



Lanka Rating Agency

Rating Report

Orient Finance PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
30-Dec-2021	BB+	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Orient Finance PLC is a listed Leasing Finance Company (LFC) principally involved in financial activities including mobilization of deposits, savings accounts, leasing, hire purchase, gold loans, pledge loans, factoring, and pawning. The market share of the Company remains restricted below 1% representing sufficient room for business expansion complemented by a consolidation scheme at the industry level and rising competition. Historically, the company's financial performance indicators reflected a volatile pattern with fragility in profitability owing to dwindled asset quality and rising NPAs. However, the company's risk profile is now steered towards a turnaround trajectory with improved asset quality and gross NPAs reducing to 9.7% in 6MFY22 compared to 10.8% in 3MFY22 (10.4% in FY21): this is below the industry average ratio of 12.6%. Consequently, the net profit for 6MFY22 increased to LKR~200mln compared to 3MFY22, of LKR~59mln, but there is still room for improvement. The presence of key group management personnel at Orient Finance has boosted the company's operational efficiency, consequently, enduring economic instability caused by the COVID-19 pandemic. The company's current portfolio is concentrated towards leasing with a 68% focus. Although a shift in the lending portfolio towards the gold loans is observed, Orient Finance's policy is to maintain a ratio of 70:30 between leasing and other loan facilities. On the other hand with the Central Bank of Sri Lanka (CBSL) amalgamation program coming into play, the company is currently considering a possible merger or acquisition of another financial entity, the outcome of which is yet to materialize. The ratings also take into account improved governance and operational practices set out to support the efficacy of business processes which would ultimately translate into better financial performance.

The ratings are dependent on the management's ability to increase and retain its market share and diversify its revenue base to improve its competitive position in the industry of non-banking finance companies. Retention of key personnel, adherence to regulatory requirements, and sustainability of profitability will remain imperative to uphold the ratings.

Disclosure

Name of Rated Entity	Orient Finance PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Non-Banking Finance Companies Rating(Jun-21)
Related Research	Sector Study Leasing & Finance Companies(Dec-21)
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