset quality is considered strong, with over 95% of loans backed by assets. However, the current economic scenario, with increased NPLs and decreased overall profitability, has limited the company's growth. The ratings also take into account the company's strong capitalization and CAR, which remain comfortably above regulatory requirements.

The ratings are contingent on maintaining asset quality in a volatile and uncertain economic environment. Maintaining growth in the asset book while reducing NPLs will be crucial for any potential upward movement in the ratings.

About the Entity

Commercial Credit and Finance PLC was established as a limited liability company in 1982 under the provisions of the Companies Ordinance No. 17 of 1982 and later re-registered under the Companies Act No. 07 of 2007. In 2011, CCFP was listed on the Colombo Stock Exchange (CSE). The Company's main business activities include accepting deposits, providing lease facilities, hire purchase, term loans, personal loans, microloans, pawning, other credit facilities, real estate development, and related services. It is owned by Mr. RS Egodage and Mrs. GR Egodage and is governed by a board of 11 members. The CEO, Mr. RS Egodage, is supported by a capable management team.

The primary function of LRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. LRA comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. LRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.