Lanka Rating Agency

Rating Report

Vallibel Finance PLC

Report Contents

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
26-Sep-2025	A-	Stable	Upgrade	-
13-May-2024	BBB+	Stable	Maintain	-
28-Feb-2023	BBB+	Negative	Initial	-

Rating Rationale and Key Rating Drivers

Vallibel Finance PLC (VFIN or the Company) is a licensed finance company (LFC) in Sri Lanka, primarily engaged in vehicle loans, auto drafts, gold loans, and leases. With assets accounting for ~5.3% of the total industry, VFIN is a mid-sized player in the LFC sector. The rating upgrade reflects the Company's extensive market outreach, superior asset quality and improved profitability. The Company has consistently maintained NPL ratio the industry benchmark despite substantial growth in its lending portfolio. Meanwhile, the coverage for impaired loans remains very strong.

In FY25, net interest income of the Company rose ~15.9% to LKR 8,118Mn (3MFY26: LKR ~2,308Mn), with core spread improving to ~7.8% from ~6.0% in FY24 on lower interest rates enabling liability repricing. The spread moderated to ~6.4% in 3MFY26 and remains below industry average. The net income grew by ~22.8% to ~LKR 2,629Mn in FY25 (3MFY26: ~LKR 785Mn), with growth underpinned by higher lease income during the year. The revenue profile is predominantly core (~78%), with the ~22% non-core share. The lending portfolio is concentrated in auto drafts, leases, gold loans, and vehicle loans, which collectively represent 94.2% of the total loan book. The loan and lease portfolio expanded from LKR ~92,147Mn in FY25 to LKR ~104,280Mn in 3MFY26. The gearing stands at ~6.0x in FY25 (3MFY26: ~6.9x), indicating relatively high leverage. The Company improved its short-term asset liability gaps narrowed in FY25 and 3MFY26. However, the gap widens in the 1–3 year tenor due to debenture maturities. VFIN has an adequate capital structure with Tier I CAR standing at ~16.54% (3MFY26: ~13.79%)and Total CAR ~21.51% in FY25. The CAR ratio remains above the regulatory requirement but remains below the industry average. However, the planned subordinated term loan under the capital-augmentation program should provide support for the expansion.

VFIN plans to open new branches in underserved markets to broaden access and expand its market share. The growth strategy includes product diversification (margin trading, digital/online services, Islamic banking) and scaling the property loan franchise; management expects gold loans to reach 30% of the loan book by FY26–FY27.

The rating depends on continued growth, robust governance, and steady financial/operational metrics. Adverse trends—particularly higher NPLs or reduced CAR—would have negative rating implications. Meanwhile, strengthening governance framework and control environment remains important.

Disclosure	
Name of Rated Entity	Vallibel 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(Feb-25)
Rating Analysts	Imran Iqbal | imran@lra.com.lk | +94 114 500099

Profile

Structure Vallibel Finance PLC (the "Company" or "VFIN") is a public limited liability company incorporated in Sri Lanka, regulated under the Finance Business Act No. 42 of 2011. It has been listed on the main board of the Colombo Stock Exchange since 2010.

Background Prior to the acquisition by Vallibel Investment (Pvt) Limited (the parent company) in 2005, it was known as Rupee Finance Company Limited. VFIN has a wholly owned subsidiary, Vallibel Properties Limited, formed to manage the construction and maintenance of the new corporate office building.

Operations VFIN is engaged in providing financial solutions and offering products and services, such as leasing, vehicle loans, auto drafts, gold loan and fixed deposits.

Ownership

Ownership Structure VFIN is a listed company. Vallibel Investments (Pvt.) Limited is the major shareholder with ~51.44% followed by Mr. Dhammika Perera (~21.4%) and Mr. Anuradha Perera (~3.62%), who is the current Chairman. Altogether, the Perera family owns ~78% of the stake as at 3MFY26.

Stability Vallibel Investments (the parent company) with equal proportions is owned by Ms. K. A. D. B. Perera and Ms. K. A. D. K. Perera, daughters of Mr. Dammika. The succession has taken place as the next generation of Mr. Dammika is about to reign over the business affairs.

Business Acumen The primary objective of Vallibel Investments is to offer financial services and activities. Vallibel Group is also well renowned in the financial sector.

Financial Strength Vallibel Group is well established and positioned in the market. The Group has supported VFIN during the crisis period in order to strengthen the Tier II capital by way of subordinated debt.

Governance

Board Structure The Board of Vallibel Finance PLC consists of seven members: four of whom are Independent Non-Executive Directors, one Non-Executive Director who also serves as the Chairman, and two Executive Directors. The Board has appointed Mr. K D A Perera in 2023 as the Chairman. Mr. J. Kumarasinghe has been a Senior Independent Director since the Chairman is Non-Independent.

Members' Profile The Board is comprised of individuals with broad knowledge, expertise, and experience across diverse business sectors, which provides the Company with a strong competitive advantage in the industry. The Chairman also serves as a Director in several private sector entities within the Vallibel Group.

Board Effectiveness VFIN functions with five board committees, which convened thirteen times during FY25, with attendance recorded at a satisfactory level.

Financial Transparency In FY25, the company changed its auditors from KPMG Chartered Accountants to E&Y Chartered Accountants of Sri Lanka, who issued an unqualified opinion on the annual financial statements.

Management

Organizational Structure The Company maintains a clearly defined organizational structure comprising eight divisions, with ultimate authority vested in the Managing Director.

Management Team The Management team is highly experienced and knowledgeable, led by Mr. S. B. Rangamuwa, who serves as the Managing Director.

Effectiveness VFIN oversees and coordinates its operations efficiently through four management committees. Which consist of the Board Integrated Risk Management Committee, Assets and Liabilities Management Committee, Credit Committee, and IT Steering Committee.

MIS The Company has heavily invested in IT, using eFinancials, CRM, KTMS, ALM, BI, and AI tools to support core operations, customer management, and AML compliance. The company has robust compliance and cybersecurity measures, supported by a committed management team and an engaged Board to strengthen governance and oversight.

Risk Management Framework The Company has a comprehensive risk policy, overseen by the IRMC and Audit Committee, with strengthened compliance, cybersecurity, and governance, supporting long-term stability and shareholder value.

Business Risk

Industry Dynamics As of March 2025, Sri Lanka has 33 Licensed Finance Companies (LFCs), with 27 listed on the Colombo Stock Exchange. The sector reported a profit after tax (PAT) of LKR ~69.02 bn (3MFY26: 18.3 Bn). Return on Assets (ROA) stood at ~6.6% (3MFY26: ~6.9%), and Return on Equity (ROE) at ~15.1% (3MFY26: ~15.2%), improving from 5.5% and 12.9% in March 2024. In FY25, the total asset base was LKR ~2,089.95 Bn, with loans and advances at ~1,567.84 bn and equity investments at ~9.7 Bn (3MFY26: 9.9 Bn).

Relative Position VFIN accounted for ~3% of equity in the LFC sector in FY25 (unchanged from FY24 and FY23) and contributed ~5.3% of industry assets (FY24: 5.3%, FY23: 4.7%). Its loans and advances represented ~5.9% of the sector (FY24: 5.7%, FY23: 5.3%), while the deposit base rose to ~6.0% in FY25 (FY24: 5.9%, FY23: 5.5%).

Revenues Net Interest Income (NII) of the Company indicates an increase of (~15.9%) to LKR~8,117Mn in FY25. In 3MFY26, the NII has improved by ~23% to LKR~2,307Mn compared to 3MFY25. Interest spread in FY25 has increased to ~7.8% from ~6% in FY24, but it has dipped slightly during 3MFY26 to ~6.4%. The average advance yield is ~17.3% for 3MFY26, and it was ~18.7% in FY25. This is a decrease from ~22.6% in FY23. The average cost of deposits was ~10.9% for 3MFY26 and FY25, which is a significant drop from ~16.9% in FY24. The average cost of borrowings was ~7.7% for 3MFY26 and ~9.2% for FY25. The Investment Yield stood at ~12.7% in 3MFY26 compared to ~8.3% in FY25. The revenue profile is predominantly core (~78%), with ~22% non-core.

Performance VFIN recorded a profitability growth of ~22.8%, increasing from LKR ~2.1Bn in FY24 to LKR ~2.6Bn in FY25. In 3MFY26, PAT reached LKR ~785Mn, reflecting a ~53.8% improvement compared to the prior period. The decline in income tax levels supported this upward trend. ROE stood at ~20.7% in 3MFY26 (FY25: ~18.7%), while ROA remained at ~2.6% for both FY25 and 3MFY26, compared to ~2.4% in FY24. The gross loan portfolio expanded by ~13% in 3MFY25. The Company's product mix is mainly concentrated in Auto Drafts, Leases, Gold Loans, and Vehicle Loans.

Sustainability VFIN has developed a three-year strategic business plan outlining growth targets and expansion initiatives. VFIN plans to open new branches in underserved markets to broaden access and expand its market share. Market penetration will be driven by new product development, performance-oriented sales teams, and the introduction of Margin Trading, Digital/Online Services, and Islamic Banking. Expansion of the property loan division is also planned, while gold loans are expected to account for nearly one-third of the portfolio.

Financial Risk

Credit Risk VFIN's Gross NPL ratio improved from 6.16% in FY23 to ~3.36% in 3MFY26, below industry levels, reflecting stronger collections and recovery. The largest contributor to NPLs is leasing, followed by vehicle loans as the second-largest contributor. Net NPL for 3MFY26 stood at -0.19%, compared to -0.37% in FY25. The top 20 advances amounted to ~3.5%.

Market Risk In FY25, VFIN's investments were mainly in placements with banks and finance companies at LKR ~570Mn, a steep drop from LKR ~8,322Mn in FY24 (3MFY26: LKR ~623Mn). Treasury Bills and Bonds stood at LKR ~3,097Mn and LKR ~1,785Mn, respectively, while reverse repos reached LKR ~3,967Mn. Unit trust investments reduced significantly to LKR ~130.8Mn from LKR ~3,650Mn. The lending book shows rising gold loan concentration, reaching 22% in FY25, projected to ~28% by FY27, exposing earnings and asset quality to gold price volatility.

Liquidity And Funding VFIN's primary source of funding is customer deposits, which continue to form the bulk of its liability base. In 3MFY26, deposits accounted for ~70% of total funding, compared to ~73% in FY25 and ~76% in FY24, indicating a gradual decline in the share of deposits. The Company's fixed deposit renewal ratio has remained strong, reflecting customer confidence and stability. It stood at 73.4% in FY23, improved to 75% in FY24, and further strengthened to ~81% in FY25.

Capitalization As of 3MFY26, the Company's Tier I capital stood at approximately 13.8%, while total capital was around 18.1%, compared to ~16.5% and ~20.6%, respectively, in FY25. The total debt-to-equity ratio was recorded at 6.9x in 3MFY26, up from 6.0x in FY25. The Company intends to maintain a dividend payout policy of 25%.

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Vallibel Finance PLC Public Limited Company	Jun-25 3M	Mar-25 12M	Mar-24 12M	Mar-23 12M
A BALANCE SHEET	LKR Millions			
1 Total Finance-net	104,537	92,542	67,643	60,537
2 Investments	10,805	6,259	11,056	6,848
3 Other Earning Assets	623	4,538	8,323	9,861
4 Non-Earning Assets	9,791	7,465	6,690	4,215
5 Non-Performing Finances-net	(210)	878	635	863
Total Assets	125,547	111,683	94,347	82,324
6 Funding	104,675	91,372	76,665	69,185
7 Other Liabilities	5,610	5,187	3,529	2,052
Total Liabilities	110,285	96,558	80,194	71,237
Equity	15,262	15,124	12,974	11,087
B INCOME STATEMENT	LKR Millions			
1 Mark Up Earned	4,753	16,914	18,372	15,676
2 Mark Up Expensed	(2,446)	(8,796)	(11,365)	(11,014)
3 Non Mark Up Income	723	2,287	1,658	1,029
Total Income	3,030	10,404	8,665	5,690
4 Non-Mark Up Expenses	(1,275)	(4,676)	(3,582)	(2,830)
5 Provisions/Write offs	(55)	(171)	(438)	(98)
6 Reversals	-	-	-	-
Pre-Tax Profit	1,700	5,558	4,645	2,763
7 Taxes on Financial Services	(402)	(1,321)	(1,189)	(697)
Profit Before Income Taxes	1,298	4,237	3,455	2,065
8 Income Taxes	(513)	(1,608)	(1,314)	(726)
Profit After Tax	785	2,629	2,142	1,340
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	42.1%	44.9%	41.3%	49.7%
b ROE	20.7%	18.7%	17.8%	12.3%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	103.3%	105.0%	93.7%	93.2%
b Accumulated Provisions / Non-Performing Advances	105.8%	74.3%	85.0%	78.3%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	10.4%	12.5%	21.5%	23.7%
b Borrowings from Banks and Other Financial Institutes / Funding	27.5%	18.1%	20.8%	26.8%
4 MARKET RISK				
a Investments / Equity	70.8%	41.4%	85.2%	61.8%
b (Equity Investments + Related Party) / Equity	0.0%	0.0%	0.0%	0.0%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	12.2%	13.5%	13.8%	13.5%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	3.6%	16.6%	17.2%	8.2%

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)	Rating Watch	Suspension	Withdrawn	Harmonization
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'.	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.	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.	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.	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