



Lanka Rating Agency

Rating Report

Assetline Finance Limited - Listed Debenture - 5Bn - 5 years

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
19-Sep-2025	A	Positive	Preliminary	-

Rating Rationale and Key Rating Drivers

Assetline Finance Limited ("AFL" or the "Company") specializes in providing financial solutions across various sectors, including two-wheelers, three-wheelers, motor cars, mini trucks and working capital loans. The Company's loan portfolio witnessed an impressive growth of ~46.5% to record at LKR~42.8bn in FY25 (FY24: LKR~29.2bn), while total assets grew to LKR~52.4bn (FY24: LKR~37.4bn). The loan portfolio mainly comprises 2-wheelers (~30.4%), 3-wheelers (~25.3%), and 4-wheelers (~39.5%) as of FY25. AFL's profitability also improved to LKR~2.7bn in FY25 (FY24: LKR~1.3bn), attributed to increased revenues with increased disbursements, reduced impairment charges with improved portfolio quality and reduced borrowing cost. AFL maintains strong asset quality with Gross Non-Performing Loan (NPL) ratio of ~3.9% as of Mar'25, well below the industry average of ~8.3% (Mar'25). Furthermore, AFL has a robust Capital Adequacy Ratio (CAR) of ~26.1% as of FY25. AFL obtained its Finance Business License in FY23, following which the Company's deposit base has increased gradually to LKR~6.2bn in FY25, now representing about ~19.1% of the funding mix.

AFL's rating incorporates its association with the David Peiris Group as its sponsor and major shareholder. Demonstrated support of the sponsor and group synergies augments its business profile. David Pieris Group, through David Pieris Motor Company, is the exclusive supplier of "Bajaj" motors in Sri Lanka. The group's strong financial position and presence in the auto industry positively influence AFL's rating. AFL remains a mid-sized position, with its asset base representing around ~2.5% of the industry's total assets. Going forward, the Company aims to strengthen its presence in the 2 and 4-wheeler markets while maintaining its exposure to 3-wheelers to sustain its NPL ratio below the industry average.

AFL is poised to issue a listed, rated, unsecured, senior, redeemable debenture to bolster the Company's lending portfolio, fostering further growth and operational expansion. In line with the best practices, Messrs Ernst & Young Chartered Accountants Sri Lanka have been appointed as the Independent External Verifier for this transaction.

AFL's rating remains contingent upon its ability to effectively execute its strategic objectives and enhance market presence while maintaining sound financial discipline and strong asset quality. The rating of the debenture is dependent on the optimal deployment of proceeds from the issuance, coupled with the timely payments of the interest and principal amounts to the respective debenture holders, in the manner set out in the Trust Deed to the transaction.

Disclosure

Name of Rated Entity	Assetline Finance Limited - Listed Debenture - 5Bn - 5 years
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



Leasing & Finance Companies

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Issuer Profile

Profile Assetline Finance Limited (“AFL” or “the Company”) was incorporated in 2003. The Company was granted the license to operate as a Licensed Finance Company (LFC) by the Central Bank of Sri Lanka in FY23. AFL is a leading licensed finance company focused on providing leasing and financing solutions. Historically known as Assetline Leasing Company Limited, it primarily serves the less affluent population by offering vehicle leasing options for two-wheelers, three-wheelers, motor cars, and mini trucks, covering both new and used vehicles as well as supporting entrepreneurs, SMEs, and small industries. The Company’s robust range of financial services underscores its pivotal role in promoting inclusive economic growth.

Ownership As of FY25, DPMC Assetline Holdings (Pvt) Limited held ~99.99% stake in Assetline Finance Limited, with the ultimate parent being David Pieris Holdings (Pvt) Ltd. The holding structure ensures stability in the Company’s ownership. The David Pieris Group (DPG), comprises 22 diversified entities across sectors such as financial services, property development, logistics, IT & Digital, racing, leisure, and electrical distribution. The Group possesses strong financial backing. Moreover, the Group has approved a funding limit of LKR~14bn in the form of an intercompany loan to support AFL, demonstrating the sponsor’s committed willingness to provide ongoing financial assistance, as and when needed.

Governance The AFL board comprises seven (7) members, including one (1) Non-Independent Non-Executive Director, five (5) Independent Non-Executive Directors (including the Chairman), and one (1) Executive Director. The directors bring extensive expertise across industries such as agriculture, automobiles, logistics, IT, audit, and finance. Mr. M. N. R. Fernando serves as the Chairman, appointed as Independent Non-Executive Chairman in March 2025; he is a Senior Fellow of the Institute of Bankers, Sri Lanka, with an MBA and over four decades of banking experience. AFL’s governance framework includes five sub-committees: the Board Audit Committee, Human Resources and Remuneration Committee, Board Integrated Risk Management Committee, Nominations and Governance Committee, and Related Party Transactions Review Committee. The External Auditors of the Company, i.e., E&Y Chartered Accountants of Sri Lanka, issued an unqualified opinion on the financial statements of the Company for FY25.

Management AFL operates with a well-defined organizational structure, where the CEO holds ultimate authority and reports directly to the Board. Mr. Ashan Nissanka, who joined the Board in February 2021, serves as Director and CEO; he brings extensive experience in financial services and corporate management. The Company has established several management committees, including the Assets and Liability Management Committee, Credit Committee, Procurement Committee, IT Steering Committee, Cross Functional Committee, and Assetline Management System Steering Committee. Its ERP system, based on Oracle 19C and hosted on Dialog’s local cloud with a disaster recovery site on Azure Cloud, facilitates operational efficiency. The MIS framework provides real-time dashboards and reports covering disbursements, portfolio movements, collections, and NPAs, supporting informed decision-making. Risk governance is overseen by the Board Integrated Risk Management Committee, which reports to the Board, establishing acceptable risk levels in line with the Company’s strategic objectives.

Business Risk As of FY25, Sri Lanka’s financial sector comprises thirty-three (33) Licensed Finance Companies (LFCs), with around twenty-seven (27) listed on the Colombo Stock Exchange. The sector reported a profit after tax (PAT) of LKR~69bn for the same period. During this period, LFCs’ average Return on Assets (ROA) improved to around ~6.6% from ~5.5% in FY24, while Return on Equity (ROE) also increased to ~15.1% as compared to ~12.9% in FY24. AFL’s equity contribution accounts for about 3.5% of the sector, with its asset base representing ~3% of the total industry assets. The Company’s net loans and advances constitute ~3%, and its deposit base is around ~0.5% of the industry size. In FY25, AFL’s gross income increased to LKR~11.6bn from LKR~10.4bn in FY24, driven by growth in its lease and loan portfolio amid a favorable macroeconomic environment. The Profit-After-Tax (PAT) for FY25 surged to LKR~2.7bn from LKR~1.3bn in FY24, reflecting higher net interest income from improved asset yields and lower funding costs. Moreover, ROE improved significantly to ~18.2% (FY24: 10.2%), while ROA increased to ~6% compared to 3.6% in FY24. The Company is increasingly focusing on the 2- and 4-wheeler segments, given their relatively lower NPL rates, with expansion expected in these portfolios alongside stabilizing figures in the three-wheeler segment following the resumption of imports.

Financial Risk AFL maintains strong asset quality with the gross Non-Performing Loan (NPL) ratio of ~3.9% as of FY25, well below the industry average of ~8.3% (FY25), primarily owing to the company’s strategic focus on lower-risk 2- and 4-wheeler portfolios. The Company’s investment portfolio comprises government treasury bonds, unquoted equity shares, bank deposits, and investment property, with treasury bond holdings totaling LKR~6.7bn (LKR~6.7bn in FY24). Total deposits surged to LKR~6.2bn as of FY25 from LKR~681mn in FY24, accounting for about 19.1% of the funding mix (up from 3.2% in FY24), indicating increased inclination towards deposit-based funding. AFL maintains a strong liquidity position, as its Capital Adequacy Ratio (CAR) clocked in at ~26.1% in FY25, slightly lower than ~32.8% in FY24, with a net capital base of LKR~15.9bn, reflecting a robust capital buffer.

Instrument Rating Considerations

About The Instrument AFL plans to undertake the issuance of a 5-year listed, rated, unsecured, senior, and redeemable debenture with an aggregate principal amount not exceeding LKR~5bn. The interest rate applicable to this instrument will be determined by the regulatory framework amended in 2022. Specifically, the maximum permissible rate is calculated as the weighted average yield on the 364-day Treasury bill, augmented by an additional margin of 4.75%. The primary objective of this issuance is to facilitate the strategic expansion of AFL’s loan portfolio to support the company’s growth trajectory.

Relative Seniority/Subordination Of Instrument The bonds are unsecured and are classified as senior debt. As such, bondholders will hold a higher priority of claims over both preference and ordinary shareholders within the capital structure. This seniority confers a comparatively higher level of security to bondholders, providing a preferential claim on assets in the event of liquidation or default, thereby reducing the overall risk profile of the instrument relative to equity holders.

Credit Enhancement The debenture will be issued on a non-underwritten basis. It will have a tenure of up to five (5) years from the date of its allotment. Interest payments, in the form of coupons, are scheduled to be made on an annual or semi-annual basis, as determined at the time of issuance. The principal amount will be repayable in full at maturity.



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Assetline Finance Limited
Private Limited

LKR mln

LKR mln

LKR mln

LKR mln

Mar-25

Mar-24

Mar-23

Mar-22

12M

12M

12M

12M

A BALANCE SHEET

1 Total Finance-net	40,751	27,826	22,539	29,007
2 Investments	6,713	6,855	5,427	258
3 Other Earning Assets	1,263	61	201	1,929
4 Non-Earning Assets	1,610	1,291	1,970	513
5 Non-Performing Finances-net	2,027	1,384	3,461	549
Total Assets	52,364	37,416	33,598	32,256
6 Funding	32,605	21,581	21,401	19,198
7 Other Liabilities	3,826	1,940	838	1,684
Total Liabilities	36,431	23,521	22,239	20,882
Equity	15,933	13,896	11,359	11,374

B INCOME STATEMENT

1 Mark Up Earned	11,297	9,938	7,845	7,110
2 Mark Up Expensed	(2,606)	(3,258)	(4,431)	(1,173)
3 Non Mark Up Income	342	413	147	174
Total Income	9,033	7,092	3,561	6,112
4 Non-Mark Up Expenses	(3,320)	(2,679)	(2,148)	(1,967)
5 Provisions/Write offs/Reversals	(151)	(1,573)	(857)	(337)
Pre-Tax Profit	5,562	2,840	556	3,808
6 Taxes on Financial Services	(1,210)	(718)	(271)	(647)
Profit Before Income Taxes	4,351	2,122	285	3,161
7 Income Taxes	(1,637)	(834)	620	(1,030)
Profit After Tax	2,715	1,288	905	2,130

C RATIO ANALYSIS

1 PERFORMANCE

a Non-Mark Up Expenses / Total Income	36.8%	37.8%	60.3%	32.2%
b ROE	18.2%	10.2%	8.0%	16.6%

2 CREDIT RISK

a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	140.5%	145.0%	133.7%	167.3%
b Accumulated Provisions / Non-Performing Advances	60.0%	60.0%	42.9%	82.3%

3 FUNDING & LIQUIDITY

a Liquid Assets / Funding	26.0%	32.9%	26.4%	11.1%
b Borrowings from Banks and Other Financial Institutions / Funding	79.2%	94.7%	86.6%	86.6%

4 MARKET RISK

a Investments / Equity	42.1%	49.3%	47.8%	2.3%
b (Equity Investments + Related Party) / Equity	0.0%	0.0%	0.0%	0.0%

5 CAPITALIZATION

a Equity / Total Assets (D+E+F)	30.4%	37.1%	33.8%	35.3%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	19.5%	11.3%	7.4%	-20.1%



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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