



Lanka Rating Agency

Rating Report

Commercial Credit and Finance PLC

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Rating History table with columns: Dissemination Date, Long Term Rating, Outlook, Action, Rating Watch. Rows include dates from 2023 to 2026 and ratings like BBB+, BBB, and Stable.

Rating Rationale and Key Rating Drivers

Commercial Credit and Finance PLC ("CCFP" or "the Company") is a licensed finance company (LFC) operating in Sri Lanka, with core business lines including leasing, hire purchase, deposits, pawning, and other lending activities. The Company primarily focuses on lower-middle to lower income segments of the society and specializes in catering the needs of these segments. CCFP is considered a mid-sized player within the LFC sector, accounting for approximately ~4.4% of sector assets and ~4.2% of deposits as at 9MFY26.
The rating upgrade reflects the Company's strong profitability, improving asset quality, sustainable growth indicators and strengthening capitalization. The Company's net interest income (NII) recorded at LKR ~15.9Bn in 9MFY26 (FY25: ~17.8Bn and FY24: ~14.9Bn), supported by growth in interest-earning assets and a relatively lower interest expense base. Profitability remained stable, with PAT recorded at approximately ~LKR 6.0Bn in 9MFY26 (FY25: ~LKR 6.2Bn). The Company is expected to record reversals of certain provisioning charges, supported by strong recoveries, which should positively impact profitability in FY26. However, this benefit is considered non-recurring in nature and is expected to normalize over the subsequent periods.
CCFP's asset quality indicators continue to improve following elevated NPL level during FY21-FY24 related to moratorium related loans and their recognition. As at 9MFY26, the Company's Gross and Net NPL ratios improved to approximately ~14.1% and ~5.1%, respectively, from ~26.1% and ~14.4% in FY25. These are expected to further improve in FY26 due to strong recoveries and growth in advances. Nevertheless, asset quality metrics remain relatively weaker than industry averages and continue to be a key rating sensitivity. CCFP maintains a strong capital position, with the Capital Adequacy Ratio (CAR) at ~24.3% and Tier I ratio at ~22.9% as at 9MFY26 (FY25: ~25.7% and ~25.6%), well above the regulatory minimum requirement. Funding stability is supported by a relatively granular deposit base, although total deposits have moderated over the period to LKR ~53.1Bn in 9MFY26 as more borrowing is utilized. The Company maintains sufficient borrowing lines from financial institutions.
The rating is dependent on continued improvement in profitability, maintenance of adequate capitalization, and further moderation in NPLs. Any material deterioration in asset quality, earnings profile, or capital adequacy would exert downward pressure on the rating. 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 the rating.

Disclosure table with rows: Name of Rated Entity (Commercial Credit and Finance PLC), Type of Relationship (Solicited), Purpose of the Rating (Entity Rating), Applicable Criteria (Methodology | Non-Banking Financial Institution Rating(Jul-24)), Related Research (Sector Study | Leasing & Finance Companies(Apr-26)), Rating Analysts (Nipuni Mihirangi | nipuni@lra.com.lk | +94 114 500099)



# Leasing & Finance Companies

Lanka Rating Agency

## Profile

**Structure** Commercial Credit and Finance PLC (“CCFP” or “the Company”) is a public limited liability company incorporated in 1982 and listed on the Colombo Stock Exchange (CSE) in 2011. The Company operates as a licensed finance company within Sri Lanka's non-bank financial institution (NBFIs) sector under the Finance Leasing Act No. 56 of 2000.

**Background** In its early stages of operations, CCFP's lending portfolio was predominantly directed towards the agricultural sector, representing over ~50% of total lending, with operations concentrated across ~16 locations in traditional agricultural regions including Anuradhapura and Dehiattakandiya.

**Operations** CCFP's principal business activities encompass acceptance of deposits, granting lease facilities, hire purchase, term loans, personal loans, microloans, pawning, and other credit facilities, further complemented by real estate development and related financial services.

## Ownership

**Ownership Structure** The largest shareholding of the Company is BG Investments (Pvt) Limited, holding ~50.25% of the Company, with ultimate ownership vested equally between Mr. R. S. Egodage and Mrs. G. R. Egodage at ~50% each. The second largest shareholder is Group Lease Holdings Pte Limited, with a shareholding of ~29.99%, collectively reflecting a concentrated and stable ownership structure.

**Stability** The Company's ownership structure is expected to remain stable over the foreseeable future, supporting continuity and institutional stability.

**Business Acumen** Mr. R. S. Egodage has been involved in the financial services sector for over 30 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.

**Financial Strength** CCFP draws stability from BG Investments Pvt. Ltd., holding the majority of shares.

## Governance

**Board Structure** 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.

**Members' Profile** The Board members have decades of experience in their respective fields. 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.

**Board Effectiveness** The Company has formed ~6 board sub-committees, namely, i) Board Audit Committee, ii) Board Integrated Risk Management Committee, iii) Board Related Party Transactions Review Committee, iv) Board Human Resources and Remuneration Committee, v) Board Nomination & Governance Committee and vi) Board Sustainability Committee.

**Financial Transparency** The external auditors of the Company, KPMG, issued an unqualified audit opinion pertaining to the annual financial statements for FY25.

## Management

**Organizational Structure** 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.

**Management Team** 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 (ED), COO, and Deputy CEO.

**Effectiveness** 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.

**MIS** 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.

**Risk Management Framework** 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. CCFP needs to further strengthen this function and revisit guidelines to further improve asset quality.

## Business Risk

**Industry Dynamics** There are thirty-two (32) Licensed Finance Companies (LFCs) in Sri Lanka, out of which thirty (30) are listed on the CSE. The Profit After Tax (PAT) of LFCs and Specialized Leasing Companies sector for 9MFY26 stood at LKR~61.5bn. The sector's Net interest income (NII) improved by ~26.6% in 9MFY26 to clock in at LKR~185.1 (LKR~147.3bn in 9MFY25). The total asset base of the LFC sector stood at LKR~2.8tn as of 9MFY26 (LKR~1.9tn as of 9MFY25, a strong growth of ~43.9% YoY).

**Relative Position** The Company is considered as a mid-size Licensed Finance Companies (“LFC”). CCFP accounts for ~4.4% of the assets and ~4.2% of the deposits as at 9MFY26 in the Licensed Finance Companies sector. CCFP's net loans and advances account for ~4.3% in 9MFY26 in Licensed Finance Companies sector.

**Revenues** CCFP's interest income is recorded at LKR ~21.7 Bn in 9MFY26 (FY25: ~27.3 Bn; FY24: ~29.3 Bn), driven mainly by lease and hire purchase. Interest expenses are recorded at LKR ~ 5.7 Bn in 9MFY26 (FY25: ~9.5Bn). Net interest income improved to ~LKR 15.9 Bn in 9MFY26 (FY25: ~17.8 Bn and FY25: ~14.9Bn), indicating steady earnings from core lending operations.

**Performance** CCFP's profitability improved in 9MFY26, with PAT increasing to ~LKR 6.0 Bn (FY25: ~LKR 6.2 Bn). The expansion in total assets to ~LKR 122.2 Bn as at 9MFY26 (FY25: ~LKR 110.1 Bn) supported an improvement in ROA to ~6.9% as at 9MFY26 (FY25: ~5.8%), indicating enhanced efficiency in asset utilization. Similarly, the growth in total equity to ~LKR 32.5 Bn contributed to a stronger ROE of ~26.3% (FY25: ~24.2%), reflecting improved returns to shareholders. Overall, the Company demonstrates better earnings generation supported by balance sheet growth.

**Sustainability** The Company has established a dedicated Information and Communication Technology (ICT) function to support its operational requirements and system development initiatives. In addition, the Company has implemented cybersecurity frameworks and controls to strengthen data security, protect customer information, and support the continuity and integrity of operations.

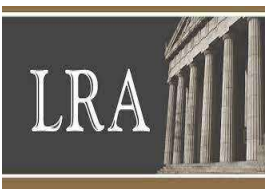
## Financial Risk

**Credit Risk** The Company's asset quality weakened during FY21–FY24 due to the increase in non-performing advances. However, credit quality improved from FY25 onwards, with the Gross NPL ratio declining to ~26.1% in FY25 and further to ~14.1% as at 9MFY26, while the Net NPL ratio stood at approximately 5.1% as at 9MFY26.

**Market Risk** The Company's investment portfolio increased by ~20.6% to LKR ~11.9Bn in FY25 from LKR ~9.9Bn in FY24, before moderating to LKR ~11.1Bn as at 9MFY26. Government securities accounted for approximately ~52.9% of total investments as at 9MFY26. The portfolio composition reflects a relatively higher allocation towards liquid and lower-risk instruments, supporting the Company's liquidity profile.

**Liquidity And Funding** The Company remains predominantly funded through deposits, which accounted for approximately 66.4% of total funding as at 9MFY26 (FY25: ~75.7%). The deposit base declined to LKR ~55.7Bn in FY25 from LKR ~62.1Bn in FY24 and further moderated to LKR ~53.1Bn as at 9MFY26.

**Capitalization** As at 9MFY26, the Company's Total CAR and Tier I Capital Ratio stood at approximately 24.3% and 22.9%, respectively (FY25: ~25.7% and ~25.6%). Despite the moderation, capitalization remained well above the minimum regulatory requirements prescribed by the CBSL.



## Lanka Rating Agency

**COMMERCIAL CREDIT AND FINANCE PLC**

**Public Listed Company**

*LKR mln*

*LKR mln*

*LKR mln*

*LKR mln*

**Dec-25**

**Mar-25**

**Mar-24**

**Mar-23**

**9M**

**12M**

**12M**

**12M**

### A BALANCE SHEET

1 Total Finance-net	94,533	63,299	54,658	39,048
2 Investments	11,094	11,964	9,918	10,017
3 Other Earning Assets	3,431	13,534	4,190	3,527
4 Non-Earning Assets	11,791	14,509	12,007	11,752
5 Non-Performing Finances-net	1,325	6,797	24,930	36,545
<b>Total Assets</b>	<b>122,175</b>	<b>110,103</b>	<b>105,702</b>	<b>100,889</b>
6 Funding	80,047	73,621	76,024	76,799
7 Other Liabilities	9,634	8,093	6,667	4,184
<b>Total Liabilities</b>	<b>89,681</b>	<b>81,714</b>	<b>82,691</b>	<b>80,983</b>
<b>Equity</b>	<b>32,494</b>	<b>28,390</b>	<b>23,012</b>	<b>19,906</b>

### B INCOME STATEMENT

1 Mark Up Earned	21,723	27,322	29,317	25,055
2 Mark Up Expensed	(5,742)	(9,461)	(14,431)	(13,948)
3 Non Mark Up Income	2,483	4,620	3,884	3,938
<b>Total Income</b>	<b>18,464</b>	<b>22,481</b>	<b>18,770</b>	<b>15,045</b>
4 Non-Mark Up Expenses	(7,315)	(8,685)	(7,359)	(6,549)
5 Provisions/Write offs/Reversals	847	(1,652)	(4,243)	(3,415)
<b>Pre-Tax Profit</b>	<b>11,996</b>	<b>12,144</b>	<b>7,168</b>	<b>5,081</b>
6 Taxes on Financial Services	(2,605)	(2,525)	(1,659)	(1,221)
<b>Profit Before Income Taxes</b>	<b>9,391</b>	<b>9,619</b>	<b>5,509</b>	<b>3,860</b>
7 Income Taxes	(3,378)	(3,399)	(2,030)	(1,260)
<b>Profit After Tax</b>	<b>6,013</b>	<b>6,219</b>	<b>3,479</b>	<b>2,600</b>

### C RATIO ANALYSIS

#### 1 PERFORMANCE

a Non-Mark Up Expenses / Total Income	39.6%	38.6%	39.2%	43.5%
b ROE	26.3%	24.2%	16.2%	13.3%

#### 2 CREDIT RISK

a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	137.5%	116.2%	123.4%	112.7%
b Accumulated Provisions / Non-Performing Advances	91.5%	69.4%	36.4%	23.1%

#### 3 FUNDING & LIQUIDITY

a Liquid Assets / Funding	14.1%	34.4%	17.5%	18.8%
b Borrowings from Banks and Other Financial Institutions / Funding	31.9%	22.6%	16.6%	21.2%

#### 4 MARKET RISK

a Investments / Equity	34.1%	42.1%	43.1%	50.3%
b (Equity Investments + Related Party) / Equity	3.2%	3.5%	2.6%	1.8%



### 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

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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'.</p>	<p><b>Rating Watch</b> 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.</p>	<p><b>Suspension</b> 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.</p>	<p><b>Withdrawn</b> 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.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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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

(Rules applicable to Credit Rating Agencies, No. 19 of 2021 - issued on 15th March 2022)

### 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).

### Proprietary Information

- (14) All information contained herein is considered proprietary by LRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without LRA's prior written consent.