Lanka Rating Agency

Rating Report

PMF Finance PLC

Report Contents

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
14-Aug-2026	BB	Stable	Upgrade	-
15-Jul-2025	BB-	Stable	Upgrade	-
01-Mar-2023	B+	Stable	Initial	-

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 (LFC) sector, offering a diversified range of financial products including finance leases, gold loans, term loans, margin trading, entrepreneur loans, mortgage loans, and public deposits. PMF maintains a modest market position, accounting for just ~0.8% (FY25: ~1.0%) of sector assets and ~1.0% (FY25: ~1.3%) of sector deposits as at end-FY26.

The rating upgrade reflects improvement in the Company's financial risk profile underpinned by better profitability, improved asset quality, and adequate capitalization. The Company’s Net Interest Income (NII) recorded at LKR~2.9bn (FY25: LKR~2.0bn) in FY26, supported by higher interest income of LKR~4.9bn (FY25: LKR~3.9bn) relative to stable funding costs. Accordingly, Net Interest Margin (NIM) improved to ~14.6% (FY25: ~12.4%) in FY26. Profitability remained stable, with Profit After Tax (PAT) recorded at LKR~353mn (FY25: ~LKR 322.4mn) in FY26. In terms of asset quality, the Company's gross and net Non-Performing Loan (NPL) ratios improved to ~4.5% (FY25: ~6.0%) and ~2.9% (FY25: ~4.5%) in FY26, slightly higher than the industry averages of ~4.4% (FY25: ~8.6%) and ~2.4% (FY25: ~4.5%), respectively. This was mainly on account of portfolio growth and better recoveries. The funding base increased to LKR~19.2bn (FY25: LKR~18.1bn) in FY26, remaining primarily deposit-driven while liquidity position remains weak due to higher funding base relative to lower liquid assets. Moreover, the capital position remained adequate with Total Capital Adequacy Ratio (CAR) remaining same at ~15.4%, well above the regulatory minimum requirement of 12.5% but below the industry averages of ~18.5%. However, as per the Company's management, PMF is in process of issuing Trust Certificates of LKR~1.0bn by the end of August 2026, which will improve the total CAR. This is important since higher risk weights assigned to gold loans, as per latest directions of Central Bank, would otherwise impact the CAR.

PMF's funding base primarily is deposit-driven. However, the proportion of borrowings has increased in FY26, as deposits marginally dipped in FY26 to ~LKR 14.1bn (FY25: ~LKR 14.4bn). The concentration of top 20 depositors stands at ~28%. The Company's investments and, in turn, liquid assets came down due to greater focus on expanding the lending portfolio.

The assigned rating is constrained by PMF's relatively small market presence, profitability metrics that remain below those of higher-rated LFCs, a weaker liquidity profile, as reflected in the decline in the liquid assets-to-funding ratio to ~10.9% (FY25: ~14.9%) in FY26, and capital position well below the industry average, but the regulatory minimum core capital requirement stands at LKR~2.5bn.

Going forward, the assigned rating will remain dependent on continued improvement in profitability, further moderation in asset quality, and maintenance of adequate capitalization post Trust Certificates issue. The Company's ability to sustain improvements across key financial and operating metrics, consistent with the current rating category, will remain an important consideration for any positive momentum. Any material deterioration in asset quality, earnings profile, or capital adequacy would exert downward pressure on the rating.

Disclosure

Name of Rated Entity	PMF 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

Profile

Structure PMF Finance PLC ("PMF" or "the Company") is a Sri Lankan Licensed Finance Company (LFC), incorporated in 1983. Regulated under the Finance Business Act No. 42 of 2011, it has been listed on the Colombo Stock Exchange (CSE) since 1994 and is quoted on the Diri Savi Board.

Background Established in 1983 as a Joint Venture (JV), PMF became fully owned by People's Bank before Sterling Capital Investments (Pvt) Ltd. (SCIL) acquired a ~68% stake in 2019.

Operations PMF offers diversified financial services, including leasing, gold loans, term loans, margin trading, mortgage loans and public deposits.

Ownership

Ownership Structure SCIL is the majority shareholder (~81.58%), followed by People's Bank (~8.06%) and People's Leasing & Finance PLC (~1.91%) as at FY26.

Stability The Company benefits from the long-term ownership and capital support of SCIL, whose ultimate parent is Japan-based Rush Japan Corporation (RJC).

Business Acumen RJC is a leading exporter of Japanese vehicles to Sri Lanka. Despite import restrictions, it successfully diversified into New Zealand and Australia, demonstrating strategic adaptability and business resilience.

Financial Strength SCIL has invested LKR~6bn–7bn in Sri Lanka and maintains a diversified international presence, with Sri Lanka accounting for ~40%–45% of its LKR ~10bn–15bn asset base (FY25).

Governance

Board Structure The Board has ~7 directors, out of which, ~3 are Independent Non-Executive Directors (IN-EDs), ~3 are Non- Independent Non-Executive Directors (N-IN-ED) and ~1 is Executive Director (ED). The Chairman of the Company, Mr. M. M. R.A. Cader is an IN-ED. The Chief Executive Officer of the Company, Prof. (Dr.) Dewasiri N. Jayantha., serves as an Executive Director.

Members' Profile The Board members have diverse experience in their respective fields. The Chairman of the Company, Mr. Mohamed Malik Rizvi Abdul Cader, is a seasoned legal and regulatory professional with over two decades of experience in commercial law, securities regulation, and capital markets. He has held several senior positions at the Securities and Exchange Commission of Sri Lanka (SEC), including Director General, and currently heads Corporate Legal Consultants. He has also served on several public sector and regulatory bodies, contributing extensive governance and regulatory expertise to the Company.

Board Effectiveness The Company has formed ~8 board sub-committees, namely, i) Board Audit Committee, ii) Board Integrated Risk Management Committee ("BIRMC"), iii) Board Related Party Transactions Review Committee ("BRPTRC"), iv) Board Human Resources and Remuneration Committee ("BHR&RC"), v) Board Nomination & Governance Committee ("BN&GC") vi) Board Credit Committee ("BCC") vii) Board Information Technology (IT) Steering Committee ("BITSC") and viii) Board Procurement Committee ("BPC").

Financial Transparency The external auditors of the Company, Ernst and Young (EY), issued an unqualified audit opinion pertaining to the annual financial statements for FY25.

Management

Organizational Structure The organization is divided into ~11 departments which report to the Chief Executive Officer (CEO). The governance of the organization remains with the Board of Directors (BoDs).

Management Team The management team is led by CEO Prof. (Dr.) Dewasiri N. Jayantha, appointed in March 2026. He brings ~17 years of prior industry experience, along with strong academic and research credentials, including a PhD in Finance and over 70 Scopus-indexed publications.

Effectiveness PMF has formed 5 management committees, namely, i) Assets and Liability Management Committee ("ALCO"), ii) Management Committee ("MC"), iii) Investment Committee ("IC"), iv) Information Security Committee ("ISC"), v) Executive Integrated Risk Management Committee ("IRMC").

MIS PMF operates on the eFinancials core system and plans to enhance digital services via mobile, internet, and agent banking with LankaPay integration. The three additional IT-related policies the Digital Signature Policy, Common Configuration Policy, and System Acquisition and Maintenance Policy, has been implemented by the Company.

Risk Management Framework The Company employs three lines of defense model, with dedicated risk officers at each branch managing daily operational risks. Broader risks are centrally monitored, and a consolidated risk dashboard is submitted monthly to the BIRMC. The BIRMC, under Board authority, oversees the Company's overall risk governance and compliance framework.

Business Risk

Industry Dynamics There are ~32 LFCs in Sri Lanka, out of which ~30 are listed on the CSE. The Profit After Tax (PAT) of LFCs for FY26 stood at LKR~89.4bn. The sector's Net interest Income (NII) improved by ~26.1% in FY26 to clock in at LKR~253.5bn (FY25: LKR~201.0bn). The total asset base of the LFC sector stood at LKR~3.1tn (FY25: LKR~2.1tn) as of FY26, a strong growth of ~47.6% YoY.

Relative Position The Company is considered a small-size LFC and accounts for ~0.8% of the sector's assets and ~1.0% of the sector's deposits as at FY26. PMF's net loans and advances account for ~0.8% of the sector's net loans and advances in FY26.

Revenues PMF's interest income is recorded at LKR~4.9bn (FY25: ~3.9bn) in FY26), driven mainly by lease and hire purchase. Interest expenses are recorded at LKR~2.0bn (FY25: LKR~1.9bn) in FY26. NII improved to LKR~2.9bn (FY25: LKR~1.9bn) in FY26, indicating steady earnings from core lending operations.

Performance PMF's profitability improved in FY26, with PAT increasing to LKR~353mn (FY25: LKR~322.4mn). The total assets have improved to LKR~23.4bn (FY25: LKR~21.6bn) as at FY26. Return On Assets (ROA) remained at ~1.6% (FY25: ~1.7%) and Return on Equity (ROE) stood at ~11.0% (FY25: 11.2%). Meanwhile, total assets expanded to LKR 23.4bn (FY25: LKR~21.6bn) and total equity increased to LKR~3.4bn (FY25: LKR 3.0 bn), supported by retained earnings.

Sustainability The Company expects steady growth over FY27–FY29, driven by expansion in core lending and leasing with PAT projected to increase by ~131% to LKR~1.18bn. Total assets and the loan portfolio are expected to grow by ~40.8% and ~43.4%, respectively. In addition, PMF is progressing its sustainability and digital transformation initiatives, including Electric Vehicle (EV) leasing, Environment Sustainability Governance (ESG) integration, and implementation of key digital systems.

Financial Risk

Credit Risk PMF has demonstrated significant improvement in asset quality over the period, with the gross Non-Performing Loan (NPL) ratio declining to ~4.5% (FY25: ~6.0%) in FY26, reflecting improved portfolio quality and stronger recoveries. The net NPL ratio also declined to ~2.9% (FY25: ~4.5%) in FY26. However, compared to the industry, PMF's asset quality remains slightly weaker, with both gross and net NPL ratios marginally above industry levels of ~4.4% and ~2.4%, respectively.

Market Risk The Company's investment portfolio increased by ~20.7% to LKR~1.7bn (FY25: LKR~1.4bn) in FY26 in FY26. Securities under repurchase agreement (Repos) accounted for ~67.5% of total investments as at FY26. The portfolio composition reflects a relatively higher allocation towards liquid and lower-risk instruments, supporting the Company's investment profile.

Liquidity And Funding The Company remains predominantly funded through deposits, which accounted for ~73.7% (FY25: ~79.7%) of total funding as at FY26. The deposit base slightly declined to LKR~14.1bn (FY25: LKR~14.4bn) in FY26.

Capitalization As at FY26, the Company's Tier I and Total Capital Adequacy Ratio (CAR) stood at ~15.4% (FY25: 15.1%) and ~15.4% (FY25: ~15.1%), respectively. Despite the moderation, capitalization remained well above the minimum regulatory requirements prescribed by the CBSL.

Lanka Rating Agency

PMF Finance PLC	Mar-26	Mar-25	Mar-24	Mar-23
Public Listed Companies	12M	12M	12M	12M
A BALANCE SHEET				
1 Total Finance-net	18,843	16,383	9,460	7,182
2 Investments	1,690	1,401	2,430	727
3 Other Earning Assets	636	1,194	756	1,264
4 Non-Earning Assets	1,343	1,847	1,889	1,156
5 Non-Performing Finances-net	909	790	1,782	1,201
Total Assets	23,421	21,615	16,317	11,530
6 Funding	19,181	18,078	12,998	8,524
7 Other Liabilities	846	492	596	295
Total Liabilities	20,027	18,570	13,594	8,819
Equity	3,394	3,044	2,723	2,711
B INCOME STATEMENT				
1 Mark Up Earned	4,919	3,938	3,093	2,008
2 Mark Up Expensed	(1,997)	(1,981)	(1,988)	(1,255)
3 Non Mark Up Income	227	286	235	81
Total Income	3,148	2,242	1,340	833
4 Non-Mark Up Expenses	(1,810)	(1,521)	(1,103)	(836)
5 Provisions/Write offs	(432)	(261)	(209)	(147)
6 Reversals	-	-	-	-
Pre-Tax Profit	907	460	28	(150)
7 Taxes on Financial Services	(280)	(151)	(53)	(33)
Profit Before Income Taxes	626	310	(25)	(184)
8 Income Taxes	(273)	13	44	30
Profit After Tax	353	322	19	(154)
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	57.5%	67.8%	82.3%	100.4%
b ROE	11.0%	11.2%	0.7%	-5.5%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	104.7%	96.6%	88.6%	103.2%
b Accumulated Provisions / Non-Performing Advances	26.5%	26.5%	13.2%	25.8%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	10.9%	14.9%	19.9%	22.6%
b Borrowings from Banks and Other Financial Institutes / Funding	26.3%	20.2%	13.4%	10.0%
4 MARKET RISK				
a Investments / Equity	49.8%	46.0%	89.2%	26.8%
b (Equity Investments + Related Party) / Equity	33.8%	25.7%	42.5%	11.9%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	14.5%	14.1%	16.7%	23.5%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	11.6%	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.

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

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.