

Fintrex Finance PLC

Key Rating Drivers

Standalone Profile Underpins Rating: Fintrex Finance PLC's rating reflects its smaller balance sheet compared with higher-rated peers, in addition to its greater growth appetite, expansion into riskier mobile financing, higher leverage and more volatile earnings. These weaknesses are balanced by acceptable asset quality and improved funding diversity.

More Conducive Operating Environment: Fitch Ratings projects Sri Lanka's GDP growth at 4.3% in 2025 and 3.6% in 2026, supported by low inflation and accommodative monetary conditions on renewed economic activity. This follows real GDP growth of 4.8% yoy in 1Q25 and a 5.0% expansion in 2024, driven by the industry and service sectors, including a rebound in tourism after years of contraction and instability. That said, external headwinds from global tariff revisions could challenge Sri Lanka's economic recovery and affect the pace of growth.

Modest Franchise, Aggressive Growth: Fintrex's business profile remains constrained by higher concentration risks relative to peers, reflecting its more limited franchise as one of Sri Lanka's smaller finance and leasing companies. Its market share remains modest, at 1.2% of sector loans in the financial year ending March 2025 (FY25). This was despite a meaningful rise from 0.8% in FY23, with a CAGR of 40% over FY23-FY25 outpacing the sector's 15%. Yet, recent high growth could introduce asset quality risks as the loans season.

New Lending Products: Fintrex has diversified its product suite over the past two years, mainly by introducing high-yielding mobile financing and gold lending. This expansion could test its risk management and underwriting capabilities – particularly in mobile financing, where credit risk may be higher due to lower recovery prospects. However, we expect four-wheeler financing to remain the core of Fintrex's portfolio in the near term, supported by the company's targeted product mix and the recent lifting of a longstanding vehicle import ban.

Acceptable Asset Quality: The company's increasing exposure to riskier mobile financing may lead to a mild rise in delinquencies, but we expect its stage 3 loan ratio to remain below 10% over the next two years, provided economic conditions remain supportive. We believe Fintrex is more sensitive to economic shocks, given its higher borrower concentration relative to larger, higher-rated peers. Fintrex's stage 3 loan ratio improved to 8.6% in FY25, from 11.2% in FY24. This was broadly in line with the sector average of 8.3% (FYE24: 14.7%).

Interest Margin to Improve: We anticipate upside to the company's net interest margin on an increased share of higher-yielding products and more favourable funding costs. Pre-tax profit remained stable in FY25, at 2.8% of average assets (FY24: 2.8%), as an improved net interest margin was offset by normalised credit costs following net recoveries in FY24.

Growth Weakens Capitalisation: We expect Fintrex's capitalisation to weaken further in the near term, as continued asset growth is likely to outpace internal capital generation. The tier-1 capital ratio declined to 13.5% in FY25, from 16.1% in FY24, while the total capital ratio increased to 18.3% (FYE24: 16.1%), backed by the LKR1 billion subordinated debenture issued in March 2025. Fintrex's rating also factors in its commitment to maintain a capital buffer of 2pp above the regulatory minimum tier-1 and total capital ratios of 8.5% and 12.5%, respectively.

Modest Funding: Fintrex's funding base has gradually improved through an expanded customer deposit base and the recent subordinated bond issuance. However, its funding franchise and flexibility – as reflected by its cost of funds and share of unsecured funding – remain weaker than those of larger peers. Deposit funding, the primary source of unsecured funding for finance and leasing companies, accounted for 56% of Fintrex's total funding in FY25 (FYE24: 56%), well below the sector average of 76%.

Ratings

National Rating
National Long-Term Rating BB(lka)

Sovereign Risk (Sri Lanka)
Long-Term Foreign-Currency IDR CCC+
Long-Term Local-Currency IDR CCC+
Country Ceiling B-

Outlook
National Long-Term Rating Stable

Applicable Criteria

[Bank Rating Criteria \(March 2025\)](#)
[National Scale Rating Criteria\(December 2020\)](#)
[Non-Bank Financial Institutions Rating Criteria \(January 2025\)](#)

Related Research

[Adequate Domestic Liquidity Reduces Refinancing Risk for APAC EM NBFIs \(June 2025\)](#)
[APAC NBFi Sector Outlooks Show Varied Sensitivity to Global Uncertainty \(June 2025\)](#)
[Fitch Upgrades Sri Lanka to 'CCC+' \(December 2024\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The rating is sensitive to a change in Fintrex's credit profile relative to that of other Sri Lankan issuers. Negative rating action could be triggered by a large deterioration in asset quality relative to peers, without an improvement in capital or provisioning buffer. Aggressive growth without maintaining an adequate capital buffer as planned or signs of earnings or liquidity pressure could also lead to negative rating action.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The rating is sensitive to a change in Fintrex's credit profile relative to that of other Sri Lankan issuers. The rating may be upgraded if the company significantly reduces its customer concentration, perhaps due to a broader or more diversified franchise, while maintaining comparable asset quality with peers. This is provided the company maintains a balanced funding and liquidity profile, with leverage that is not excessive relative to peers with an acceptable regulatory capital buffer.

Debt Ratings

Debt Ratings: Fintrex Finance PLC

Rating Level	Rating
Subordinated	B+(lka)

Source: Fitch Ratings

Fintrex's Sri Lankan rupee subordinated debentures are rated two notches below its National Long-Term Rating. This reflects our baseline notching for loss severity for this debt class and expectation of poor recoveries in the event of default. We apply the Bank Rating Criteria in rating these instruments, as we view the prudential capital framework for finance companies to be closer to that for banks in Sri Lanka. There is no additional notching for non-performance risk, as the debentures do not contain going-concern loss-absorption or coupon-deferral features.

Debt Rating Sensitivities

Any change in Fintrex's National Long-Term Rating would lead to corresponding action on its subordinated debt rating.

Financials

Income Statement

	31 Mar 25		31 Mar 24	31 Mar 23	31 Mar 22
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(LKRm)	(LKRm)	(LKRm)	(LKRm)
	Audited -	Audited -	Audited -	Audited -	Audited -
	unqualified	unqualified	unqualified	unqualified	unqualified
Revenue					
Interest income on loans	11.4	3,383.4	2,093.6	2,079.6	1,928.5
Other interest income	0.4	115.5	668.4	184.8	27.3
Total gross operating revenue	12.6	3,736.6	2,863.6	2,339.5	2,037.0
Total interest expense	5.9	1,755.6	1,739.7	1,811.0	660.3
Total net operating revenue	6.7	1,980.9	1,124.0	528.4	1,376.7
Memo: net interest income	5.9	1,743.3	1,022.3	453.3	1,295.5
Expenses					
Total operating expenses	4.1	1,207.9	941.7	819.5	753.5
Pre-impairment/provision operating profit	2.6	773.0	182.2	-291.1	623.2
Impairment charges (reversals) on loans & finance leases	0.9	253.1	-187.5	153.7	48.2
Securities and other credit impairment charges	n.a.	n.a.	n.a.	n.a.	n.a.
Operating profit	1.8	520.0	369.8	-444.7	575.0
Pre-tax income	1.8	520.0	369.8	-444.7	575.0
Net income (incl. non-controlling interests)	0.6	184.0	110.1	-219.1	327.5
Fitch comprehensive income	0.6	181.6	114.8	-218.5	317.9
Adjusted EBITDA	7.8	2,324.2	2,149.0	1,447.8	1,294.8
Exchange rate		USD1 = LKR296.3198	USD1 = LKR300.4410	USD1 = LKR327.2857	USD1 = LKR293.8717

Source: Fitch Ratings

Balance Sheet

	31 Mar 25		31 Mar 24	31 Mar 23	31 Mar 22
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(LKRm)	(LKRm)	(LKRm)	(LKRm)
Assets					
Loans and leases					
Gross loans & finance leases	67.4	19,985.8	13,643.2	10,185.1	12,033.8
Less: loss allowances for loans, leases and receivables	2.5	739.1	467.4	915.8	746.2
Net loans and finance leases	65.0	19,246.8	13,175.8	9,269.3	11,287.5
Net operating lease & rental assets	n.a.	n.a.	n.a.	n.a.	n.a.
Total interest earning assets	69.3	20,541.7	14,244.5	10,032.3	11,981.6
Total assets	73.3	21,715.4	15,120.9	10,978.2	12,620.4
Liabilities and equity					
Debt and deposits					
Total customer deposits	32.9	9,736.5	6,295.6	4,743.5	1,858.2
Total borrowings	25.4	7,534.7	4,856.7	3,021.4	7,077.9
Total debt and deposits	58.3	17,271.1	11,152.3	7,765.0	8,936.1
Total liabilities	62.4	18,484.9	12,072.0	8,044.1	9,467.8
Total equity excl. hybrid capital accounted for as equity	10.9	3,230.4	3,048.9	2,934.1	3,152.6
Total equity	10.9	3,230.4	3,048.9	2,934.1	3,152.6
Total liabilities and equity	73.3	21,715.4	15,120.9	10,978.2	12,620.4
Exchange rate		USD1 = LKR296.3198	USD1 = LKR300.4410	USD1 = LKR327.2857	USD1 = LKR293.8717

Source: Fitch Ratings

Summary Analytics

	31 Mar 25	31 Mar 24	31 Mar 23	31 Mar 22
	Year end	Year end	Year end	Year end
Asset quality ratios (%)				
90DPD loans & finance leases/gross loans & finance leases (stage 3 from 31 March 2024)	8.6	11.2	14.2	13.0
Growth of gross loans & finance leases yoy	46.5	34.0	-15.4	33.7
Loss allowances/90DPD loans & finance leases	42.8	30.5	63.5	47.8
90DPD loans & finance leases less loss allowances/tangible equity	31.5	37.0	19.8	26.3
Net charge-offs/average gross loans & finance leases	0.0	2.2	-0.1	-0.7
Earnings and profitability ratios (%)				
Pre-tax income/average assets	2.8	2.8	-3.8	5.3
Adj. EBITDA/total revenue	62.2	75.0	61.9	63.6
Operating expenses/total net revenue	61.0	83.8	155.1	54.7
Pre-tax income/average equity	16.6	12.4	-14.6	21.3
Impairment charges/pre-impairment op. profit	32.7	-102.9	-52.8	7.7
Capitalisation and leverage ratios (% unless stated otherwise)				
(Debt + deposits)/tangible equity (X)	5.5	3.9	2.9	2.9
(Debt + deposits)/adj. EBITDA (X)	7.4	5.2	5.4	6.9
Tangible equity/tangible assets	14.5	19.3	24.8	24.7
(Net income - dividends - share repurchases)/beginning equity	6.0	3.8	-6.9	14.7
Funding, liquidity and coverage ratios (% unless stated otherwise)				
Unsecured debt/(total debt + deposits)	Not public	Not public	Not public	Not public
Adj. EBITDA/interest expense (X)	1.3	1.2	0.8	2.0
(Liquid assets + undrawn committed facilities)/short-term funding (X)	Not public	Not public	Not public	Not public
(Liquid assets + undrawn committed facilities + adj. EBITDA)/short-term funding (X)	Not public	Not public	Not public	Not public
(Short-term debt + deposits)/(total debt + deposits)	Not public	Not public	Not public	Not public
Dividends/net income	0.0	0.0	0.0	0.0
Source: Fitch Ratings				

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