

**Date**

23-Apr-25

**Analyst**

Gayani Randima Ariyawansa  
gayani@lra.com.lk  
+94 114 500099  
www.lra.com.lk

**Applicable Criteria**

- Methodology | Non-Banking Financial Institution Rating | Jul-24

**Related Research**

- Sector Study | Leasing & Finance Companies | Feb-25

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**Lanka Rating Maintains Entity Rating of Commercial Credit and Finance PLC, assigns Rating Watch**

Rating Type	Entity	
	Current (23-Apr-25)	Previous (26-Feb-24)
Action	Maintain	Maintain
Long Term	BBB	BBB
Outlook	Stable	Positive
Rating Watch	Yes	-

Commercial Credit and Finance PLC (CCFP or "the Company") is a licensed finance company (LFC) in Sri Lanka, specializing in hire purchase, finance leases, and gold loans. CCFP is a medium-sized company in the leasing industry with ~5.5% share in terms of assets and ~6.1% in deposits. The rating reflects the Company's sound profitability, extensive outreach and growing asset base. However, the Company endured alarmingly high non-performing loans (NPLs) recently emanating from moratoriums and relaxations granted to customers during COVID-19 pandemic and economic crisis period. As at 9MFY25, the Company's Gross and Net NPLs rose to approximately ~30.0% and ~19.1%, respectively, surpassing the industry averages of around ~11.3% and ~6.9%. The management has focused exclusively on recovery efforts and other measures to reduce this number. As a result, NPLs are expected to come down to ~18.2% by March 31, 2025. The rating watch signifies criticality of this matter.

The net interest income (NII) of the Company increased to LKR~11.2bn in 9MFY25 from LKR~8.3bn in the same period last year due to lower interest expenses and relatively high yield on assets. The Company was able to sustain its profitability to LKR~2.1bn in 9MFY25 (9MFY24: LKR~2.0bn) despite higher impairment charges of LKR~3.1bn (9MFY24: LKR~1.2bn). The Capital Adequacy Ratio (CAR) of the Company stood at ~15.4% in 9MFY25, well above the regulatory requirement and it is expected to increase to ~20% as the Company intends to issue subordinated loan of LKR~1.5bn to strengthen its Tier II capital. The granular deposit base bodes well for the funding side. Additionally, the Company has sufficient borrowing lines available from financial institutions.

The liquidation of the Company's second-largest shareholder, Group Lease Holdings PTE Limited, as ordered by the Singapore court in March 2024, is not expected to affect CCFP materially. However, any negative repercussions from this would have negative rating impact. Going forward, the management aims to reduce its moratorium portfolio and further bring down its NPLs.

A rating watch has been assigned due to the sizeable increase in the Company's NPLs and its potential impact on the Company's profitability and other performance indicators. The measures taken by the management to reduce NPLs and achieve profitable growth remains critical. Successful reduction in NPLs to industry averages, strong capitalization and profitability would have positive rating implications.

**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 main shareholder is B. G. Investments (Pvt) Ltd (50.25%) and is governed by a Board of Directors comprising ten members. The CEO, Mr. R. S. Egodage, is supported by a capable management team.

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