



Lanka Rating Agency

Rating Report

Commercial Credit & Finance PLC - Listed - Rated - Unsecured - Subordinated - Redeemable - High Yield Bond Issue - LKR 5bn - 5-Year

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
01-Sep-2025	BBB-	Stable	Preliminary	Yes

Rating Rationale and Key Rating Drivers

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 large-sized company in the leasing industry, with a total asset base exceeding LKR~100bn and the Company accounted for ~4.7% of the industry's total assets and ~4.5% of the industry's deposits as at June-25. The rating reflects the Company's sound profitability, extensive outreach and growing asset base. The Company recently incurred very high non-performing loans (NPLs), largely stemming from moratoriums and concessions extended to customers during the COVID-19 pandemic and the subsequent economic downturn. As of 3MFY26, the Gross and Net NPL ratios stood at ~22.95% and ~6.35%, compared to ~26.07% and ~13.39% in FY25 but significantly lower than ~41.75% and ~30.52% recorded in FY24. The management's effort remains primarily directed towards recoveries and related initiatives aimed at containing and reducing the NPLs. The assigned rating watch underscores the critical importance of this issue.

The net interest income (NII) of the Company increased to LKR~5.3bn in 3MFY26 from LKR~3.5bn in the same period last year due to lower interest expenses and relatively high yield on assets. The Company reported profitability of LKR~2.1bn in 3MFY26 (FY25: LKR~6.0bn), aided by impairment charge reversals amounting to LKR ~565mn during the period. The Capital Adequacy Ratio (CAR) of the Company stood at ~26.37% in 3MFY26, well above the regulatory requirement after obtaining subordinated term loan of LKR~1.5bn with a tenor of 5 years 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 impact on rating. The Company intends to issue Tier 2 Listed Rated Unsecured Subordinated Redeemable High Yield Bonds of LKR~5.0bn to repay maturing bonds and fortify capital position.

The rating watch has been assigned following the sharp increase in the Company's NPLs, which could weigh on profitability and other key performance indicators. Management's initiatives to curb NPLs and steer the Company towards sustainable growth will be pivotal. A meaningful reduction in NPLs to levels in line with industry averages, together with sound capitalization and improved profitability would be important.

Disclosure

Name of Rated Entity	Commercial Credit & Finance PLC - Listed - Rated - Unsecured - Subordinated - Redeemable - High Yield Bond Issue - LKR 5bn - 5-Year
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)
Rating Analysts	Gayani Randima Ariyawansa gayani@lra.com.lk +94 114 500099

Profile Commercial Credit and Finance PLC (“CCFP” or “the Company”) was incorporated as a limited liability company in 1982 under the provisions of the Companies Ordinance No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. CCFP was listed on the Colombo Stock Exchange (CSE) in 2011. During the initial stages of operation, the Company was mainly focused on lending to the agricultural sector with this sector accounting for over ~50% of the lending portfolio. The Company operates in ~133 locations throughout the island including the traditional agricultural regions such as Anuradhapura and Dehiattakandiya. The principal business activities include acceptance of deposits, granting lease facilities, hire purchase, term loans, personal loans, microloans, pawning, other credit facilities, real estate development, and related services.

Ownership The largest shareholding of the Company is with BG Investments (Pvt) Limited, with an ownership of ~50.25%. The ultimate ownership of BG investments lies with Mr. R. S. Egodage & Mrs. G. R. Egodage holding ~50% each. Group Lease Holdings Pte Limited-currently under litigation in its home jurisdiction- remains the second-largest shareholder with a shareholding of ~29.99%. Mr. R. S. Egodage has been involved in the financial services sector for over fifteen years. Mr. R. S. Egodage, who is also the Chief Executive Officer (CEO) and an Executive Director (ED), earned a BSc. Eng. degree from the University of Peradeniya. His business acumen and vision for the Company bodes well for providing strategic direction. CCFP draws stability from BG Investments Pvt. Ltd., holding the majority of shares.

Governance The Board has ~9 directors, out of which, ~4 are Independent Non-Executive directors and ~3 are Executive directors. The Chairman of the Company, Mr. G. B. Egodage is a Non-Executive Director, appointed to the Board on 17th November 2022. The Chairman of the Company, Mr. G. B. Egodage is also the Chairman of Asia Pacific Institute of Information Technology (APIIT) Sri Lanka, Executive Member of SAARC (South Asian Association for Regional Cooperation) Chamber of Commerce and Industry, Director of Sri Lanka Coconut Research Institute, Director of Suwasevana Hospital (Pvt) Ltd etc. He has over ~37 years of experience in both local and international business markets. The Company has formed ~5 board sub-committees, namely, i) Board Audit Committee, ii) Board Integrated Risk Management Committee, iii) Board Related Party Transactions Committee, iv) Board Remuneration Committee, and v) Board Nomination Committee. The external auditors of the Company, KPMG, issued an unqualified audit opinion pertaining to the annual financial statements for FY25. CCFP has established an Information & Communication Technology (ICT) Department dedicated to implementing cutting-edge IT solutions across various departments.

Management The highest level of authority of the organization remains with the Board of Directors. The Company has a well-defined management hierarchy with clear roles and responsibilities. The management team is headed by the Chief Executive Officer (CEO) of the Company, Mr. R. S. Egodage. The CEO is supported by the Executive Director, Chief Operating Officer (COO) and Deputy CEO. CCFP has formed four management committees, namely, i) Assets and Liability Management Committee, ii) Executive Credit Committee, iii) IT Security Committee and iv) IT Steering Committee. CCFP currently uses an inbuilt ERP system. The functional updates to the ERP are applied based on approved change requests by business teams. The disaster recovery system is managed by the internal team, and it is located at Dialog iDC Malabe. The Company has an independent risk management department, Board-approved risk appetite, and risk tolerance levels along with well-defined procedures to support risk management in place. CCFP needs to further strengthen this function and revisit guidelines to further improve asset quality.

Business Risk There are ~33 Licensed Finance Companies (LFC) in Sri Lanka, out of which, ~27 are listed on the CSE. The profitability of the LFC sector improved by ~59.3% to LKR~18.0bn in 3MFY26 compared to 3MFY25 which was LKR~11.3bn. Net interest income improved in 3MFY26 by ~28.3% to LKR~57.0bn from LKR~44.4bn in 3MFY25. The deposits of the LFC sector increased by ~16.3% in 3MFY26 to LKR~1.1tn while it was at LKR~1.0tn in 3MFY25. Total loans and advances of the sector have increased by ~38.0% to LKR~1.7tn in 3MFY26 from LKR~1.3tn in 3MFY25. The total asset base of the LFC sector stood at LKR~2.3tn and LKR~1.8tn as at 3MFY26 and 3MFY25 respectively and it recorded a ~25.8% growth compared to the same period of previous year. CCFP is a large-sized company in the leasing industry, with a total asset base exceeding LKR~100bn. CCFP accounts for ~4.7% of the assets and ~4.5% of the deposits as at 3MFY26 in the Licensed Finance Companies sector. The interest income of the Company stood at LKR~7.2bn in 3MFY26 which is an increase of ~18.5% from LKR~6.1bn in 3MFY25. The interest expense of the Company stood at LKR~1.9bn in 3MFY26 showing a decline of ~27.1% from LKR~2.7bn in 3MFY25. This is due to the lower borrowing costs from the reduction in market interest rates which reduce the cost of funds. Profit After Tax (“PAT”) recorded at LKR~2.1bn in 3MFY26 which is a ~225.9% increase compared to LKR~639.0mn in 3MFY25. The Return on Equity (“ROE”) and the Return on Assets (“ROA”) recorded at ~23.7% and ~5.7% in 3MFY26 as compared to ~10.4% and ~2.4% respectively in 3MFY25.

Financial Risk The Company’s gross non-performing advances to total advances increased over the periods from FY21 to FY24. As at 3MFY26, the Company’s Gross and Net NPLs rose to approximately ~22.95% and ~6.35%, respectively, surpassing the industry averages of around ~8.3% and ~4.5%. The Company’s investment in government securities grew to approximately LKR~8.4bn from FY20 to FY23, driven by a sharp rise in interest rates during FY23. However, it declined to around LKR~6.9bn in FY24 and again to LKR~6.6bn in 3MFY26. The Company is more dependent on deposits as it constitutes ~77.6% (FY25: ~75.7%) of funding in 6MFY26. The Company’s deposit base increased by ~10.3% to LKR~55.7bn in FY25 (3MFY26: LKR~52.1bn) compared to LKR~62.1bn in FY24. The Capital Adequacy Ratio (CAR) of the Company stood at ~26.37% in 3MFY26, well above the regulatory requirement of 14% and Tier 1 core capital as at 3MFY26 stood at LKR~24.77% (FY25: 25.63%), while the required minimum is 10%.

Instrument Rating Considerations

About The Instrument CCFP intends to issue Tier 2 Listed Rated Unsecured Subordinated Redeemable High Yield Bonds each worth LKR 100/ amounting to LKR ~5bn. The issue is primarily aimed at augmenting the Company’s capital position, aligning the asset-liability maturity profile by raising 5-year funding, and meeting the repayment obligation of LKR~1.3bn debenture. Proceeds may also be utilized to repay maturing debt/bonds and for portfolio growth.

Relative Seniority/Subordination Of Instrument The claims of the Bond holders shall in the event of winding up of the Company rank after all the claims of depositors and holders of senior debt and claims of secured and other unsecured creditors of the Company and any preferential claims under any Statutes governing the Company but pari passu to the claims of subordinated creditors of the Company and shall rank in priority to and over the claims and rights of the ordinary and preference shareholder/s of the Company.

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 and quarterly basis whereas principal amount will be paid at the maturity date.



Lanka Rating Agency

COMMERCIAL CREDIT AND FINANCE PLC	Jun-25	Mar-25	Mar-24	Mar-23
#	3M	12M	12M	12M
A BALANCE SHEET				
1 Total Finance-net	68,249	59,699	54,657	39,048
2 Investments	7,964	12,365	10,089	10,188
3 Other Earning Assets	8,353	13,534	4,190	3,527
4 Non-Earning Assets	16,638	14,108	11,835	11,581
5 Non-Performing Finances-net	5,614	10,397	24,931	36,545
Total Assets	106,818	110,104	105,703	100,889
6 Funding	67,186	73,621	76,024	76,799
7 Other Liabilities	9,160	8,093	6,667	4,184
Total Liabilities	76,345	81,714	82,691	80,983
Equity	30,472	28,390	23,012	19,906
B INCOME STATEMENT				
1 Mark Up Earned	7,243	27,322	29,317	25,055
2 Mark Up Expensed	(1,939)	(9,461)	(14,431)	(13,948)
3 Non Mark Up Income	753	4,620	3,884	3,136
Total Income	6,057	22,481	18,770	14,242
4 Non-Mark Up Expenses	(2,381)	(8,685)	(7,359)	(6,549)
5 Provisions/Write offs/Reversals	565	(1,652)	(4,243)	(2,612)
Pre-Tax Profit	4,241	12,144	7,168	5,081
6 Taxes on Financial Services	(903)	(2,525)	(1,659)	(1,221)
Profit Before Income Taxes	3,338	9,619	5,509	3,860
7 Income Taxes	(1,255)	(3,399)	(2,030)	(1,260)
Profit After Tax	2,083	6,219	3,479	2,600
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	39.3%	38.6%	39.2%	46.0%
b ROE	28.3%	24.2%	16.2%	13.3%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	131.8%	109.9%	123.4%	112.7%
b Accumulated Provisions / Non-Performing Advances	72.4%	51.1%	36.4%	23.1%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	27.4%	34.4%	17.5%	18.8%
b Borrowings from Banks and Other Financial Institutions / Funding	18.2%	22.6%	16.6%	21.2%
4 MARKET RISK				
a Investments / Equity	26.1%	43.6%	43.8%	51.2%
b (Equity Investments + Related Party) / Equity	3.4%	3.5%	2.6%	1.8%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	28.5%	25.8%	21.8%	19.7%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	29.3%	21.5%	15.9%	10.2%



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 | 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 |

Disclaimer: LRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. LRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of LRA documents may be used, with due care and in the right context, with credit to LRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell



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
Tier 2 Listed Rated Unsecured Subordinated Redeemable High Yield Bonds	Rs. 03 Bn with an option to raise up to a further Rs 02 Bn at the discretion of the Company in the event of an over subscription of the initial Issue. And maximum issue will not exceed Sri Lankan Rs 05 Bn.	5 Years	Unsecured	N/A	N/A	Bank Of Ceylon	Rs 106.82 Bn

Name of Issuer	Commercial Credit and Finance PLC
Issue Date	2025-10-01 (Tentative)
Maturity	2030-09-30
Coupon Basis	Type A - Fixed interest rate per annum and payable annually Type B - Fixed interest rate per annum and payable quarterly
Repayment	Bullet repayment at the end of the tenor
Option	N/A

Commercial Credit and Finance PLC

Due Date Principal	Opening Principal	Principal Repayment	Coupon Due Date	Fixed Rate*	Coupon	Principal Outstanding		
	LKR				YYYY-MM-DD	LKR		
Type A				11.70%	Fixed			
Annual Coupon Payment	2,500,000,000		30-09-26	11.70%	292,500,000			2,500,000,000
	2,500,000,000		30-09-27	11.70%	292,500,000			2,500,000,000
	2,500,000,000		30-09-28	11.70%	292,500,000			2,500,000,000
	2,500,000,000		30-09-29	11.70%	292,500,000			2,500,000,000
	2,500,000,000	2,500,000,000	30-09-30	11.70%	292,500,000			-
Type B				Fixed Rate	Fixed			
Quarterly Coupon Payment	2,500,000,000		31-12-25	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-03-26	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-06-26	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-09-26	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-12-26	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-03-27	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-06-27	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-09-27	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-12-27	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-03-28	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-06-28	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-09-28	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-12-28	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-03-29	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-06-29	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-09-29	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-12-29	11.70%	73,125,000			2,500,000,000
	2,500,000,000		31-03-30	11.70%	73,125,000			2,500,000,000
	2,500,000,000		30-06-30	11.70%	73,125,000			2,500,000,000
	2,500,000,000	2,500,000,000	30-09-30	11.70%	73,125,000			-

* Note - The issue date is contingent upon receiving approvals from the relevant regulatory bodies. The proportion of Type A and Type B debentures will be determined, and the interest rate will be finalized at the time of signing the Trust Deeds.