



Date

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Analyst

Richmond Reginald
richmond@lra.com.lk
+94 114 500099
www.lra.com.lk

Applicable Criteria

- Methodology | Microfinance Institution Rating | Jun-24

Related Research

- Sector Study | Microfinance | Dec-24

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Lanka Rating assigns Initial Entity Rating to Sejaya Micro Credit Limited

Rating Type	Entity
	Current (17-Feb-25)
Action	Initial
Long Term	BBB-
Outlook	Stable
Rating Watch	-

The licensed microfinance sector in Sri Lanka consists of 4 companies registered with the Central Bank of Sri Lanka (CBSL). The total asset base of the Licensed Microfinance Companies (LMFC) stood at LKR~11.70bn as at CY23, an ~18.2% YoY growth. The deposit base of the LMFCs is limited, mainly deposits against loans, and amounted to LKR~0.81bn in CY23. The core capital base of the sector stood at LKR~2.6bn. All LMFCs met the capital adequacy requirement set by CBSL. The regulated microfinance sector is relatively new in Sri Lanka and faces stiff competition from unlicensed players operating in the microfinance sector. Meanwhile, certain regulations like capping of maximum interest and fees on loans will impact the regulated sector's asset yield and sustainability.

Sejaya Micro Credit Limited (Sejaya or the Company) is a key player in the LMFC sector with 29 branches, 400 employees and 81,800 customers. Sejaya is 100% owned by Gojo and Company Incorporation (Gojo), a Japanese-based holding company for inclusive financial service providers. Gojo raises funds from individual and institutional investors and invests in microfinance companies to promote inclusive finance with major focus on women borrowers. Gojo has investments in microfinance companies in India, Cambodia, Myanmar, Sri Lanka, Tajikistan, and Africa. The Consolidated Gross Loan Portfolio of these companies was USD~817mn with paid-in capital of USD~325mn, serving more than ~2.4mn clients in these countries as of March 2024. The rating incorporates Sejaya's strong ownership and demonstrated support from the owner in the form of capital injection and loans. Gojo has strong representation on the board of Sejaya and provides strategic guidance as well. Sejaya accounted for ~38.50% of the total asset base of the sector in CY23, a slight drop from ~40.00% in CY22. The gross loan portfolio of Sejaya remains limited and stood at LKR~3.5bn as at 9MCY24 (CY23: LKR~2.7bn). Sejaya's share in consolidated Gross Loans of Gojo is ~1%, making it one of smallest. Majority of these are group loans to avail advantage of group guarantees and social collateral. The asset quality is considered adequate with 30-day PAR at ~7.5%. The Company has modest earnings with a net profit of LKR~35mn in 9MCY24 (CY23: LKR~113mn). The Company intends to rationalize its cost structure to remain competitive and ensure its sustainability. The funding mix comprises loans against dollar denominated deposits. These dollar denominated loans are mainly from Gojo. Sejaya intends to retire some of these loans and obtain loans at relatively lower rates from an international lender. The Core Capital of the Company was LKR~1007mn as at 9MCY24 (CY23: LKR~972mn) well above the regulatory requirement of LKR~150mn.

The rating is dependent on Sejaya's ability to maintain its position in the LMFC sector and achieve profitable growth. Any deterioration in asset quality, profitability indicators or unfavorable changes in funding leading to higher leveraging or repayment pressure will have negative rating implications. Meanwhile, continued support from Gojo will remain important.

About the Entity

Sejaya Micro Credit Limited (“The Company” or “Sejaya”), a limited liability company, incorporated and domiciled in Sri Lanka under the Companies Act No. 07 of 2007. The Company is wholly owned by Japanese-based holding company Gojo and Company Incorporation. The Company has a five-member board, all of whom are non-executive directors (NEDs), with two being independent NEDs. The Management Team is headed by Mr. Rizanth Francis, who has been serving as the Chief Executive Officer since October 2024. He was preceded by Mr. Nirmalan

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.