



Date

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Applicable Criteria

- Methodology | Non-Banking Financial Institution Rating | Jul-24

Related Research

- Sector Study | Leasing & Finance Companies | Aug-23

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Lanka Rating Assigns Initial Entity Rating to Orient Finance PLC, With a "Positive" Outlook.

Rating Type	Entity
	Current (11-Oct-24)
Action	Initial
Long Term	BB+
Outlook	
Rating Watch	-

Orient Finance PLC ("OFL" or "the Company") 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, and factoring. The market share of the Company remains restricted (~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 (~12.0%): this is below the industry average ratio (~14.7%). Consequently, the profit after tax (PAT) for FY24 increased to ~LKR 349 mln compared to FY23 a loss of ~LKR 72 mln, but there is still room for improvement. The presence of key group management personnel at Orient Finance has boosted the company's operational efficiency. The company's current portfolio is concentrated towards leasing with a (~65%) focus. Although a shift in the lending portfolio towards the gold loans (~31%) is observed. 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 assigned "Positive Outlook" reflects the Company's improved performance indicators. Continuation of the growth momentum and sustenance of strong key performance and financial indicators are essential for an upgrade consideration. In addition, improvement in core income and rationalization of administrative expenses are imperative as the Company consolidates its position. 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 is critical. Retention of key personnel, adherence to regulatory requirements, and sustainability of profitability will remain imperative to uphold the ratings.

About the Entity

Orient Finance PLC is a deposit-taking leasing company established in Sri Lanka, with (~93%) of the shares being owned by Janashakthi Holding LTD. The Company is licensed to operate as a Finance Company under the Finance Company Act No.78 of 1988. The Chief Executive Officer, Mr.K.M.M. Jabir, is a fellow member of the Institute of Bankers of Sri Lanka having more than three decades of professional experience with Financial Institutions. The overall control of Orient Finance PLC vests in the ten-member Board of Directors (BoD) including the CEO. Except for the CEO, all board members are non-executive directors.

The primary function of LRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. LRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. LRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.