

# PLC's Profits Surge 80.9 percent in Q1, Amidst Challenging Environment



*Shamindra Marcelline, CEO/General Manager, People's Leasing & Finance.*

People's Leasing & Finance successfully concluded the first quarter of the fiscal year 2023/24 with a year-on-year increase in Profit of 80.9 per cent in the midst of a challenging economic landscape.

PLC's top-line interest income recorded an impressive 10.2 per cent, reaching 7,465 million rupees owing to the increased investment income during the quarter. However, the company's net interest income showed a modest fall compared to the first quarter of 2022/23. This was mostly the result of higher interest expenses brought on by the repricing of deposits to higher rates in line with higher policy rates. Despite the stated decrease in net interest income, PLC was able to end the first quarter with a profit after tax (PAT) of 331 million rupees as opposed to 183 million rupees recorded in Q1 2022/23, thanks to the significant year-on-year reduction in Impairment Charges as well as a reduction in operating expenses, demonstrative of an intensified commitment to internal sustainability.

Similarly, PLC Group recorded a PAT of 552 million rupees during Q1 2023/24, reflecting a year-on-year increase of 21.5 per cent, mainly driven by the significant reduction in the Group's impairment charges and other losses for loans and receivables.

Even in the face of a highly inflationary environment, PLC successfully reduced total operating expenses by 3.5 per cent compared to the corresponding quarter in the year prior due to a determined effort to increase efficiency through digital initiatives, right-sizing of branches, and improvements in internal processes. PLC recognized the significance of recalibrating its balance sheet in a setting unfavourable to business expansion and took strategic measures to ensure the correct sizing of its balance sheet, resulting in a total asset base of 155,380 million rupees as of June 30, 2023. Backed by these strategic moves, the total asset base of the PLC Group also remained resilient at 179,948 million rupees as of June 30, 2023.

In an extremely volatile and complex business setting, PLC adopted a highly disciplined liquidity management approach to ensure financial stability whilst maintaining capital adequacy ratios well ahead of the statutory minimums at the end of Q1. Most of PLC's funding needs were met through improved collections, enabling it to remain watchful in growing its deposit base in a high-interest environment. Despite these measures, the deposit base of PLC remained robust at Rs. 93,228 million as of 30 June 2023, showcasing strong customer confidence. The Group deposit base remained strong at 100, 439 million rupees as of June 30, 2023.

Expressing confidence and reiterating PLC's commitment to its customers, Shamindra Marcelline, CEO, remarked, "Our Q1 performance underscores our ability to navigate a complex, dynamic and challenging business landscape. It also demonstrates our unwavering commitment to our valued customers and the strength of our operational fundamentals. Even in the face of adversity, we remain steadfast in delivering financial solutions that empower individuals and businesses, contributing to the economic prosperity of all Sri Lankans."

The company's prudent risk management and increased focus on improving collections led to Impairment Charges for loans and other losses notably decreased by 74.0 per cent over Q1 2022/23, with impairment charges for the period under review totalling 442 million rupees. In a high-interest regime with limited opportunities for business growth, the total Loans and Receivables portfolio of the Company and the Group stood at 104,051 million rupees and 116,292 million rupees, respectively, as of June 30, 2023.