Lanka Rating Agency

Rating Report

Vallibel Finance PLC - LKR 3Bn Subordinated - Unsecured - Redeemable Debenture

Report Contents

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
02-Sep-2026	BBB+	Stable	Maintain	-
26-Sep-2025	BBB+	Stable	Upgrade	-
20-Aug-2024	BBB	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

Vallibel Finance PLC (VFIN or "the Company") is a licensed finance company (LFC) in Sri Lanka, affiliated with the Vallibel Group, and engaged primarily in vehicle financing, auto drafts, gold-backed lending and leasing. VFIN held a ~6% share of Sector assets in FY26, with total assets rising ~61% to LKR ~180.29Bn (FY25: LKR ~111.68Bn), one of the highest growth rates in the Sector. The branch network expanded to 87 outlets in FY26 (FY25: 75) as the Company continues to increase its footprint.

The rating affirmation reflects VFIN's strong asset quality, consistent financial performance, and continued sponsor support as reaffirmed through an equity infusion via the recent rights issue. The Company has undertaken very high growth, which has moderated capitalization buffers despite the equity injection.

VFIN's profitability improved during FY26, with PAT rising to LKR ~3.6Bn (FY25: LKR ~2.6Bn), supported by lower funding costs, strong portfolio growth, and stable spreads. Despite this improvement, ROA moderated to ~2.46% (FY25: ~2.57%), remaining below the industry average, as earnings have yet to match the rapid asset growth. In contrast, ROE improved to ~21.65% (FY25: ~18.72%). Asset quality metrics remained strong during FY26, with gross and net NPL ratios reducing to ~2.53% and ~1.07% respectively, both well below industry averages. This is a key distinction of the Company, primarily driven by strong recoveries. Meanwhile, strong expansion of the loan portfolio also lowered these ratios.

The Company's capital profile weakened during FY26, as portfolio expansion outpaced internal capital generation, driving the Capital Adequacy Ratio (CAR) down to ~14.79% (FY25: ~21.51%). To support its capital base, the Company completed a rights issue of LKR ~2Bn in May 2026, which increased the CAR to ~15.7%. However, the ratio remains below the industry average of ~18.4%. The Company's envisaged growth plans and sustained portfolio expansion could put pressure on capitalization in FY27.

The Company's deposit base grew by ~23.7% to LKR ~83.5Bn during FY26, though its share in the overall funding mix declined to ~53% (FY25: ~73%), as the proportion of borrowings increased, consistent with the broader trend observed across the LFC Sector. Liquidity remained adequate during FY26, supported by a sizeable allocation to G-Secs, which accounted for ~76.4% of total investments (FY25: ~86.5%). However, the top 20 depositor concentration remained elevated at ~22.6%, exceeding peer levels and indicating a degree of funding concentration risk.

The rating continues to depend on the Company's ability to sustain asset quality and profitability while rebuilding and maintaining adequate capital buffers commensurate with its growth trajectory. Adverse trends, particularly a further weakening of capital ratios, deteriorating asset quality, or increased funding concentration would have negative rating implications.

Disclosure

Name of Rated Entity	Vallibel Finance PLC - LKR 3Bn Subordinated - Unsecured - Redeemable Debenture
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology | Non-Banking Financial Institution Rating(Jul-24),Methodology | Debt Instrument Rating(Aug-24)
Related Research	Sector Study | Leasing & Finance Companies(Apr-26)
Rating Analysts	Imran Iqbal | imran@lra.com.lk | +94 114 500099

Issuer Profile

Profile Vallibel Finance PLC (the "Company" or "VFIN") is a public limited liability company incorporated in Sri Lanka, regulated under the Finance Business Act No. 42 of 2011. It has been listed on the main board of the Colombo Stock Exchange since 2010. Prior to the acquisition by Vallibel Investment (Pvt) Limited (the parent company) in 2005, it was known as Rupee Finance Company Limited. VFIN has a wholly owned subsidiary, Vallibel Properties Limited, formed to manage the construction and maintenance of the new corporate office building. VFIN is engaged in providing financial solutions and offering products and services, such as leasing, vehicle loans, auto drafts, gold loan and fixed deposits.

Ownership VFIN is a listed company. Vallibel Investments (Pvt.) Limited is the major shareholder with ~51.44% followed by Mr. Dhammika Perera (~21.4%) and Mr. Anuradha Perera (~3.62%), who is the current Chairman. Altogether, the Perera family owns ~79.10% of the stake as at FY26. Vallibel Investments (the parent company) with equal proportions is owned by Ms. K. A. D. B. Perera and Ms. K. A. D. K. Perera, daughters of Mr. Dammika. The succession has taken place as the next generation of Mr. Dammika is about to reign over the business affairs. Vallibel Investments (the parent company) with equal proportions is owned by Ms. K. A. D. B. Perera and Ms. K. A. D. K. Perera, daughters of Mr. Dammika. The succession has taken place as the next generation of Mr. Dammika is about to reign over the business affairs. Vallibel Group is well established and positioned in the market. The Group has supported VFIN during the crisis period in order to strengthen the Tier II capital by way of subordinated debt.

Governance The Board of Vallibel Finance PLC consists of seven members: four of whom are Independent Non-Executive Directors, and two are Non-Executive Directors. The Chairman serves as a Non-Executive Non-Independent the Board has appointed Mr K D A Perera in 2023 as the Chairman. The Board is comprised of individuals with broad knowledge, expertise, and experience across diverse business sectors, which provides the Company with a strong competitive advantage in the industry. The Chairman also serves as a Director in several private sector entities within the Vallibel Group. VFIN operates through six Board Committees, which held a total of thirteen meetings during FY26. Attendance at these meetings was maintained at a satisfactory level. The External audit carried out by the E&Y Chartered accountants of Sri Lanka, and they have given an unqualified audit opinion on the financial statements for the year end of 31st March 2026.

Management The organizational framework of the Company consists of eight distinct divisions, with overall authority resting with the Managing Director. The Management team is highly experienced and knowledgeable, led by Mr. S. B. Rangamuwa, who serves as the Managing Director. The Company operates through four management committees the Assets and Liability Management Committee ("ALCO"), Credit Committee ("CC"), IT Steering Committee ("ITSC"), and Executive Integrated Risk Management Committee ("EIRMC") with the management team convening on a regular basis. The Company has made investment in information technology, deploying platforms such as eFinancials, CRM, KTMS, ALM, BI, and AI-driven tools to support core operations, customer relationship management, and AML compliance. Governance and oversight are further reinforced by strong compliance and cybersecurity frameworks, backed by a dedicated management team and an actively engaged Board. The Company operates under a comprehensive risk management policy, overseen by the IRMC and Audit Committee, with enhanced compliance, cybersecurity, and governance frameworks that underpin long-term stability and shareholder value.

Business Risk At present, there are ~31 LFCs in Sri Lanka, of which ~30 are listed on the CSE. By FY26, the Profit After Tax (PAT) of LFCs in Sri Lanka was reported at LKR~89.38bln (FY25: LKR~69.38bn). In FY26, the Return on Asset (ROA) stood at ~6.2% (FY25: ~6.6%), and the Return on Equity (ROE) at ~17.1% (FY25: ~15.2%), respectively. The total asset base of the LFC sector stood at LKR~3,055.28bn (FY25:LKR~2,089.27bn) as of FY26, of which LKR~2,450.26bn (FY25:LKR~1,566.71bn) are categorised as net loans/advances. The gross Non-Performing Loan (NPL) ratio stood at ~4.1% (FY25: ~8.6%) in FY26. VFIN represented approximately 3.2% of the total equity of the LFC industry as at FY26 (FY25: ~3.1%). Moreover, the Company's asset base contributes to ~6% of the industry assets in FY26 (FY25: ~5.3%,). VFIN's loans and advances represented ~5.9% of the LFC and SLC sector's total loans and advances asset base in FY26, compared to ~5.8% in FY25. Similarly, VFIN's deposit base accounted for ~6.1% of the sector's total deposit base in FY26, compared to ~6.0% in FY25. Net interest income rose ~36.1% YoY to LKR~11.04bn in FY26 (FY25: LKR~8.1bn), driven by interest income growth of ~37.2% to LKR~23.2bn, which outpaced the ~38.4% rise in interest expense to LKR~12.2bn. Vehicle-backed and gold-backed lending together contributed ~54.2% of total interest income, up from ~53.9% in FY25. Auto draft income rose ~27.7% to LKR~6.43bn from ~24.6% in FY25. Lease income rose modestly to LKR~3.02bn, but it's share fell to ~13.0% from ~17.4%. The core spread narrowed to ~7.8% (FY25: ~8.8%) due to faster repricing of earning assets relative to funding liabilities. VFIN's PAT grew ~36.5% YoY to LKR~3.58bn in FY26 (FY25: LKR~2.62bn), higher interest and other income. The Non-mark-up Expense to Total Income ratio rose to ~22.3% (FY25: ~22.0%), reflecting steady cost pressure. Overall lending rates and WACC both declined, keeping spreads broadly stable at ~7.0% (FY25: ~7.2%). Gross advances surged ~67.8% to LKR~161.04bn, driven by vehicle loans, auto drafts, and gold loans, which together comprised ~81.8% of the portfolio. VFIN has laid out a three-year strategic roadmap centred on growth and expansion. The Company intends to establish new branches in underpenetrated regions to widen accessibility and grow its market presence. Growth in market share will be supported by new product launches, results-driven sales teams, and the rollout of Margin Trading, Digital/Online Services, and Islamic Banking offerings. Plans are also in place to scale up the property loan segment, with gold loans projected to make up close to one-third of the overall portfolio.

Financial Risk VFIN's Gross NPL improved to ~2.53% in FY26 (FY25: ~3.56%), well below the industry average of ~4.4%, despite ~67.8% growth in advances. Lease remains the largest NPL contributor, though auto draft's share rose sharply to ~23.7% (FY25: ~11.6%), followed by vehicle loans as the second-largest contributor. Net NPL for FY26 stood at ~1.1%, compared to -0.37% in FY25. Top 20 deposit concentration rose to ~23% in FY26 from ~21%. VFIN's investments shifted toward placements with banks LKR~4,810mn, up from LKR~570mn, while Treasury Bills declined to LKR~340mn (FY25: LKR~3,097.6mn) and reverse repos rose to LKR~4,560.9mn. Gold loan concentration reached 22% in FY26, guided to ~25% by FY27, exposing earnings to gold price volatility amid recent price declines. The Company's maximum LTV of 75% exceeds CBSL's 70% regulatory cap, compounding collateral risk. VFIN's deposit share of total funding declined sharply to ~53% in FY26 (FY25: ~73%). The fixed deposit renewal ratio strengthened notably to ~92.6% in FY26 (FY25: ~81.0%). The ratio has remained strong, reflecting customer confidence and stability. Maturity profile improved, with a positive cumulative gap of LKR~7.19bn in the up-to-3-months bucket, reversing prior years' negative gaps. VFIN's core capital fell to ~10.8% in FY26 (FY25: ~16.5%),above the 10% regulatory minimum, while total capital declined to ~14.8% (FY25: ~21.5%). Debt-to-equity rose to 8.7x. In May 2026, the Company completed a rights issue raising ~LKR 2bn; following the issue, as of June 2026, Tier 1 capital rose to ~10.9% and total capital to ~15.7%.

Instrument Rating Considerations

About The Instrument Vallibel Finance PLC has raised a listed, rated, subordinated, unsecured, redeemable debenture of LKR~3Bn. The initial issue was of LKR~2Bn with an option to issue up to a further LKR~1Bn (Total LKR~3Bn) in the event of an over subscription. The debenture has a tenor of 5 years. The issue has two types of debentures, namely Type 'A' and Type 'B' Debentures. The Coupon interest paid Bi-annually (Type A) and Annually (Type B).

Relative Seniority/Subordination Of Instrument 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. The claims shall rank in priority to and over any subordinated debt of the Company and the ordinary and preference shareholder/s of the Company.

Credit Enhancement It is an unsecured and subordinate debt instrument. The capital repayment is made at the end of the tenor, with any interest accruing up to that time.

Lanka Rating Agency

	Mar-26	Mar-25	Mar-24	Mar-23
Valible Finance Company PLC				
Public Listed Companies	**12M**	**12M**	**12M**	**12M**
A BALANCE SHEET				
1 Total Finance-net	154,878	91,090	66,392	59,488
2 Investments	8,628	10,227	9,879	6,848
3 Other Earning Assets	4,811	570	8,323	9,861
4 Non-Earning Assets	10,253	8,695	6,689	4,215
5 Non-Performing Finances-net	1,716	1,100	1,885	1,911
Total Assets	180,286	111,683	93,168	82,323
6 Funding	156,724	91,372	76,665	69,185
7 Other Liabilities	5,528	5,187	3,529	2,052
Total Liabilities	162,252	96,558	80,194	71,237
Equity	18,034	15,124	12,974	11,087
B INCOME STATEMENT				
1 Mark Up Earned	23,215	16,914	18,372	15,676
2 Mark Up Expensed	(12,170)	(8,796)	(11,365)	(11,014)
3 Non Mark Up Income	3,169	2,287	1,658	1,029
Total Income	14,214	10,404	8,665	5,690
4 Non-Mark Up Expenses	(5,932)	(4,676)	(3,582)	(2,830)
5 Provisions/Write offs	(641)	(171)	(438)	(98)
6 Reversals	-	-	-	-
Pre-Tax Profit	7,642	5,558	4,645	2,763
7 Taxes on Financial Services	(1,772)	(1,321)	(1,189)	(697)
Profit Before Income Taxes	5,870	4,237	3,455	2,065
8 Income Taxes	(2,281)	(1,608)	(1,314)	(726)
Profit After Tax	3,589	2,629	2,142	1,340
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	41.7%	44.9%	41.3%	49.7%
b ROE	21.6%	18.7%	17.8%	12.1%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	101.4%	103.4%	92.1%	91.7%
b Accumulated Provisions / Non-Performing Advances	57.9%	67.8%	55.4%	51.9%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	9.7%	12.6%	20.0%	23.7%
b Borrowings from Banks and Other Financial Institutities / Funding	38.5%	15.8%	20.8%	26.8%
4 MARKET RISK				
a Investments / Equity	47.8%	67.6%	76.1%	61.8%
b (Equity Investments + Related Party) / Equity	3.9%	0.9%	0.0%	0.0%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	10.0%	13.5%	13.9%	13.5%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	19.5%	16.6%	17.2%	N/A

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)
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'.

Rating Watch
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.

Suspension
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.

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.

Harmonization
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

Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (LKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets as at 3MFY26 (LKR)
Listed, Rated, Subordinated, Unsecured, Redeemable Debentures	3,000,000,000	05 Years	Unsecured	N/A	N/A	Hatton National Bank PLC	N/A

Name of Issuer	Vallibel Finance PLC
Issue Date	November 22, 2024
Maturity	November 22, 2029
Coupon Basis	Type A - Fixed Rate of 12.95% p.a. payable semi - annually (AER 13.37%) ; Type B - Fixed Rate of 13.37% p.a. payable annaully (AER 13.37%)
Repayment	Interest Repayment - Type A : semi - annually ; Type B : annually / Capital Repayment - at the maturity date
Option	

Due Date Principal	Opening Principal	Principal Repayment	Coupon Due Date	Fixed Rate	Coupon	Principal Outstanding		
	LKR				YYYY-MM-DD	LKR		
Type					Fixed			
A	482,240,000	-	22-May-25	12.95%	31,139,492			
	482,240,000		22-Nov-25	12.95%	31,481,684	482,240,000		
	482,240,000		22-May-26	12.95%	30,968,396	482,240,000		
	482,240,000		22-Nov-26	12.95%	31,481,684	482,240,000		
	482,240,000		22-May-27	12.95%	30,968,396	482,240,000		
	482,240,000		22-Nov-27	12.95%	31,481,684	482,240,000		
	482,240,000		22-May-28	12.95%	31,054,411	482,240,000		
	482,240,000		22-Nov-28	12.95%	31,395,669	482,240,000		
	482,240,000		22-May-29	12.95%	30,968,396	482,240,000		
	482,240,000	482,240,000	22-Nov-29	12.95%	31,481,684	-		
B	2,517,760,000		22-Nov-25	13.37%	337,546,771	2,517,760,000		
	2,517,760,000		22-Nov-26	13.37%	336,624,512	2,517,760,000		
	2,517,760,000		22-Nov-27	13.37%	336,624,512	2,517,760,000		
	2,517,760,000		22-Nov-28	13.37%	336,624,512	2,517,760,000		
	2,517,760,000	2,517,760,000	22-Nov-29	13.37%	336,624,512	-		