



Lanka Rating Agency

Rating Report

George Steuart Health (Private) Limited

Report Contents
1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History table with columns: Dissemination Date, Long Term Rating, Outlook, Action, Rating Watch. Rows include 16-Mar-2026 (A, Stable, Maintain) and 02-Aug-2024 (A, Stable, Initial).

Rating Rationale and Key Rating Drivers

George Steuart Health (Private) Limited (“GSHPL” or “the Company”) operates in the pharmaceutical industry in Sri Lanka, primarily engaged in the import and distribution of pharmaceutical products and equipment. Its manufacturing operations, undertaken through a joint venture, aim to reduce reliance on imported medicines and strengthen the Company’s position in the domestic pharmaceutical market. The Company is part of the George Steuart Group, established in 1835, and benefits from its long-standing legacy and reputable brand.
The rating reflects GSHPL’s established market position in pharmaceutical distribution, its diversified operations across eight healthcare verticals, and a strong financial profile characterized by low gearing of ~16.4%,(FY25:~24.4%) and sustained profitability. The operations of GSHPL include sourcing from suppliers, warehousing, sales and storage, with third-party logistics (3PL) services. The Company has a total workforce of ~546 employees, of which ~450 are engaged in sales and promotional activities. During FY25, GSHPL recorded revenue of LKR ~10.91 bln (LFY24: KR ~10.02 bln). The revenue growth was muted as several new formulations and initiatives of the Company awaited regulatory approvals. In 1HFY26 revenue reached LKR~6.64 bln and is projected to post ~10% growth for the full year. The Company reported a Net profit margin of ~6.9% in 1HFY26 (FY25: ~6.5), reflecting steady profitability. This was supported by improved operating environment with stable currency, low inflation and interest rates. The Company effectively manages its working capital and has strong liquidity. Interest coverage remained strong at ~19.1x (FY25:~11.9x), with a debt payback ratio of 0.7x (FY25:~1.4x), reflecting low leverage and robust coverage ratios. The rating incorporates the corporate guarantee provided in favor of George Steuart & Company (Pvt.) Limited (GSCPL), its parent and group holding Company. The guarantee relates to a LKR 500 million zero-coupon debenture issued by GSCPL to support other group companies.
The pharmaceutical industry in Sri Lanka operates under a regulatory framework overseen by the National Medicines Regulatory Authority (NMRA), with price controls on essential drugs. Industry reliance on imports from countries including India, USA, China, Thailand, Korea, Pakistan, and Bangladesh exposes Companies to supply chain and currency risk. GSHPL has taken steps to mitigate import dependence through a local manufacturing joint venture.
The rating remains sensitive to GSHPL’s ability to improve its market share, sustain financial discipline, and navigate regulatory or economic shifts impacting the pharmaceutical sector. Any material deterioration in revenue, profitability, cash flow generation, or regulatory compliance could have negative rating implications.

Disclosure table with rows: Name of Rated Entity (George Steuart Health (Private) Limited), Type of Relationship (Solicited), Purpose of the Rating (Entity Rating), Applicable Criteria (Methodology | Corporate Rating Criteria(Aug-24)), Related Research (Sector Study | Pharmaceutical(Feb-25)), Rating Analysts (Imran Iqbal | imran@lra.com.lk | +94 114 500099)

## Lanka Rating Agency

### Profile

**Legal Structure** George Stuart Health (Pvt.) Limited (“GSHPL” or “the Company”) is a limited liability company incorporated in Sri Lanka in 1975 and re-registered under the Companies Act No. 7 of 2007. The pharmaceutical industry is regulated by the National Medicines Regulatory Authority (NMRA). The Company has a license for warehousing storage issued by the NMRA

**Background** GSHPL is a subsidiary of George Stuart & Company (Pvt.) Limited (“GSCPL”), which was founded in the year 1835. GSCPL is a diversified entity in Sri Lanka, engaging in a range of businesses including tea exports, healthcare, travel, leisure, financial services, FMCG, and industrial solutions.

**Operations** GSHPL is primarily engaged in import and distribution of pharmaceutical products and equipment. Warehousing operations include storage for general pharmaceutical products & cold chain products. The current storage facility spans over 18,000 square feet. Additionally, the Company relies on third-party logistic providers for the storage. The Company also provides 3PL (3rd party logistics) services.

### Ownership

**Ownership Structure** The ownership structure of the Company is primarily held by GSCPL, which owns a majority stake of ~99.58%. GSHPL operates as a subsidiary of GSCPL. GSCPL is ~93.95% owned by Divasa Equity (Pvt.) Limited, a company incorporated in Sri Lanka. The ownership of Divasa Equity (Pvt.) Limited is privately held by 8 shareholders.

**Stability** GSHPL draws stability from its parent company and takes comfort in the ultimate ownership by Divasa Equity (Pvt.) Ltd. and that it will not change in the near future.

**Business Acumen** Ms. Amunugama, holding a Diploma in Advertising from L’Ecole-de-Publicitaire, Paris, and an LLB from the University of Colombo, is also a cofounder of Triad (Pvt.) Ltd., and serves as a director in multiple companies. Mr. Ameresekere holds Master’s Degree in Engineering Management from the University of Southern California, Los Angeles and a Bachelor’s Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

**Financial Strength** GSCPL provides strategic management, centralized support, research, and rental services. In FY25, GSCPL reported revenue of LKR ~710 mln (FY24: LKR ~520 mln) and profit of LKR ~109 mln (FY24: LKR ~402 mln), with total assets of LKR ~7.9 bln and equity of LKR ~4.4 bln.

### Governance

**Board Structure** GSHPL has a formal Board structure comprising of 4 Executive Directors, and 4 Non-Executive Directors. The Chairman of GSCPL, Mr. Ameresekere is also the Non-Executive, Non-Independent Chairman of GSHPL.

**Members’ Profile** Mr. Ameresekere is the currently the Chairman of George Stuart Group, he holds directorships in the key entities within the group. He is a qualified professional in both business and engineering, possesses extensive local and international business experience.

**Board Effectiveness** The Executive Directors of GSHPL, under the leadership of the Managing Director, oversee operational decisions in line with the approved annual budget and strategic plan. Material deviations are reviewed during quarterly meetings. For significant management decisions, the Managing Director and Executive Directors present their proposals to the Chairman, who subsequently provides recommendations to the Board of GSCPL.

**Financial Transparency** Ernst & Young Chartered Accountants serve as the Company’s external auditors and have issued an unqualified opinion on the financial statements for the year ended 31 March 2025.

### Management

**Organizational Structure** The Company has a functional organizational structure, with the finance function overseen by the finance director. The other three directors have their own promotional and support services for diverse products and services offered by the Company, while the sales remain to be a shared service.

**Management Team** The senior management of GSHPL is headed by Mr. Erandajith Ranasinghe, the Managing Director, who brings over 35 years of industry experience and has held positions as Secretary and President of the Sri Lanka Chamber of Medical Devices Industry. The team also includes three other Directors, each with over 20 years of industry experience.

**Effectiveness** The Company convenes management meetings on a quarterly basis, where managers, executives, and board members review each division in detail. The review covers the effectiveness of marketing initiatives, sufficiency of inventory, and the appropriateness of team-related expenditures.

**MIS** The Company operates on the Microsoft 365 platform and has deployed multi-factor authentication to prevent unauthorized access. Additionally, it employs the IFS ERP system, allowing real-time oversight of operations spanning supply chain management through to financial processes.

**Control Environment** The Company has strengthened its internal control framework by implementing SOPs based on Kreston Sri Lanka’s recommendations, assigning monitoring responsibilities to the Finance Associate and Stores Manager, while a full third-party audit function remains under consideration.

### Business Risk

**Industry Dynamics** The Sri Lankan pharmaceutical industry operates under a tightly regulated framework, with the NMRA overseeing product registration, pricing, and quality standards. Approximately 85% of demand is met through imports, with the remainder supplied by ~20 local manufacturers. Government initiatives support domestic production and supply continuity. Robust regulatory supervision and a focus on quality are favourable for credit risk profiles. High import dependence, exchange rate volatility, and pricing pressures remain key sectoral risks.

**Relative Position** GSHPL is among the leading private sector pharmaceutical importers in Sri Lanka, with a strong presence in the domestic market, with pharmaceutical import market share improving to ~7% in 1HFY26 from ~4% in FY23. Industry-wide pharmaceutical imports totalled ~LKR 99.5 bln in 1HFY26, indicating a large, import-dependent market where scale advantages favor larger players, while supporting gradual growth opportunities.

**Revenues** In 1HFY26, GSHPL reported LKR ~6,637 mln, with pharmaceuticals contributing ~65% and non-pharmaceuticals ~34%, reflecting a stable revenue mix. Revenue from top 10 customers accounted for 39%, indicating moderate customer concentration and gradual diversification toward smaller clients.

**Margins** GSHPL’s profitability in 1HFY26 was affected by higher costs arising from exchange rate volatility and imported raw materials. Net profit margin remained at ~6.9%, reflecting the company’s sensitivity to NMRA price controls and ongoing cost pressures in the pharmaceutical sector.

**Sustainability** GSHPL’s long-term sustainability is supported by its new local manufacturing plant, planned product launches, and diversification, which reduce reliance on imports.

### Financial Risk

**Working Capital** GSHPL’s net working capital stood at ~77 days in 1HFY26, improving from ~89 days in FY25, supported by lower inventory (~60 days) although this improvement was partly offset by a decline in trade payable days (~67 days). Receivables, particularly from government-related sales (~140–150 days), remain elongated, constraining liquidity. While inventory management has improved, ongoing focus on collection efficiency and optimization of payables is critical to sustain cash flow and operational effectiveness in the pharmaceutical distribution business.

**Coverages** GSHPL has very strong interest and debt coverages due to its low debt levels and healthy cashflows. The interest coverage ratio stood at ~19.1x in 1HFY26 as compared to ~11.9x times in FY25, while debt coverage ratio improved to ~11.6x in 1HFY26 (FY25: ~2.7x).

**Capitalization** GSHPL’s capital structure remains conservatively leveraged, with gearing declining to ~16.4% in 1HFY26 (FY25: 24.4%). The reduction reflects strong equity growth (~48%) from retained earnings and revaluation reserves, which slightly exceeded a ~47% rise in borrowings, supporting a strengthened balance sheet.



**Lanka Rating Agency Limited**

George Steuart Health (Pvt) Ltd Pharmaceuticals	Sep-25	Mar-25	Mar-24	Mar-23
	6M	12M	12M	12M

**A BALANCE SHEET**

1 Non-Current Assets	1,631	1,626	1,326	1,177
2 Investments	1	1	12	388
3 Related Party Exposure	980	985	771	10
4 Current Assets	6,386	5,677	6,282	4,592
<i>a Inventories</i>	2,170	2,164	2,466	1,864
<i>b Trade Receivables</i>	3,066	3,093	2,847	1,576
5 Total Assets	8,998	8,289	8,391	6,167
6 Current Liabilities	3,247	3,070	3,310	2,415
<i>a Trade Payables</i>	2,407	2,480	2,764	1,884
7 Borrowings	845	1,220	1,209	547
8 Related Party Exposure	51	85	116	154
9 Non-Current Liabilities	551	126	164	140
10 Net Assets	4,303	3,788	3,592	2,911
11 Shareholders' Equity	4,304	3,787	3,592	2,911

**B INCOME STATEMENT**

1 Sales	6,637	10,907	10,023	7,909
4 Profit or (Loss) before Interest and Tax	801	1,313	1,504	1,472
<i>a Total Finance Cost</i>	(45)	(114)	(72)	(202)
<i>b Taxation</i>	(300)	(487)	(559)	(394)
6 Net Income Or (Loss)	455	712	873	876

**C CASH FLOW STATEMENT**

<i>a Free Cash Flows from Operations (FCFO)</i>	527	770	904	1,054
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	482	656	832	887
<i>c Changes in Working Capital</i>	585	(415)	(1,509)	(581)
1 Net Cash provided by Operating Activities	1,067	242	(677)	306
2 Net Cash (Used in) or Available From Investing Activities	(8)	(258)	42	71
3 Net Cash (Used in) or Available From Financing Activities	(202)	(136)	403	(638)
4 Net Cash generated or (Used) during the period	857	(152)	(232)	(261)

**D RATIO ANALYSIS**

1 Performance				
<i>a Sales Growth (annualised)</i>	21.7%	8.8%	26.7%	-27.6%
<i>b Net Profit Margin</i>	6.9%	6.5%	8.7%	11.1%
<i>c Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	16.8%	3.3%	-6.0%	6.0%
<i>d Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity) ]</i>	22.5%	19.3%	26.8%	30.1%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	144	177	159	159
<i>b Net Working Capital (Average Days)</i>	77	89	75	72
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	2.0	1.8	1.9	1.9
3 Coverages				
<i>a FCFO / Finance Cost+CMLTB+Excess STB</i>	11.7	2.7	1.5	1.6
<i>b Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	0.7	1.1	0.9	0.6
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	16.4%	24.4%	25.2%	15.8%
<i>b Interest or Markup Payable (Days)</i>	0.0	0.0	0.0	0.0
<i>c Entity Average Borrowing Rate</i>	9.2%	9.2%	12.7%	36.9%

### Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

### Rating Modifiers | Rating Actions

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) LRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
---	---	--	--	---

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

- |                                 |                                      |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating         | e) Holding Company Rating            |
| b) Corporate Rating             | f) Independent Power Producer Rating |
| c) Debt Instrument Rating       | g) Microfinance Institution Rating   |
| d) Financial Institution Rating | h) Non-Banking Finance Company       |

**Disclaimer: LRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. LRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of LRA documents may be used, with due care and in the right context, with credit to LRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell**

## Regulatory and Supplementary Disclosure

(Rules applicable to Credit Rating Agencies, No. 19 of 2021 - issued on 15th March 2022)

### Rating Team Statements

(1) Credit Rating Agency means a body corporate engaged in the business of assessing and evaluating the credit-worthiness of any issuer or a specific issue of securities. <https://www.sec.gov.lk/credit-rating-agency/>

### Conflict of Interest

(2) i. LRA will disclose to the Commission all other business activities it is engaged in at the time of applying for its licence and inform the Commission in writing prior to engaging in any other business activity after obtaining a licence from the Commission. (Section 34 – Rules applicable to Credit Rating Agencies)

(2) ii. LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(2) iii. In the conduct of any such other business activity, the LRA will ensure that proper processes are in place to have a clear demarcation of the different functions pertaining to such businesses. (Section 36 – Rules applicable to Credit Rating Agencies)

### Restrictions

(3) (i) LRA will not be outsource any part of its work, which has a direct bearing on the function of rating. (Section 24 – Rules applicable to Credit Rating Agencies)

(3) (ii) LRA will enter into a written agreement with the party to whom any work is outsourced. Such agreement contains an undertaking from the party to whom any work is outsourced that they shall comply with the laws, rules, and directives that the LRA is bound to follow. (Section 25 – Rules applicable to Credit Rating Agencies)

(4) The LRA will not appoint any individual as a member of the rating committee who:

(a) has a business development function of the Credit Rating Agency; or

(b) who initiates or participates in discussions regarding fees or payments with any Client of the LRA. (Section 28 – Rules applicable to Credit Rating Agencies)

### Conduct of Business

(5) Prior to the commencement of a rating or during such process the LRA will not promise, assure or guarantee to a Client that a particular rating will be assigned. (Section 39 – Rules applicable to Credit Rating Agencies)

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies will be made available to the Commission for perusal, upon request. (Section 41 – Rules applicable to Credit Rating Agencies)

### Independence & Conflict of interest

(7) LRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on LRA's opinions or other analytical processes. In all instances, LRA is committed to preserving the objectivity, integrity, and independence of its ratings.

(8) LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(9) LRA will structure its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 47 – Rules applicable to Credit Rating Agencies)

### Monitoring and review

(10) For purposes of transparency the LRA will publish sufficient information about an entity/security rated, frequency of default and whether a rating grade assigned has changed over time. The definitions and computation methods for the default rates stated in the default studies shall also be disclosed. (Section 44 – Rules applicable to Credit Rating Agencies)

LRA maintain the following records pertaining to Clients:

(a) all internal records to support its credit rating opinions;

(b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and

(c) a written record of all complaints received from Clients and action taken thereon by the LRA. (Section 48 – Rules applicable to Credit Rating Agencies)

(11) LRA maintains confidentiality of all non-public information entrusted to it by Clients at all times including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law, or unless authorised by the Client to disclose such information. (Section 50 – Rules applicable to Credit Rating Agencies)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the Credit Rating Agency which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination (Section 53 – Rules applicable to Credit Rating Agencies)

### Probability of Default

(13) LRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability).

### Proprietary Information

(14) All information contained herein is considered proprietary by LRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without LRA's prior written consent.