Lanka Rating Agency

Rating Report

Janashakthi Finance PLC – Asset Backed Securitization – Gold Loans	Report Contents
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Rating History				
Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
25-Jun-2025	BBB-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The rating of the trust certificates takes support, but not solely determined by, the entity rating of Janashakthi Finance PLC (JF or 'the Company'), formerly known as Orient Finance PLC. A higher rating is assigned to the trust certificates due to their asset backed secured structure with certificate investors having dual recourse to the underlying assets and the Company. The certificates will be backed by a pool of gold loan receivables, with collateralization of 150% of outstanding principal and interest. The underlying gold portfolio has average maturity of around 3 months. A sudden and large decline in gold prices poses pricing risk, potentially affecting the quality of gold loan receivables. This is mitigated by short tenor of loans. Internal controls are in place to maintain LTV ratios below 70% of the portfolio. A primary mortgage over the receivables will be registered in favor of the Trustee, thereby enhancing the credit protection available to the certificate holders. The Trustee has identified top branches of JF with highest gold-backed portfolio and will create charge on receivables of the gold-backed portfolio from these branches. Historic rate of default in these branches is less than 5% in gold portfolio. Any shortfall in collateral will be recouped by the Company in 14 working days. The Company will deposit the interest and principal in the Trustee account on or prior to payment date and make any shortfall in the payment amount. Rating takes comfort from the fact that the structure provides Trustee with the right to assume control over the collection of receivables of the underlying gold loan contracts upon occurrence of predefined trigger events or default by the Company. JF is a listed Licensed Finance Company ("LFC") engaged in a range of financial services, including deposit mobilization, leasing, hire purchase, gold-backed lending, pledge loans, and factoring. The Company maintains a modest market share of ~1%.
In FY25, Janashakthi Finance PLC demonstrated moderate financial improvement and posted marginally higher net profit of LKR ~371.8Mn on YoY basis (FY24: LKR ~348.5Mn). Asset quality remained sound, with the Gross NPL ratio declining to ~7.7%, slightly below the industry average of ~8.3%. The Company's Capital Adequacy Ratio stood at ~14.2% as of FY25, which remain below the industry average, although it remains above the regulatory requirement of 12.5%.

The rating assigned to the trust certificates is contingent upon the timely payment of interest and principal under the gold loan receivable securitization structure and strict adherence to agreed covenants. The rating remains contingent to the issuer rating and any change in the issuer rating will be accordingly incorporated in trust certificate rating.

Disclosure	
Name of Rated Entity	Janashakthi Finance PLC – Asset Backed Securitization – Gold Loans
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology | Debt Instrument Rating(Aug-24)
Related Research	Sector Study | Leasing & Finance Companies(Feb-25)
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Issuer Profile

Profile Janashakthi Finance PLC ("the Company") established in 1981 and listed on the Colombo Stock Exchange in 2011, is a licensed finance company engaged in a broad range of financial activities including deposit mobilization, leasing, hire purchase, gold loans, pledge loans, factoring, and pawning. Originally set up in 2003 as Orient Finance to provide leasing facilities to United Motors Lanka PLC, the company converted to a licensed finance company in 2011. In 2014, during the CBSL's consolidation program, Bartleet Finance which began operations in 1981 was acquired by Janashakthi Holding Limited and merged with Orient Finance, with approval from CBSL to operate under the name Orient Finance PLC. As of May 2025, the company changed its name to Janashakthi Finance PLC.

Ownership Janashakthi Limited owns ~93% of Janashakti PLC, with the second-largest shareholder, First Capital PLC, holding just 1%. Janashakthi Finance PLC is focused on growth of its financial assets within a stable and prudent framework. The sponsors are adopting a cautious approach to future expansion while maintaining strategic interests across various sectors, demonstrating strong business acumen. As of FY25, Janashakthi Holding's financial strength remains robust, with an asset base exceeding LKR~28.6Bn.

Governance The Board of Janashakthi Finance PLC comprises nine members, featuring seven Independent Non-Executive Directors, one Executive Director (the CEO), and one Non-Independent Non-Executive Director. This composition underscores strong governance, sector expertise, and effective oversight. Chairman Mr. Rajendra Theagarajah, with 38 years of experience including 16 years as CEO of three Sri Lankan banks has served on prominent industry boards such as Lanka Clear, Colombo Stock Exchange, and the Ceylon Chamber of Commerce. The Company operates five Board committees: Risk Management, Human Resources & Remuneration, Related Party Transactions, Audit, and Nomination, which meet monthly to review performance, KPIs, and strategic direction. For FY25, external auditors BDO (Binder Dijker Otte) issued an unqualified opinion on the financial statements, with the Audit Committee overseeing internal audit functions to ensure accurate and timely financial reporting.

Management The management of Janashakthi Finance PLC comprises a team of experienced professionals with extensive backgrounds in banking and non-banking financial institutions, overseeing operations through twelve functional departments. All reporting lines converge to the CEO, K.M.M. Jabir, who has 36 years of sector experience and led the company's transformation from loss-making to profitability in FY21. The Internal Audit, Risk, and Compliance departments report directly to the CEO and the Board's Audit and Risk Committees. The Company operates three management committees the Credit Committee, Liquidity Committee, and Assets and Liabilities Management Committee which meet monthly to review performance, KPIs, and strategies. Since 2020, Janashakthi Finance PLC has utilized the Scienter e-Financials system, a custom-built solution for efficient business process management. The Company maintains a prudent, comprehensive risk management framework to monitor and mitigate credit, liquidity, operational, and market risks effectively.

Business Risk Sri Lanka's leasing and finance sector comprises 33 licensed finance companies, with 27 listed on the Colombo Stock Exchange. As of FY25, the sector's total assets reached LKR~2.1Tn, with loans and advances constituting around LKR~1.5Tn (about ~75%). By end-March 2025, the sector reported a Profit After Tax (PAT) of LKR~69.0Bn, with ROA at ~6.6% and ROE ~15.1%. Janashakthi Finance PLC is a smaller player, holding about ~1% of the sector's total assets, deposits, and loans. In FY25, gross interest income was LKR~4.4Bn, mainly from leasing and gold loans. The Company's Net Interest Income increased by ~19% to around LKR~2.1Bn, while PAT grew slightly to LKR~371Mn from LKR~348Mn in FY24, reflecting solid operational performance. It also intends to relaunch its Trade-in program, promoting the exchange of old vehicles for electric vehicles (BYD). The company's credit rating will likely be influenced by its ability to manage ongoing CBSL consolidation reforms effectively.

Financial Risk Janashakthi Finance PLC's gross non-performing loans (NPLs) improved notably from ~12.2% in FY24 to around ~7.7% in FY25. The total gross loan portfolio stood at LKR~23.2Bn, with gross NPLs of about LKR~1.8Bn. Segment-wise, the Car/Jeep segment reported a moderate NPL ratio of ~6.6%, while segments such as Tractors, Cabs, and Trucks/Lorries exhibited higher NPLs, ranging from ~18.5% to ~30%. The provision coverage ratio improved significantly to 75.0% in FY25 from ~55.9% in FY24 and ~73.1% in FY23. In line with CBSL requirements, the Company maintains around ~6% of fixed deposits, ~5% of borrowings, and ~10% of savings deposits in approved securities, investing LKR~1.1Bn in Treasury Bills with an average yield of ~7%. The primary funding sources are bank borrowings and deposits, with a healthy leverage ratio of about ~29.5% in FY25. The company's capital adequacy ratio (Equity to Total Assets) stood at ~14.1%, above the CBSL minimum of 12.5%, while the Total Debt to Equity ratio increased to roughly 5.7X in FY25 from 4.4X in FY24.

Instrument Rating Considerations

About The Instrument The Company proposes to raise approximately LKR 1.5Bn through the securitization of gold loan receivables, with over-collateralization of up to 150% against the aggregate value of the trust certificates. The certificates carry maturities ranging from 7 to 24 months, with interest rates varying by tenor. The first certificate is scheduled to mature in January 2026, with the final maturity expected in June 2027. Both interest and principal payments are structured to follow a bullet maturity profile.

Relative Seniority/Subordination Of Instrument The structure's contractual provisions, which grant the Trustee the right to assume control over the collection of receivables under the underlying gold loan agreements in the event of predefined trigger events or default by the Company, thereby enhancing safeguards for bondholders.

Credit Enhancement The certificates will be backed by a pool of gold loan receivables, with collateralization of 150% of outstanding principal and interest. The underlying gold portfolio has average maturity of around 3 months, minimizing pricing risk. A decline in gold prices poses pricing risk, potentially affecting the quality of gold loan receivables. Internal controls are in place to maintain LTV ratios below 70% of the underlying gold portfolio. A primary mortgage over the receivables will be registered in favor of the Trustee, thereby enhancing the credit protection available to the certificate holders.

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Janashakthi Finance PLC	Mar-25	Mar-24	Mar-23	Mar-22
Listed Companies	12M	12M	12M	12M
A BALANCE SHEET				
1 Total Finance-net	21,650	14,768	12,558	11,774
2 Investments	1,914	1,665	1,964	1,397
3 Other Earning Assets	453	343	236	242
4 Non-Earning Assets	2,936	2,810	2,328	1,962
5 Non-Performing Finances-net	405	891	383	2,352
Total Assets	27,358	20,477	17,469	17,727
6 Funding	22,558	15,966	13,653	13,836
7 Other Liabilities	818	909	535	559
Total Liabilities	23,375	16,874	14,188	14,395
Equity	3,982	3,603	3,281	3,332
B INCOME STATEMENT				
1 Mark Up Earned	4,464	4,602	3,593	2,709
2 Mark Up Expensed	(2,317)	(2,807)	(2,600)	(1,159)
3 Non Mark Up Income	264	267	227	263
Total Income	2,410	2,061	1,220	1,813
4 Non-Mark Up Expenses	(1,715)	(1,371)	(1,140)	(1,085)
5 Provisions/Write offs/Reversals	(91)	(140)	(103)	(125)
Pre-Tax Profit	604	550	(23)	603
6 Taxes on Financial Services	(232)	(201)	(49)	(150)
Profit Before Income Taxes	372	349	(72)	453
7 Income Taxes	-	-	-	-
Profit After Tax	372	349	(72)	453
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	71.2%	66.5%	93.4%	59.9%
b ROE	9.8%	10.1%	-2.2%	14.6%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	103.1%	105.1%	102.4%	108.9%
b Accumulated Provisions / Non-Performing Advances	75.0%	55.9%	73.1%	28.5%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	9.3%	10.6%	13.2%	9.1%
b Borrowings from Banks and Other Financial Institutes / Funding	26.2%	13.2%	19.1%	27.3%
4 MARKET RISK				
a Investments / Equity	48.1%	46.2%	59.9%	41.9%
b (Equity Investments + Related Party) / Equity	0.0%	0.0%	0.3%	1.5%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	14.6%	17.6%	18.8%	18.8%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	10.3%	10.6%	-2.2%	15.7%

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

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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).

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