Lanka Rating Agency

Rating Report

Assetline Finance PLC

Report Contents

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
10-Sep-2026	A	Positive	Maintain	-
17-Apr-2025	A	Positive	Upgrade	-
02-Nov-2023	A-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Assetline Finance PLC ("AFIN" or "the Company") is a licensed Non-Bank Financial Institution (NBFI) operating within Sri Lanka's Licensed Finance Company ("LFC") Sector, providing a diversified range of financial services including public deposits, finance leases, vehicle loans, mortgage loans, margin trading facilities, business loans and other credit facilities. While AFIN's sector footprint remains modest relative to higher-rated peers, accounting for ~3.2% of total LFC Sector assets as of FY26 (FY25: ~2.5%), its position within the Sector continues to strengthen.

AFIN achieved robust loan portfolio growth of ~83% in FY26, with total advances reaching LKR ~81.3Bn (FY25: LKR ~44.5Bn), materially outpacing Sector-wide loan growth. This was primarily driven by the 4W segment, which constituted ~42.3% of the total portfolio, followed by 2W (~32.5%) and 3W (~15.4%) segments. The tangible collateral backing across all vehicle categories is a key structural support to AFIN's credit profile. Asset quality metrics remained strong with gross NPL ratio declining to ~2.5% in FY26 (FY25: ~3.9%), comparing favorably against the LFC Sector average of ~6.1%.

Profitability improved with PAT rising to LKR ~3.1Bn in FY26 (FY25: LKR ~2.7Bn) reflecting steady earnings capacity. The margins compressed compared to previous years as the Company's portfolio shifted towards relatively lower margin and highly competitive 4W segment. AFIN's NIM was at ~15.1% in FY26 (FY25: ~20.1%). However, NIM remains above the Sector average. The Company aims to maintain its profitability and growth momentum, going forward.

AFIN's CAR declined sharply to ~16.65% in FY26 from ~26.12% in FY25 as the loan portfolio grew. This reduction has brought AFIN's CAR below the current LFC Sector average of ~18.3% and similar rated peers. While the ratio remains above minimum regulatory thresholds, the Company will have to balance its growth with capital buffer. Maintaining strong capitalization is essential. AFIN's modest market share (~3.2% of LFC Sector assets) is balanced by its established presence in the LFC segment and strong parentage.

AFIN's funding profile remained broadly stable during FY26. The deposit base remained low in FY26 LKR ~12.4Bn (FY25: LKR ~6.2Bn), while borrowings increased to LKR ~52.2Bn (FY25: LKR ~25.8Bn) as AFIN's funding base remains predominantly reliant on borrowings. This has resulted in higher leverage when compared to peers.

AFIN's rating incorporates its association with the David Pieris Group. The Group's financial capacity and demonstrated support for the Company, its dominant position as the exclusive Sri Lankan distributor of Bajaj-branded vehicles through David Pieris Motor Company, and the inherent operational synergies are key rating considerations that augment AFIN's credit profile.

The rating is assigned a “Positive Outlook” that reflects the Company’s sustained performance indicators and asset quality. A rating upgrade would be contingent upon strengthening capitalization and, in turn, CAR to commensurate with higher rated peers. Similarly, sustaining strong NIM and asset quality is imperative. Conversely, further reduction in capital adequacy or a sustained compression in profitability metrics will have negative rating connotations.

Disclosure

Name of Rated Entity	Assetline Finance PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Non-Banking Financial Institution Rating(Jul-24)
Related Research	Sector Study | Leasing & Finance Companies(Apr-26)
Rating Analysts	Imran Iqbal | imran@lra.com.lk | +94 114 500099

Profile

Structure Assetline Finance PLC ("AFIN" Or "the Company") is a licensed finance company incorporated in 2003 and registered with the Central Bank of Sri Lanka (CBSL). The Company was initially registered under the Companies Act No. 07 of 2007, re-registered as a leasing and finance company under the Finance and Business Act No. 42 of 2011. In FY23, AFIN obtained a license from CBSL to carry business as a Licensed Finance Company (LFC).

Background AFIN, once known as Assetline Leasing Company Limited, was the largest specialized leasing company in Sri Lanka. The Company primarily focused on providing leasing and financing solutions to the less affluent population, enabling them to acquire vehicles. Additionally, AFIN extended financial support to entrepreneurs, small and medium-sized enterprises (SMEs), and small industries.

Operations AFIN offers a comprehensive range of financial services, including leasing options for various vehicles such as 2-wheelers, 3-wheelers, motor cars, and mini truck. The Company provides leasing & loan facilities including new and used vehicles to cater to diverse customer needs.

Ownership

Ownership Structure The major shareholding vests with DPMC Assetline Holdings (Pvt) Limited owning 99.99% of the shares as of FY26. The ultimate parent of the company is David Pieris Holdings (Pvt) Ltd.

Stability Holding company structure provides stability to the overall shareholding of the Company.

Business Acumen David Pieris Group (DPG) comprises 30 companies in diversified industries, including financial services, property development & trading, logistics, IT & Digital, racing, leisure, and distribution of electronic and electrical items

Financial Strength David Pieris Group has strong financial strength and has approved a limit of LKR 14Bn to fund AFIN in the form of an intercompany loan. This highlights the willingness of the sponsor to support the Company in need.

Governance

Board Structure The AFIN Board comprises eight members, consisting of one Non-Independent Non-Executive Director, five Independent Non-Executive Directors, and two Executive Directors.

Members' Profile The AFIN board comprises individuals with extensive knowledge, expertise, and experience across various industries, including agriculture, automobiles, logistics, IT, audit, and finance. Mr. M N R Fernando serves as the Chairman of the board, appointed as Independent Non-Executive Chairman in March 2025. Mr. M. N. R. Fernando is a Senior Fellow of the Institute of Bankers, Sri Lanka, and holds a Master of Business Administration. He has over four decades of experience in banking.

Board Effectiveness AFIN operates with five board sub-committees: the Board Audit Committee (BAC), the Board Human Resource and Remuneration Committee (HRRC), the Board Integrated Risk Management Committee (BIRMC), the Nomination Committee (NC), and the Board Related Party Transactions Review Committee (RPTRC).

Financial Transparency The external audit of AFIN is conducted by E&Y Chartered Accountants of Sri Lanka. They have issued an unqualified audit opinion on the financial statements for FY26.

Management

Organizational Structure The company has a well-defined organizational structure, with the CEO holding final authority and reporting directly to the Board of Directors.

Management Team Mr Ashan Nissanka serves as Director and CEO, having joined the Board of Assetline in February 2021. He is a senior finance professional with broad-based experience in financial services and corporate management.

Effectiveness The Company has formed few management committees namely, Assets and Liability Management Committee, Credit Committee, Procurement Committee, IT Steering Committee, Cross Functional Committee and Assetline Management System Steering Committee.

MIS The Company operates a browser-based ERP system with Oracle 19C, hosted on Dialog's local cloud, with a disaster recovery site on Azure Cloud. A new system is being finalized to manage liability business operations and automate compliance processes. The MIS reporting framework includes real-time dashboards and reports on disbursements, portfolio movements, collections, and NPAs, supporting effective decision-making.

Risk Management Framework AFIN's risk management process is steered by the Board Integrated Risk Management Committee (BIRMC), which reports to the Board. The Board defines acceptable risk levels in alignment with the company's strategy and limitations.

Business Risk

Industry Dynamics At present, there are ~32 LFCs in Sri Lanka, of which ~27 are listed on the Colombo Stock Exchange. By the end of 9MFY26, the profit after tax (PAT) of LFCs in Sri Lanka was reported at LKR~61.48 bn. In 6MFY25, the Return on Assets (ROA) stood at around ~6.3% (FY25: ~6.6%), and the Return on Equity (ROE) was ~16.3% (FY25: ~15.2%).

Relative Position AFIN maintained a modest position within the LFC sector in 9MFY26, representing approximately ~3.3% of the industry's equity base and contributing around ~3% to total industry assets. The Company's net loans and advances accounted for ~3.1% of the sector, while its deposit base remained relatively low at ~0.79% during the same period.

Revenues The Company achieved gross income of LKR ~15.6bn in FY26, surpassing the prior year's LKR ~11.6bn. The expansion was underpinned by robust performance across lease, loan, and margin trading revenue streams, bolstered by beneficial economic conditions.

Performance Net profit increased to LKR ~3.1bn in FY26 from LKR ~2.7bn in FY25, supported by stronger net interest income driven by improved asset yields and a lower cost of funds. Shareholder returns remained stable, with ROE maintained at ~18.2% in FY26 (FY25: ~18.2%). However, asset efficiency declined as ROA was reported as ~4.4% in FY26 and ~6.1% in FY25.

Sustainability AFIN has aggressively expanded into the four-wheeler financing segment to attract higher-income customers, as four-wheelers typically exhibit lower non-performing loan (NPL) rates compared to other vehicle categories, while continuing to maintain its strong presence in two- and three-wheeler financing. The Company also benefits from exclusive agency agreements with BAIC and Great Wall Motors, which are expected to support auto financing growth, particularly through BAIC's new electric vehicle range.

Financial Risk

Credit Risk The Company's portfolio quality strengthened considerably in FY26. Gross impaired loans decreased to ~2.5% (FY25: ~3.9%), whilst net impaired loans fell to ~0.9% (FY25: ~1.3%), both substantially outperforming industry standards. This exceptional asset quality reflects the Company's deliberate portfolio strategy of focusing on two- and four-wheeler lending, segments that inherently exhibit lower default rates

Market Risk The Company maintains a diversified investment portfolio comprising government treasury securities, unquoted equity holdings and bank deposits. Treasury bond holdings declined to LKR ~5.7bn in FY26 from LKR ~6.7bn in FY25, reflecting strategic portfolio rebalancing during the period.

Liquidity And Funding In FY26, total deposits stood at LKR~12.4bn (FY25: LKR~6.2bn). Total deposits held by the top 20 depositors represent ~92% the largest depositor is David Pieris Motor Company (Lanka) Limited. Additionally, In FY26, the bank overdraft facility was LKR~2.1bn, in FY25, which was LKR~550.1mn, recording a ~280% increase.

Capitalization The Company's total capital adequacy ratio stood at ~16.65% in FY26 (FY25: ~26.12%). AFIN adheres to the Central Bank of Sri Lanka ("CBSL") capital adequacy requirements.

Lanka Rating Agency

Assetline Finance PLC Public Limited Company	LKR mln Mar-26 12M	LKR mln Mar-25 12M	LKR mln Mar-24 12M	Mar-23 12M
A BALANCE SHEET				
1 Total Finance-net	79,282	42,859	27,819	22,515
2 Investments	5,797	6,713	6,855	5,427
3 Other Earning Assets	1,938	1,132	61	201
4 Non-Earning Assets	2,593	1,681	1,291	1,970
5 Non-Performing Finances-net	(87)	(21)	1,391	3,485
Total Assets	89,523	52,364	37,416	33,598
6 Funding	66,706	32,833	21,581	21,401
7 Other Liabilities	4,865	3,598	1,940	838
Total Liabilities	71,570	36,431	23,521	22,239
Equity	17,977	15,933	13,896	11,359
B INCOME STATEMENT				
1 Mark Up Earned	15,076	11,297	9,938	7,845
2 Mark Up Expensed	(4,721)	(2,606)	(3,258)	(4,431)
3 Non Mark Up Income	518	344	413	147
Total Income	10,872	9,034	7,092	3,561
4 Non-Mark Up Expenses	(4,064)	(3,322)	(2,679)	(2,148)
5 Provisions/Write offs/Reversals	(415)	(151)	(1,573)	(857)
Pre-Tax Profit	6,393	5,562	2,840	556
6 Taxes on Financial Services	(1,423)	(1,210)	(718)	(271)
Profit Before Income Taxes	4,970	4,352	2,122	285
7 Income Taxes	(1,862)	(1,637)	(834)	620
Profit After Tax	3,107	2,715	1,288	905
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	37.4%	36.8%	37.8%	60.3%
b ROE	18.3%	18.2%	10.2%	8.0%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	121.9%	135.8%	145.0%	133.6%
b Accumulated Provisions / Non-Performing Advances	104.3%	101.2%	59.8%	42.7%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	12.6%	25.4%	32.9%	26.4%
b Borrowings from Banks and Other Financial Institutes / Funding	70.6%	78.7%	94.7%	86.6%
4 MARKET RISK				
a Investments / Equity	32.2%	42.1%	49.3%	47.8%
b (Equity Investments + Related Party) / Equity	0.0%	0.0%	0.0%	0.0%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	20.1%	30.4%	37.1%	33.8%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	15.7%	15.9%	11.3%	7.4%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)	Rating Watch	Suspension	Withdrawn	Harmonization
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) LRA finds it impractical to surveil the opinion due to lack of requisite information.	A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Company

Rating Team Statements

(1) Credit Rating Agency means a body corporate engaged in the business of assessing and evaluating the credit- worthiness of any issuer or a specific issue of securities. https://www.sec.gov.lk/credit-rating-agency/

Conflict of Interest

(2) i. LRA will disclose to the Commission all other business activities it is engaged in at the time of applying for its licence and inform the Commission in writing prior to engaging in any other business activity after obtaining a licence from the Commission. (Section 34 – Rules applicable to Credit Rating Agencies)

(2)ii.LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(2) iii.In the conduct of any such other business activity, the LRA will ensure that proper processes are in place to have a clear demarcation of the different functions pertaining to such businesses. (Section 36 – Rules applicable to Credit Rating Agencies)

Restrictions

(3) (i) LRA will not be outsource any part of its work, which has a direct bearing on the function of rating. (Section 24 – Rules applicable to Credit Rating Agencies)

(3) (ii) LRA will enter into a written agreement with the party to whom any work is outsourced. Such agreement contains an undertaking from the party to whom any work is outsourced that they shall comply with the laws, rules, and directives that the LRA is bound to follow. (Section 25 – Rules applicable to Credit Rating Agencies)

(4) The LRA will not appoint any individual as a member of the rating committee who:

(a) has a business development function of the Credit Rating Agency; or

(b) who initiates or participates in discussions regarding fees or payments with any Client of the LRA. (Section 28 – Rules applicable to Credit Rating Agencies)

Conduct of Business

(5) Prior to the commencement of a rating or during such process the LRA will not promise, assure or guarantee to a Client that a particular rating will be assigned. (Section 39 – Rules applicable to Credit Rating Agencies)

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies will be made available to the Commission for perusal, upon request. (Section 41 – Rules applicable to Credit Rating Agencies)

Independence & Conflict of interest

(7) LRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on LRA´s opinions or other analytical processes. In all instances, LRA is committed to preserving the objectivity, integrity, and independence of its ratings.

(8) LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(9) LRA will structure its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 47 – Rules applicable to Credit Rating Agencies)

Monitoring and review

(10) For purposes of transparency the LRA will publish sufficient information about an entity/security rated, frequency of default and whether a rating grade assigned has changed over time. The definitions and computation methods for the default rates stated in the default studies shall also be disclosed. (Section 44 – Rules applicable to Credit Rating Agencies)

LRA maintain the following records pertaining to Clients:

(a) all internal records to support its credit rating opinions;

(b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and

(c) a written record of all complaints received from Clients and action taken thereon by the LRA. (Section 48 – Rules applicable to Credit Rating Agencies)

(11) LRA maintains confidentiality of all non-public information entrusted to it by Clients at all times including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law, or unless authorised by the Client to disclose such information. (Section 50 – Rules applicable to Credit Rating Agencies)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the Credit Rating Agency which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination (Section 53 – Rules applicable to Credit Rating Agencies)

Probability of Default

(13) LRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability).

Proprietary Information

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