



Lanka Rating Agency

Rating Report

PMF Finance PLC - LKR 1Bn High Yield Bond Issuance

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
18-Sep-2025	B+	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

PMF Finance PLC ("PMF" or "the Company") is a relatively small player in Sri Lanka's highly competitive Licensed Finance Company sector. Its product portfolio includes finance leases, gold loans, term loans, margin trading, entrepreneur loans, short-term investments, and public deposits.

During 3MFY26, loan portfolio grew to LKR ~18.9Bn (FY25: LKR ~17.8Bn), while total assets increased to LKR ~22.3Bn (FY25: LKR ~21.6Bn). The loan portfolio expansion during the given quarter was primarily supported by a ~13% growth in the gold loan segment and a strong ~43% growth in the 2-wheeler segment. In terms of asset quality, the NPL ratio increased to ~7% in 3MFY26 (FY25: 5.9%), broadly in line with the industry average. Capitalization remains modest, while deposit concentration continues to remain high in 3MFY26. The Capital Adequacy Ratio ("CAR") stood at ~15.9%, below the industry average, thereby constraining the Company's growth potential. The Company improved its profitability based on higher spread as funding costs declined at a greater pace while yield on advances remained high.

PMF plans to issue up to LKR ~1Bn Tier II, Listed, Rated, Unsecured, Redeemable, 5-Year High Yield Bonds carrying semi-annual as well as annual coupons. The bonds will be listed on the Colombo Stock Exchange. The Company intends to deploy the proceeds to strengthen its Tier II capital base and support loan portfolio expansion, in line with compliance requirements under the CBSL Phase II Master Plan.

The rating is contingent on PMF Finance PLC's ability to effectively implement its growth strategy, maintain profitability, and strengthen asset quality. A decline in key performance indicators or regulatory non-compliance could adversely impact the rating, while improvements in market share, profitability, and asset quality would support a positive rating outcome.

Disclosure

Name of Rated Entity	PMF Finance PLC - LKR 1Bn High Yield Bond Issuance
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	Imran Iqbal imran@lra.com.lk +94 114 500099



Leasing & Finance Companies

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Issuer Profile

Profile PMF Finance PLC (“PMF” or “the Company”) is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 and has been listed on the Colombo Stock Exchange (CSE) since 1994. The Company is domiciled in Sri Lanka and was established under the Companies Act No. 17 of 1982. It was subsequently re-registered under the Companies Act No. 7 of 2007. PMF is currently listed on the Dirisavi Board of the CSE.

Ownership Sterling Capital Investments (SCI) holds ~81.6% of the Company’s shares, while People’s Bank and People’s Leasing & Finance PLC hold ~8.3% and ~6.1%, respectively. The ultimate parent, Rush Japan Corporation, is incorporated in Japan and maintains a banking relationship with Mizuho Bank. Following its acquisition of PMF, SCI infused capital into the Company and continues to retain its majority shareholding. SCI is engaged in exporting Japanese vehicles to Sri Lanka, where it maintains a strong market position supported by a dealer network. The Group has also expanded operations to New Zealand and Australia in response to import restrictions in Sri Lanka. SCI has made notable investments in Sri Lanka and operates across Asia, Africa, Europe, and New Zealand. Sri Lanka represents ~40%–45% of the Group’s portfolio.

Governance The Board comprises of 10 Directors out of which 8 Directors are Independent Non-Executive Directors, including the Chairman (Mr. Chandula Palith Abeywickrema). The Board members bring diverse expertise across Banking, Insurance, Microfinance, Not-for-profit entities, Real estate, and Start-ups. The Chairman of the Company, Mr. Abeywickrema, is a seasoned commercial Banker with over 40 years of experience. He currently serves on the Boards of several organizations, including Continental Insurance Lanka Limited, Lanka Impact and Lanka Financial Services for Underserved Settlements Investing Network, among others. The Board has established 7 subcommittees, including the Board Audit Committee (BAC) and Related Party Transactions Review Committee (RPTRC), both chaired by Mr. Ashoka Goonesekere, a finance professional with over 36 years of experience and multiple professional qualifications. The Company’s external auditors are Ernst & Young Chartered Accountants, who provided an unqualified opinion as of FY25.

Management The organization comprises 11 departments reporting to the Chief Executive Officer (CEO), while governance rests with the Board of Directors. The management team is led by CEO Professor Ajith Medis, appointed in October 2024, who brings over a decade of industry experience and more than two decades of academic and consulting exposure across South Asia, along with a Ph.D. and multiple professional qualifications. PMF has established five management committees ALCO, EC, IC, ISC, and IRMC while operating on the eFinancials core system with ongoing enhancements to digital services through mobile, internet, and agent banking with LankaPay integration. The Company has also implemented three IT-related policies: Digital Signature, Common Configuration, and System Acquisition & Maintenance. Risk management follows a three-lines-of-defence model with branch-level Risk Officers handling operational risks, while broader risks are centrally monitored and reported monthly to the IRMC, which, under Board authority, oversees overall risk governance and compliance.

Business Risk At present, there are 33 LFCs in Sri Lanka, of which 27 are listed on the Colombo Stock Exchange. By the end of 3MFY26, the profit after tax (PAT) of LFCs in Sri Lanka reported at LKR ~18.03Bn (FY25: LKR ~69.2Bn). As of 3MFY26, the Return on Assets (ROA) stood at ~6.9% (FY25: ~6.6%), while the Return on Equity (ROE) was ~15.2% (FY25: ~15.10%). PMF represents ~0.6% of equity in the LFC and Specialised Leasing Companies in 3MFY26. Moreover, the Company’s asset base contributes to ~1.0% of the industry assets in 3MFY26. PMF net loans and advances in 3MFY26 were ~1.1%. The deposit base is 1.22% in 3MFY26. The Company’s gross interest income reached LKR ~1.22Bn in 3MFY26 compared to LKR ~0.99Bn in 3MFY25, reflecting a ~23% increase. Lease interest income remains the largest contributor, accounting for ~60% of gross interest income. The PAT of the company increased from LKR ~44.6Mn in 3MFY25 to LKR ~77.36Mn in 3MFY26. ROE improved to ~10% in 3MFY26 from ~7.3% in 3MFY25. ROA was recorded at ~1.4% in 3MFY26, compared to ~1.5% in 3MFY25. This growth was driven by expansion of the loan portfolio, following a decline in interest rates.

Financial Risk PMF offers finance leases, gold loans, term loans, margin trading, entrepreneur loans, short-term investments and mobilization of public deposits. During 3MFY26 loan portfolio grew by ~10.3% from LKR ~17.8Bn in FY25 to LKR ~18.9Bn. As of 3MFY26, PMF’s gross NPL ratio increased to ~7% from ~5.9% in FY25, broadly in line with the industry average of ~8% in 3MFY26 (FY25: ~8%). In 3MFY26, the highest NPLs were recorded in the 2-wheeler and mortgage segments, while cash-backed and gold loans reported the lowest levels. As of 3MFY26, PMF’s deposit base constitute ~76.5% of its funding base (FY25: ~79.7%), totaling around LKR ~14.3Bn (FY25: LKR ~14.4Bn). The proportion of interest-bearing borrowings and overdrafts in the total funding increased to ~23.5% in 3MFY26 compared to ~20.3% in FY25. PMF’s CAR stood at ~15.9% in 3MFY26 (FY25: ~15.8%), below the industry average (~22%; FY25: ~20.9%) but comfortably above the regulatory minimum.

Instrument Rating Considerations

About The Instrument PMF plans to issue up to LKR ~1Bn Tier II, Listed, Rated, Unsecured, Redeemable 5-Year High-Yield Bonds with semi-annual and annual coupons. The bonds will be listed on the Colombo Stock Exchange. Proceeds will strengthen the Tier II capital base and support loan portfolio expansion, in line with CBSL Phase II Master Plan compliance.

Relative Seniority/Subordination Of Instrument In the event of winding up, bondholders’ claims rank after depositors, secured creditors, and statutory preferential claims; pari passu with unsecured creditors; and above subordinated debt, ordinary, and preference shareholders.

Credit Enhancement The bond is an unsecured, non-underwritten debt instrument, with principal and interest payments not secured by any charge on the Issuer’s assets.



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PMF Finance PLC	Jun-25	Mar-25	Mar-24	Mar-23
	3M	12M	12M	12M
A BALANCE SHEET				
1 Total Finance-net	17,609	16,688	10,219	8,011
2 Investments	1,453	1,400	2,430	727
3 Other Earning Assets	1,281	1,194	756	1,264
4 Non-Earning Assets	1,449	1,847	1,889	1,156
5 Non-Performing Finances-net	535	485	1,023	372
Total Assets	22,327	21,614	16,317	11,530
6 Funding	18,900	18,264	13,169	8,703
7 Other Liabilities	305	307	425	116
Total Liabilities	19,205	18,570	13,594	8,820
Equity	3,122	3,044	2,723	2,710
B INCOME STATEMENT				
1 Mark Up Earned	1,176	3,938	3,093	2,008
2 Mark Up Expensed	(496)	(1,981)	(1,988)	(1,255)
3 Non Mark Up Income	44	337	252	87
Total Income	724	2,294	1,357	840
4 Non-Mark Up Expenses	(420)	(1,521)	(1,103)	(836)
5 Provisions/Write offs/Reversals	(115)	(312)	(226)	(154)
Pre-Tax Profit	188	460	28	(151)
6 Taxes on Financial Services	(55)	(151)	(53)	(33)
Profit Before Income Taxes	133	310	(25)	(184)
7 Income Taxes	(55)	13	44	30
Profit After Tax	77	322	19	(154)
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	58.1%	66.3%	81.3%	99.6%
b ROE	10.0%	11.2%	0.7%	-5.6%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	100.3%	97.8%	89.4%	102.3%
b Accumulated Provisions / Non-Performing Advances	60.5%	58.5%	34.1%	58.2%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	13.8%	16.0%	24.0%	26.8%
b Borrowings from Banks and Other Financial Instituities / Funding	23.2%	20.0%	13.2%	9.8%
4 MARKET RISK				
a Investments / Equity	46.6%	46.0%	89.2%	26.8%
b (Equity Investments + Related Party) / Equity	33.2%	33.3%	63.5%	26.8%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	14.0%	14.1%	16.7%	23.5%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	10.2%	11.8%	0.7%	-5.4%



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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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, Unsecured, redeemable High Yield Bond	1,000,000,000		5 Years	Clean		Clean	Clean	HNB	

Name of Issuer	PMF Finance PLC
Issue Date	TBA (End September 2025)
Maturity	TBA (End September 2030)
Coupon Basis	Annual and Semi Annual
Repayment	At the end of 5 years
Option	N/A

Due Date Principal	Opening Principal		Principal Repayment	Type A	Type B	Coupon payments		Principal Outstanding	
	A	B	A+B			A	B	A	B
30-Sep-25	500,000,000	500,000,000						500,000,000	500,000,000
30-Mar-26	500,000,000	500,000,000		12.57%	12.80%	31,425,000		500,000,000	500,000,000
30-Sep-26	500,000,000	500,000,000		12.57%	12.80%	31,425,000	64,000,000	500,000,000	500,000,000
30-Mar-27	500,000,000	500,000,000		12.57%	12.80%	31,425,000		500,000,000	500,000,000
30-Sep-27	500,000,000	500,000,000		12.57%	12.80%	31,425,000	64,000,000	500,000,000	500,000,000
30-Mar-28	500,000,000	500,000,000		12.57%	12.80%	31,425,000		500,000,000	500,000,000
30-Sep-28	500,000,000	500,000,000		12.57%	12.80%	31,425,000	64,000,000	500,000,000	500,000,000
30-Mar-29	500,000,000	500,000,000		12.57%	12.80%	31,425,000		500,000,000	500,000,000
30-Sep-29	500,000,000	500,000,000		12.57%	12.80%	31,425,000	64,000,000	500,000,000	500,000,000
30-Mar-30	500,000,000	500,000,000		12.57%	12.80%	31,425,000		500,000,000	500,000,000
30-Sep-30	500,000,000	500,000,000	(1,000,000,000)	12.57%	12.80%	31,425,000	64,000,000	-	-
						314,250,000	320,000,000		

Type A- Coupon Semi Annual
Type B- Copupon Annual

Assume 50% allotted to each categaory from the proceeds 1Bn
Assumed rate 12.80%, not finalised yet.