



First Capital  
A Janashakthi Group Company

EQUITY | SRI LANKA | DIVERSIFIED FINANCIALS

EARNINGS UPDATE | 15 AUG 2025

# COMMERCIAL CREDIT & FINANCE PLC [COCR.N0000]

## MAINTAIN BUY

### "ACCELERATING EARNINGS DRIVES UPSIDE TO THE FAST LANE"

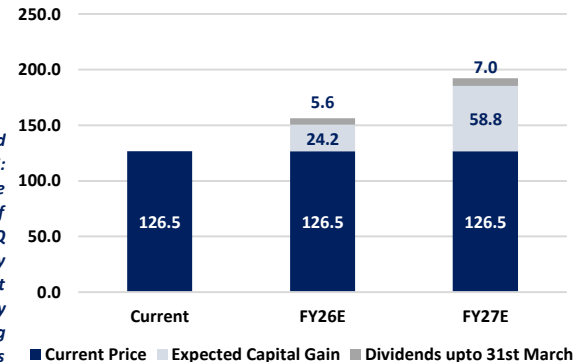
**Fair Value: FY26E - LKR 150.0 [+19%]**

**FY27E - LKR 185.0 [+46%]**

Total Return with DPS: FY26E - 23% [AER 40%]

FY27E - 52% [AER 29%]

COCR commenced FY26E on a strong footing, posting a notable upsurge in profitability during 1QFY26. Net earnings surged to LKR 2.1Bn (+c.210.3%YoY) from LKR 686.2Mn in the corresponding period last year, translating to an EPS of LKR 6.7 (1QFY25: LKR 2.2). The surge in profitability was strengthened by a solid growth in Net Interest Income (NII), which witnessed a notable uptick of 53.5%YoY to LKR 5.3Bn, underpinned by broad based growth across lending operations coupled with the easing of vehicle import restrictions and increase in new vehicle registrations. The loans and advances component grew by 11.5%QoQ to LKR 24.7Bn followed by a minute 2.8%QoQ increase in Lease Rentals and Stocks on Hire which is anticipated to gradually pick up as vehicle registrations grow. FCR anticipates a gradual moderation in NIMs in FY26E followed by a slight improvement as interest rates begin to spread out in FY27E, after which a gradual stabilization is expected. This positive earnings trajectory is likely to further reinforce the company's capital adequacy position. Given the favorable macroeconomic backdrop, including the expectation of interest rate stabilization in 2025, COCR's robust financial position and strategic outlook underpin its attractive valuation. FCR derives target prices of LKR 150.0 for FY26E and LKR 185.0 for FY27E from the current LKR 126.5 share price. These targets imply a 19% upside in FY26E and a 46% upside in FY27E, culminating in an AER of approximately 39.8% by FY26E and 29.3% by FY27E. **MAINTAIN BUY.**



### FIRST CAPITAL RESEARCH

Salaama Sanoon

+94 11 263 9863

[salaama@firstcapital.lk](mailto:salaama@firstcapital.lk)

LKR (Mn)	1QFY25	1QFY26	YoY	FY24	FY25	YoY
<b>Earnings (LKR 'Mn)</b>						
Net interest income	3,456	5,304	+53%	14,898	17,884	+20%
Total operating income	4,227	6,126	+45%	18,824	22,165	+18%
Net operating income	3,610	6,691	+85%	14,581	20,513	+41%
PBT	1,127	3,405	+202%	5,739	9,622	+68%
Net Profit	686	2,130	+210%	3,641	6,147	+69%
<b>Balance Sheet (LKR 'Mn)</b>						
Shareholders' Equity	25,036	30,632	+34%	23,197	28,502	+23%
Loans and Advances	22,897	24,717	+8%	23,797	22,164	-7%
NAVPS	78.7	96.3	+22%	72.9	89.6	+23%

#### COCR's bottom-line witnessed a 210.3%YoY jump in 1QFY26, supported by growing NII

COCR commenced FY26 with a strong performance, posting a notable upsurge in profitability during 1QFY26. Net earnings rose to LKR 2.1Bn (+210.3% YoY) from LKR 686.2Mn in the prior year, translating to an EPS of LKR 6.69 (1QFY25: LKR 2.16). The earnings surge was underpinned by a robust 53.5%YoY increase in NII to LKR 5.3Bn, supported by broad based loan growth and demand recovery in motorbike and three-wheeler financing, aided by easing vehicle import restrictions and higher registrations. Net fee and commission income grew 10.8%YoY, while impairments registered a reversal of LKR 565.0Mn compared to an LKR 616.4Mn charge in the previous year. COCR's Net operating income advanced 85.3%YoY to LKR 6.7Bn whilst operating expenses rose (personnel cost +4.8%YoY; other operating costs +31.1%YoY), yet profitability remained resilient. PBT climbed 202.1% YoY to LKR 3.4Bn, with higher VAT (LKR 792.8Mn) and income tax (+189.2%YoY to LKR 1.3Bn) partially offsetting gains. Overall, COCR's strong topline momentum and loan book expansion, particularly in the two- and three-wheeler segments, underpinned a stellar quarter despite cost and tax pressures. This performance underscores COCR's earnings leverage in a lower rate environment and highlights its operational resilience.

#### COCR's loan book expansion coupled with a 2.8%QoQ growth in the leasing segment is expected to hold firm, propelled by increase in new vehicle registrations

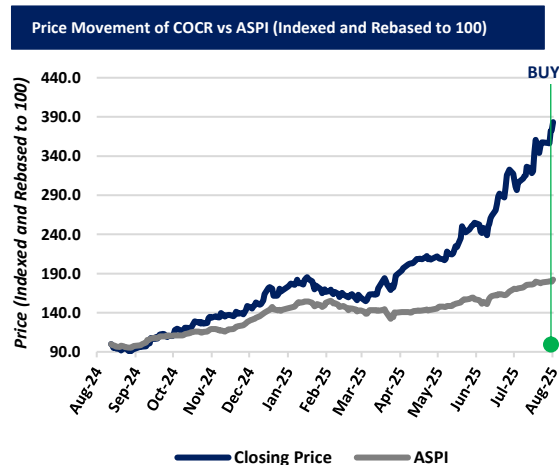
COCR's loan book grew 11.5%QoQ and 7.9%YoY in 1QFY26 to LKR 24.7Bn, supported by improving macroeconomic conditions, including easing inflation, lower interest rates, and stronger private sector credit demand. A gradual relaxation of vehicle import restrictions could further boost growth in leasing and hire purchase segment, which grew by 2.8%QoQ in 1QFY26, despite a 12.8%YoY contraction. FCR projects COCR's loan book to grow by 61.8%YoY in FY26E and by 23.1%YoY in FY27E, driven by a 226.1% increase in new vehicle registrations, as forecasted by FCR, along with a continued rise in gold prices.

#### Strengthened capital position underpins sustainable growth and resilience

The recent capital infusion through an unsecured subordinated term loan of LKR 1.5Bn has reinforced Tier II buffers, ensuring regulatory compliance while providing headroom for balance sheet expansion. Combined with improving earnings quality and declining impairment pressures as asset quality stabilizes, COCR is well placed to scale lending volumes without straining capital adequacy. However, COCR's deposit base shrunk by 6.6%YoY to LKR 52.1Bn in 1QFY26, due to liquidity pressures which is expected to improve, allowing the deposit base grow 20.8%YoY in FY26E and by 7.6% in FY27E as economic recovery, competitive rates, expanding branch access, and strong brand trust attract both retail and SME customers.

#### FV targets for FY26E and FY27E unlock upside potential and highlight COCR as an undervalued catalyst

FCR expects COCR's earnings to grow by 26.4%YoY to LKR 8.0Bn in FY26E and by 25.6%YoY to LKR 10.1Bn in FY27E, driven by a solid loan book growth supported by a lower interest rate environment and the recovery in vehicle imports. FCR anticipates a gradual moderation in NIMs in FY26E followed by a slight improvement as interest rates begin to spread out in FY27E, after which a gradual stabilization is expected. This positive earnings trajectory is likely to further reinforce the company's capital adequacy position. Consequently, ROE is set to improve by 93bps in FY26E to 25.5% and a further 77bps in FY27E to 26.3% according to FCR projections. Given the favourable macroeconomic backdrop, including the expectation of interest rate stabilization in 2025, COCR's robust financial position and strategic outlook underpin its attractive valuation. FCR derives target prices of LKR 150.0 for FY26E and LKR 185.0 for FY27E from the current LKR 126.5 share price. These targets culminate in an AER of approximately 39.8% by FY26E and 29.3% by FY27E. **MAINTAIN BUY.**



Source: CSE

#### Minimum Return for BUY:

**Buy Below FY27E - [AER of 18.0% with DPS]: LKR 146.7**  
COCR.N categorized as 'Grade B' counter

#### Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of COCR during five trading days prior to the issuance of this document.

#### Key risks associated with our recommendation

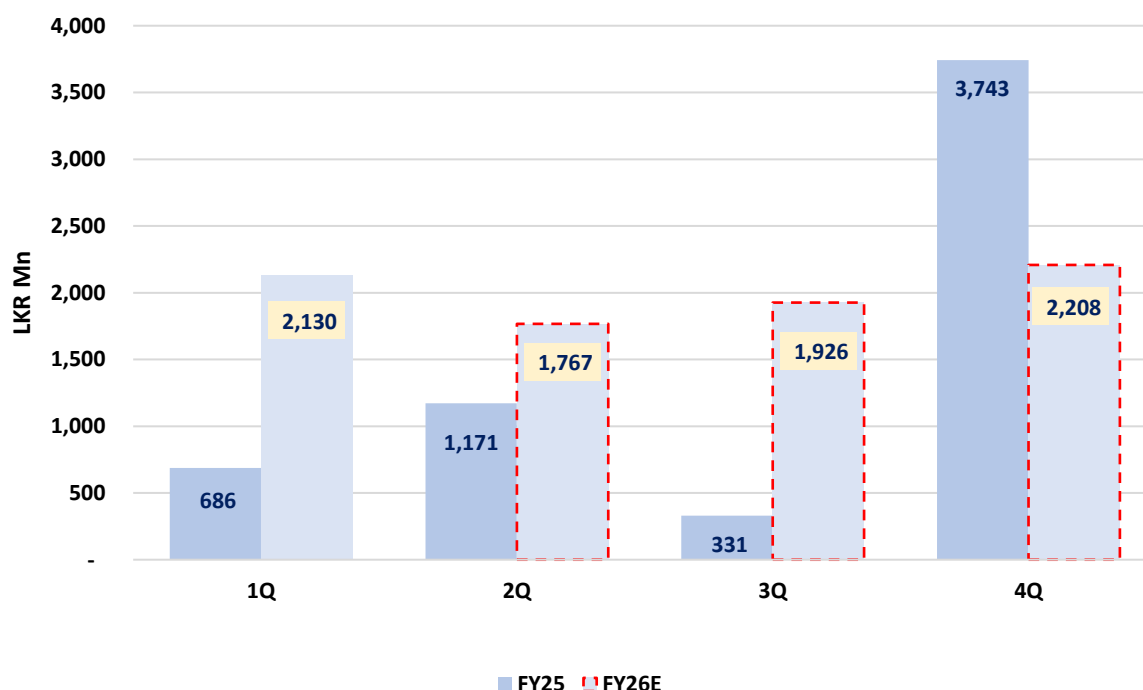
##### Downside risks

- Interest and exchange rate risk
- Regulatory risk
- Lower LTV ratio may dampen the loan growth

##### Upside risks

- Greater than anticipated demand for vehicles
- Increase in gold prices due to global economic uncertainty
- Further easing of CBSL's monetary policy stance

## Quarterly Earnings



## Valuation Table

P/E 31 March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Estimates (LKR'Mn)</b>							
Net Interest Income	11,949	11,107	14,898	17,884	20,623	25,542	28,875
Other Revenue	1,797	2,968	2,572	2,645	4,003	4,839	5,396
Total Operating Income	15,404	15,049	18,824	22,165	26,198	32,251	36,363
<b>Net Profit</b>	<b>4,520</b>	<b>2,616</b>	<b>3,641</b>	<b>6,147</b>	<b>8,030</b>	<b>10,086</b>	<b>11,869</b>
Adjusted EPS (LKR)	14.2	8.2	11.4	19.3	25.2	31.7	37.3
YoY Growth %	94%	-42%	39%	69%	31%	26%	18%
<b>Valuations</b>							
<b>PER (X)</b>	<b>8.9</b>	<b>15.4</b>	<b>11.1</b>	<b>6.5</b>	<b>5.0</b>	<b>4.0</b>	<b>3.4</b>
<b>PBV (X)</b>	<b>2.1</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>	<b>0.8</b>
<b>Dividend Yield (%)</b>	<b>2.0%</b>	<b>1.6%</b>	<b>0.8%</b>	<b>3.2%</b>	<b>4.4%</b>	<b>5.5%</b>	<b>6.5%</b>
<b>NAVPS</b>	<b>60.3</b>	<b>64.1</b>	<b>72.9</b>	<b>89.6</b>	<b>108.3</b>	<b>133.1</b>	<b>162.2</b>
<b>DPS (LKR)</b>	<b>2.5</b>	<b>2.0</b>	<b>1.0</b>	<b>4.0</b>	<b>5.6</b>	<b>7.0</b>	<b>8.2</b>
<b>Dividend Payout (%)</b>	<b>18%</b>	<b>24%</b>	<b>9%</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>	<b>22%</b>

## Valuation Summary

Expected COCR price	FY26E	FY27E
Justified PBV based target price	156.7	199.0
Residual Income based target price	143.8	166.5
PER based target price	151.5	190.3
<b>Average Target Price</b>	<b>150.7</b>	<b>185.3</b>
<b>Average Target Price after Rounding off</b>	<b>150.0</b>	<b>185.0</b>

Return	FY26E	FY27E
Target Price	150.0	185.0
Current Price	126.5	126.5
Capital Gain (LKR)	23.5	58.5
Dividend (LKR)	5.6	7.0
Capital Gain %	19%	46%
Dividend Yield %	4%	6%
<b>Total Return %</b>	<b>23%</b>	<b>52%</b>
<b>Annualized Return %</b>	<b>40%</b>	<b>29%</b>

## Residual Income Valuation

Residual Income Valuation	FY26E	FY27E
PV of Residual Income (LKR Mn)	17,237	18,498
No of Shares (Mn)	318	318
RI per share	54.2	58.2
Opening book value per share	89.6	108.3
<b>Value per Share</b>	<b>143.8</b>	<b>166.5</b>

COE	FY26E	FY27E
Rf	10%	10%
Rm	18%	18%
Growth %	3%	3%
$\beta$	1.1	1.1
<b>Ke=Rf+<math>\beta</math>(Rm-Rf)</b>	<b>19%</b>	<b>19%</b>

## Justified PBV Valuation

Justified PBV based Valuation	FY26E	FY27E
ROAE	25.5%	26.3%
Growth	3.0%	3.0%
COE	19%	19%
PBV	1.4	1.5
NAVPS	108.3	133.1
<b>Target Price</b>	<b>156.7</b>	<b>199.0</b>

## PER Valuation

PER based Valuation	FY26E	FY27E
Earnings (LKR 'Mn)	8,030	10,086
No. of Shares ('Mn)	318	318
EPS	25.2	31.7
Forward PER	6.0x	6.0x
<b>Price at 6.0x Earnings</b>	<b>151.5</b>	<b>190.3</b>

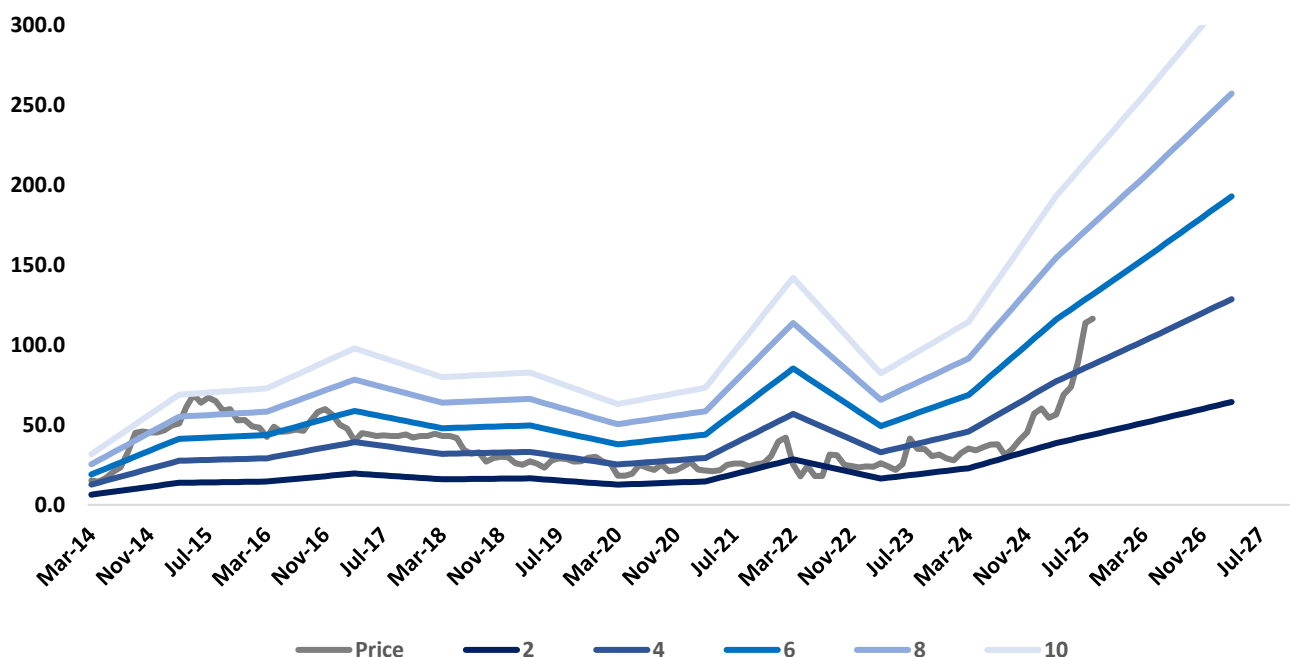
## Recommendation Criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	15.00%	11.00%	11.00%
Grade B	Rest of the Companies	18.00%	13.00%	13.00%
Grade C	Companies less than LKR 1Bn Market Cap	21.00%	16.00%	16.00%

## PER Chart



## Appendix I: Statement of Income and Expenses

Income Statement ( LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest income	18,365	25,055	29,329	27,338	28,540	34,997	39,376
Interest expense	6,416	13,948	14,431	9,454	7,918	9,455	10,500
<b>Net interest income</b>	<b>11,949</b>	<b>11,107</b>	<b>14,898</b>	<b>17,884</b>	<b>20,623</b>	<b>25,542</b>	<b>28,875</b>
Net fee and commission income	1,797	2,968	2,572	2,645	4,003	4,839	5,396
Net income from Real estate sales	8	2	-	-	-	-	-
Net gain/(loss) from trading	23	28	(3)	(25)	40	43	43
Other operating income	1,424	907	981	930	1,031	1,277	1,444
Change in fair value of Investment property	203	38	376	731	500	550	605
<b>Total operating income</b>	<b>15,404</b>	<b>15,049</b>	<b>18,824</b>	<b>22,165</b>	<b>26,198</b>	<b>32,251</b>	<b>36,363</b>
Impairment charge/ (reversal) for loans and other losses	(1,778)	(3,423)	(4,235)	(1,652)	(2,889)	(3,583)	(3,064)
<b>Net operating income</b>	<b>13,661</b>	<b>11,628</b>	<b>14,581</b>	<b>20,513</b>	<b>23,309</b>	<b>28,667</b>	<b>33,299</b>
Less: Operating Expenses							
Personnel costs	2,787	3,569	2,874	3,410	3,790	4,273	4,838
Depreciation of Property, Plant and Equipment	537	321	509	571	628	691	760
Other operating expenses	2,535	2,673	3,984	4,708	5,172	6,532	7,540
<b>Total operating expenses</b>	<b>5,858</b>	<b>6,563</b>	<b>7,367</b>	<b>8,689</b>	<b>9,589</b>	<b>11,495</b>	<b>13,137</b>
<b>Operating profit before value added tax</b>	<b>7,803</b>	<b>5,066</b>	<b>7,214</b>	<b>11,824</b>	<b>13,720</b>	<b>17,172</b>	<b>20,162</b>
Value Added Tax (VAT) on financial services	-	-	-	(2,217)	(2,626)	(3,217)	(3,750)
<b>Operating profit after value added tax</b>	<b>6,402</b>	<b>3,845</b>	<b>5,555</b>	<b>9,300</b>	<b>11,093</b>	<b>13,955</b>	<b>16,412</b>
Income tax expense	(1,871)	(1,270)	(2,098)	(3,475)	(3,328)	(4,187)	(4,924)
<b>Profit for the year</b>	<b>4,520</b>	<b>2,616</b>	<b>3,641</b>	<b>6,147</b>	<b>8,030</b>	<b>10,086</b>	<b>11,869</b>
EPS	14.2	8.2	11.4	19.3	25.2	31.7	37.3

## Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Assets</b>							
Cash and Bank balances	2,632	2,455	2,163	4,732	3,826	2,966	3,338
Placement with banks	1,812	2,667	3,790	4,707	4,034	4,270	4,331
Financial instruments - Held for trading	5,088	8,437	6,883	6,741	8,069	8,541	8,662
Loans and Advances	18,990	21,028	23,797	22,164	35,858	44,156	45,713
Lease rentals receivable & Stock out on hire	55,003	55,142	55,791	47,721	57,245	65,819	74,194
Debt and other instruments	3	-	588	9,381	8,443	7,599	9,119
Financial assets at fair value through OCI	-	3	57	138	138	138	138
Other financial assets	462	203	171	232	232	232	232
Other assets	1,780	2,170	2,221	2,198	2,671	2,820	2,932
Investment property	1,494	1,220	2,438	4,223	4,655	5,499	5,995
Property, plant and equipment	4,827	6,460	6,797	6,691	6,997	7,642	8,553
Deferred Tax Asset	700	1,163	765	752	752	752	752
<b>Total Assets</b>	<b>93,630</b>	<b>102,193</b>	<b>105,937</b>	<b>110,270</b>	<b>132,921</b>	<b>150,433</b>	<b>163,960</b>
<b>Liabilities</b>							
Due to banks	19,229	16,260	12,607	15,116	17,695	20,105	21,035
Due to customers	48,078	59,244	62,121	55,682	67,240	72,378	74,675
Debt instruments issued and Other borrowed funds	1,296	1,296	1,296	1,296	1,322	1,348	1,375
Unsecured subordinated term loan	-	-	-	1,500	1,500	1,500	1,500
Other Liabilities	4,306	3,362	4,356	4,439	6,813	8,125	8,228
Post employment benefit obligations	334	366	496	709	265	299	339
Tax Liabilities	1,193	1,290	1,865	3,026	3,631	4,357	5,228
<b>Total liabilities</b>	<b>74,437</b>	<b>81,817</b>	<b>82,741</b>	<b>81,768</b>	<b>98,466</b>	<b>108,111</b>	<b>112,380</b>
<b>Shareholders' Funds</b>							
Stated capital	2,151	2,151	2,151	2,151	2,151	2,151	2,151
Retained earnings	12,620	13,671	11,357	20,778	25,435	31,285	38,169
Reserves	4,423	4,554	9,689	5,574	6,869	8,886	11,260
Total Shareholders' Funds	19,193	20,376	23,197	28,502	34,454	42,322	51,579
<b>Total Liabilities and Shareholders' Funds</b>	<b>93,630</b>	<b>102,193</b>	<b>105,937</b>	<b>110,270</b>	<b>132,921</b>	<b>150,433</b>	<b>163,960</b>
<b>NAVPS</b>	<b>60.3</b>	<b>64.1</b>	<b>72.9</b>	<b>89.6</b>	<b>108.3</b>	<b>133.1</b>	<b>162.2</b>



**First Capital**  
A Janashakthi Group Company

# First Capital Holdings PLC

No.2, Deal Place,  
Colombo 3

Tel: +94 11 2145 000  
Fax: +94 11 2145 050

## RESEARCH

Dimantha Mathew	+94 11 2639 853	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Dilhari Dias	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866	Manusha Kandanaarachchi	+94 11 2639 866
		Salaama Sanoon	+94 11 2639 866

## GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

## CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
--------------------	-------------------

## EQUITY SALES

<b>CEO</b>	Jaliya Wijeratne	+94 71 5329 602	<b>Equity Branches</b>		
			<b>Negombo</b>	Priyanka Anuruddha	+94 77 4546 070
				Priyantha Wijesiri	+94 77 9065 779
<b>Colombo</b>			<b>Jaffna</b>	Gratian Nirmal	+94 77 4510 000
Isuru Jayawardana		+94 76 7084 953			
Nishantha Mudalige		+94 77 3204 929			
Anushka Buddhika		+94 71 4310 600			
Thushara Pathiraja		+94 77 0076 314	<b>Agents</b>		
Dayan Fernando		+94 77 7354 081	<b>Colombo</b>	Kithsiri Jayasinghe	+94 77 7790 657
Anjelo LaBrooy		+94 77 7546 645	<b>Anuradhapura</b>	Amila Luwishewa	+94 71 0628 195
Dillon Lowe		+94 76 6160 647	<b>Galle</b>	Nuwan Abeynayake	+94 77 7288 274
Evelyn John		+94 77 779 2452	<b>Kandy</b>	Ajith Ihalawatta	+94 77 8477 530
Yudheshan Kannadasan		+94 77 415 5809	<b>Embilipitiya</b>	Ruwan Wanniarachchi	+94 77 3877 734
Yumeth Samarakoon		+94 72 4444 135			
Amash Ranasinghe		+94 77 7820 168			

## UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
---------------------	-----------------	-----------------------	-----------------

## BRANCHES

<b>Kandy</b>	<b>Kurunegala</b>	<b>Matara</b>	<b>Negombo</b>
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chillaw Road, Negombo 11500.
<b>Manager: Salinda Samarakoon</b>	<b>Manager:</b>	<b>Manager: Rohana Jayakody</b>	<b>Manager:</b>
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 4937 072

## Disclaimer:

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the accuracy, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or a connected person or associated person may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.

## About us:

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.