



Lanka Rating Agency

Rating Report

Associated Motor Finance Company PLC - Tier 2 - Listed, Rated, Unsecured, Subordinated, Redeemable High Yield Bonds

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
12-Jun-2025	BB-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

Associated Motor Finance PLC (“AMF” or “the Company”) is a relatively small player in Sri Lanka’s Licensed Finance Company (LFC) sector, primarily engaged in vehicle leasing, with a focus on the two-wheeler segment. The Company is planning to issue a Tier 2, listed, rated, unsecured, subordinated, redeemable, high-yield bond with a maximum issue size of approximately LKR~1.25bn with maturity of five years. The objective of the issuance is to support the Company’s portfolio expansion plans. BDO Partners Sri Lanka has been appointed as the Independent External Verifier for this issuance. Due to the subordinate nature of the bonds, the claims of bondholders will rank below depositors, senior debt holders, and secured creditors.

In FY25, AMF demonstrated significant improvement in its financial performance. Net Interest Income (NII) increased to LKR~3.3bn, up from LKR~2.2bn in FY24, reflecting a year-over-year growth of around 52.6%. The Company’s net profit also rose to LKR~750.1mn in FY25 (FY24: LKR~318.3mn). However, asset quality remains a key concern, with the Company reporting a Gross Non-Performing Loan (NPL) ratio of ~15.9%, significantly higher than the industry average of ~8.3%. As of FY25, AMF reported a Capital Adequacy Ratio (CAR) of ~19.2%, which is well above the Central Bank of Sri Lanka’s statutory minimum requirement of 12.5%, though slightly below the industry average. CAR is expected to improve with issuance of Tier 2 bond to provide cushion for growth.

The rating remains contingent upon AMF’s continued ability to execute its strategic objectives, uphold prudent financial management practices and improving asset quality. From a bondholder’s perspective, the effective deployment of bond proceeds and adherence to robust governance standards will be critical to preserving the Company’s financial stability and overall credit profile.

Disclosure

Name of Rated Entity	Associated Motor Finance Company PLC - Tier 2 - Listed, Rated, Unsecured, Subordinated, Redeemable High Yield Bonds
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(Feb-25)
Rating Analysts	Ruwanthi Sylva ruwanthi@lra.com.lk +94 114 500099

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Issuer Profile

Profile Associated Motor Finance company PLC (“AMF” or “the Company”), founded in 1962 by the Late Mr. J.P.I. Piyadasa and listed on the Colombo Stock Exchange since 2011, is a regulated financial services provider headquartered in Colombo. With over six decades of operations, AMF offers a broad range of financial products, including leasing, loans, fixed deposits, savings, and Islamic finance through Al-Jabal. The company acquired Arpico Finance in 2014 and was amalgamated in 2021 as part of CBSL’s restructuring efforts.

Ownership Dayawansa family controls approximately ~72.8% of AMF, with ~47.12% directly and ~25.65% through Imperial Imports and Exports (Pvt) Ltd., ensuring strong management control and stability. Mr. J.P.I. Nalatha Dayawansa has three children. His wife, Mrs. A.S. Dayawansa, and son, Mr. Shanil Dayawansa, currently serve as Executive Directors at AMF. Mr. Shanil, qualified in Management and Finance, oversees lending, deposits, and marketing. Mr. Nalatha Dayawansa, an expert in automobile engineering and economics, has been with the company since 1982 and served as Chairman and Managing Director from 1995. Their longstanding involvement highlights a long-term ownership approach, supported by a 2021 rights issue that helped meet CBSL capital requirements.

Governance The Board has 8 members, including 4 Independent Non-Executive Directors, and 4 Executive Directors. The Chairman, Mr. P.S. Goonewardene, is an independent director with extensive experience in banking, finance, and marketing, holding degrees from Monash University and the Chartered Institute of Marketing, UK, and membership with CPA Australia. The board’s diverse expertise spans financial services and marketing, both locally and internationally. The Company has five sub-committees to support governance, and BDO Partners provided an unqualified audit opinion for FY25.

Management The Company is led by CEO Mr. T.M.A. Sallay, who reports to the Chairman and board. There are about 17 departments, each headed by a manager, report to the Deputy CEO, who reports to the CEO. Mr. Sallay, appointed General Manager in 2003, became CEO in 2011 and Executive Director/CEO in 2021. He is supported by Executive Directors for HR, Operations, and Lending. The Company has four management committees: ALCO, Credit, IT Steering, and a general Management Committee. The main core system, “eFinancials,” is Sri Lanka’s leading banking software, automating core processes via a cloud-enabled platform. AMF also uses hSenid HRIS and custom internal applications. The firm follows a ‘three lines of defense’ risk policy, with business units managing risks under key committees, oversight by the Risk Management and Audit Committees, and periodic reviews by Internal Audit, Compliance, and External Auditors to ensure risk and compliance management.

Business Risk Sri Lanka has around 33 Licensed Finance Companies (LFCs), with ~27 listed on the CSE. As of FY25, the sector’s total assets reached LKR~2,089.9bn, with sector profits rising to LKR~69.0bn from LKR~51.5bn in FY24. AMF’s gross interest income grew to LKR~5.56bn from LKR~4.97bn last year, driven by a growing lease and loan portfolio. Net Interest Income (NII) increased to LKR~3.3bn, up from LKR~2.2bn in FY24, reflecting a year-over-year growth of around 52.6%. The Company’s net profit also rose markedly to LKR~750.1mn in FY25, compared to LKR~318.3 million in FY24. ROE rose to ~20.8% (FY24: ~10.3%) and ROA to ~3.7% (FY24: ~1.8%). AMF is diversifying its motorcycle financing through targeted segmentation, technology, electric bikes, and seasonal campaigns, using data-driven credit assessments and real-time monitoring to sustain growth and manage risks.

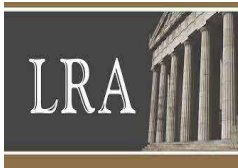
Financial Risk In FY25, the Company’s gross NPL ratio declined to ~15.9%, from ~24% in FY24, while the net NPL ratio improved to ~9.5%, down from ~15%, primarily due to the Company’s continued focus on 2-wheeler financing. Despite the improvement, NPL levels remain above the industry average. AMF’s Treasury bill investments stood at LKR~1.4bn, while customer deposits, the primary funding source, totaled LKR~15.5bn in FY25. The Tier 2 capital ratio remained strong at ~19.2%, well above the CBSL’s minimum requirement of 12.5%, though slightly below the industry average of ~20.2%

Instrument Rating Considerations

About The Instrument AMF intends to issue a 5-year Tier 2 Listed, Rated, Unsecured, Subordinated, Redeemable High-Yield Bond, with a maximum face value of approximately LKR~1.25bn. The interest rate will be governed by the regulation amended in 2022, which stipulates that the maximum permissible rate on debt instrument is determined by 364-day Treasury bill weighted average yield rate + 4.75%. The objective of the issuance is to support the Company’s portfolio expansion plans.

Relative Seniority/Subordination Of Instrument The bonds are unsecured and subordinated and will rank below those of depositors, senior debt holders, and secured creditors, but will rank pari passu with other subordinated creditors. Bondholders will, however, have priority over preference and ordinary shareholders in the event of liquidation.

Credit Enhancement The debenture is not underwritten. The debenture spans up to 5 years from the date of allotment and coupon will be paid on an annual/quarterly basis and principal amount will be paid at the maturity date.



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Associated Motor Finance Company PLC

Listed Company

Mar-25

Mar-24

Mar-23

Mar-22

12M

12M

12M

12M

A BALANCE SHEET

1 Total Finance-net	12,499	10,016	9,762	8,655
2 Investments	5,760	5,993	3,193	3,932
3 Other Earning Assets	-	-	-	-
4 Non-Earning Assets	1,804	1,782	1,851	2,228
5 Non-Performing Finances-net	1,109	1,516	1,218	345
Total Assets	21,172	19,307	16,023	15,161
6 Funding	15,549	15,277	12,471	11,939
7 Other Liabilities	1,656	788	617	523
Total Liabilities	17,205	16,065	13,088	12,461
Equity	3,967	3,242	2,935	2,699

B INCOME STATEMENT

1 Mark Up Earned	5,557	4,966	3,881	2,301
2 Mark Up Expensed	(2,276)	(2,816)	(2,188)	(1,519)
3 Non Mark Up Income	63	106	106	349
Total Income	3,344	2,256	1,799	1,131
4 Non-Mark Up Expenses	(1,226)	(997)	(878)	(894)
5 Provisions/Write offs/Reversals	(340)	(457)	(414)	354
Pre-Tax Profit	1,778	801	507	590
6 Taxes on Financial Services	(527)	(194)	(139)	(98)
Profit Before Income Taxes	1,251	607	367	492
7 Income Taxes	(501)	(289)	(167)	(193)
Profit After Tax	750	318	200	299

C RATIO ANALYSIS

1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	36.7%	44.2%	48.8%	79.1%
b ROE	20.8%	10.3%	7.1%	11.1%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	95.5%	85.2%	98.7%	83.1%
b Accumulated Provisions / Non-Performing Advances	53.0%	49.5%	52.2%	72.7%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	36.8%	37.7%	25.0%	33.7%
b Borrowings from Banks and Other Financial Institutions / Funding	0.0%	4.7%	0.2%	6.4%
4 MARKET RISK				
a Investments / Equity	145.2%	184.8%	108.8%	145.7%
b (Equity Investments + Related Party) / Equity	0.3%	2.0%	0.3%	2.0%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	18.7%	16.8%	18.3%	17.8%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	23.1%	10.8%	7.4%	11.1%



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

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