Lanka Rating Agency

Rating Report

WealthTrust Securities Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
25-Jun-2025	A-	Positive	Maintain	-
08-Jul-2024	A-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Wealth Trust Securities Limited’s ("WTSL" or "the Company") operates as an authorized standalone Primary Dealer (PD) in Sri Lanka, actively involved in the underwriting and trading of government securities, including treasury bills and bonds in both the primary and secondary markets. Additionally, WTSL functions as a licensed debt stockbroker/dealer under the authorization of the Securities and Exchange Commission of Sri Lanka. The rating reflects the Company's established track record as a PD, strong capitalization and consistent performance. The Company remains exposed to the inherently volatile nature of PD operations, where profitability is highly sensitive to interest rate movements and market dynamics. WTSL currently holds a modest market share among standalone PDs. The Company reduced its portfolio of government securities by ~13.7% to LKR~22.8bn in FY25 from LKR~26.3bn in FY24, while peer Companies expanded their portfolios during the same period. This encapsulates WTSL’s risk averse trading strategy, characterized by holding positions for short durations and frequent portfolio rollovers. WTSL’s profitability normalized in FY25 after posting exceptional results in previous year. The net income fell to LKR~1.2bn in FY25 (FY24: LKR~4.9bn), a contraction of ~75.7%. This was largely driven by lower gains on the sale of investments as the interest rates stabilized and remains in line with broader industry trend. WTSL has strong Capital Adequacy Ratio (CAR) of ~37.9%, well above the regulatory minimum of 10%, reflecting prudent capital management and buffer against potential market shocks. Furthermore, the Company’s credit risk remains minimal, with ~93.9% of its assets invested in government securities, significantly mitigating exposure to default risk.
The "Positive Outlook" reflects the Company's intended performance and initiatives to expand its asset base, while maintaining a prudent risk approach.

The rating is contingent upon the Company's ability to sustain and strengthen its market position as a non-bank PD by maintaining stable performance and a strong capital buffer. It is essential for WTSL to proactively recalibrate its asset portfolio in response to evolving market conditions and to further enhance its governance frameworks. Any material adverse developments, particularly large-scale losses stemming from unexpected interest rate movements or other market shocks, could impair its risk absorption capacity and will negatively impact the rating.

Disclosure

Name of Rated Entity	WealthTrust Securities Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology | Non-Banking Financial Institution Rating(Jul-24)
Related Research	Sector Study | Primary Dealer(Feb-25)
Rating Analysts	Ruwanthi Sylva | ruwanthi@lra.com.lk | +94 114 500099

Profile

Structure WealthTrust Securities Limited ("WTSL" or "the Company") was incorporated on 1st February 2010 as a limited liability company under the Companies Act No. 7 of 2007. In 2011, it was appointed as an authorized Primary Dealer (PD) by the Central Bank of Sri Lanka (CBSL).

Background WTSL was founded by Dr. Wickrema Weerasooria, Dr. S. A. B. Ekanayake, Mr. E. M. M. Boyagoda, Mr. Dammika Ranawana and Mr. M. R. C. Cooray. Dr. Ekanayake was the Chairman of the Company from 2011 to 2019.

Operations The principal activity of the WTSL is dealing in government securities. The Company also functions in the capacity of a stock dealer (debt)/ stockbroker(debt), licensed by the Securities and Exchange Commission of Sri Lanka.

Ownership

Ownership Structure The Weerasooria family maintains a substantial interest in the Company, holding ~58.9% of the shares either directly or indirectly. The indirect ownership is primarily held through entities such as Finco Holdings (Pvt.) Limited ("FINCO").

Stability WTSL draws its stability from majority shareholding vested with Weerasooria family. Other shareholders have longstanding relationships spanning over a decade, but the Company currently does not have a formalized succession plan in place to ensure leadership continuity.

Business Acumen FINCO was established in 1963 by Mr. Norman Edward Weerasooria, has established a diversified investment portfolio through multiple subsidiaries across various sectors, including manufacturing and trading, travel and leisure, consultancy, information technology, aviation, and real estate and investments.

Financial Strength WTSL benefits from the strong financial backing and diversified strengths of FINCO, positioning it for long-term growth and stability. Finco's broad portfolio across multiple sectors offers steady revenue streams, providing a buffer against market volatility.

Governance

Board Structure The Board consists of six members, including five Non-Executive Directors (two of whom are independent and three non-independent) and one Executive Director. The Chairman Mr. W. S. Weerasooria, holds the position of Non-Independent Non-Executive Director and the Managing Director, Mr. R. R. Gomez, holds the position of Executive Director.

Members' Profile The WTSL Board members represent a wide range of expertise. The Chairman Mr. W. S. Weerasooria is an Information Technology and Management professional who commenced his career in Australia and now working in Sri Lanka. He has over 30 years of IT and management experience in diversified sectors.

Board Effectiveness Board comprises of four committees, namely, i) Nomination & Remuneration Committee ("NRC") ii) Risk Management Committee ("RMC") iii) Audit Committee and iv) Related Party Transactions Review Committee ("RPTRC"). Mr. Speldewinde heads the Audit Committee and is part of two other committees.

Financial Transparency For FY24, Ernst & Young Chartered Accountants, the external auditors, offered an unqualified audit opinion.

Management

Organizational Structure The Company has two main divisions, namely front office and finance & operations, which reports to the Managing Director (MD)/Chief Executive Officer (CEO).

Management Team The senior management comprises of the MD/CEO, Deputy Chief Executive Officer (DCEO) and the General Manager – Finance & Planning/Business Processing. Mr. Romesh serves as MD/CEO of the Company. He is a seasoned investment banker with over 25 years of proven expertise in the financial sector, covering areas of Treasury management, trading, portfolio management, corporate debt and corporate finance.

Effectiveness The Company has an ALCO committee which directly reports to the RMC. The ALCO committee comprises of the MD/CEO, Deputy CEO, General Manager – Finance & Planning/Business Processing, AGM-Head of Trading & Research Development and the Risk Officer. ALCO meetings are held once a month and comprehensive meeting minutes are maintained.

MIS Monthly MIS reports analyze the financial performance, product compositions, and maturity mismatch of the Company. Policies established by the MIS department include remote access, password, server room, and media handling, with restrictions and a business continuity plan in consultation with CBSL.

Risk Management Framework The Company has formulated a comprehensive risk management policy defining the limits for acceptable risk. Daily control measures are in place to ensure a smooth flow of operations and risk mitigation. In addition, required approvals are obtained while providing justification for the non-conformity if the limitations are ever exceeded.

Business Risk

Industry Dynamics At present, there are 5 Licensed Commercial Banks (LCBs) and 5 Primary Dealer Companies (PDCs) registered as Primary Dealers in Sri Lanka's government securities market. In CY24, the total assets of stand-alone PDCs grew by ~9.7% to LKR~297.2bn. However, their equity declined by around ~2.3%, mainly due to a sharp drop in profitability. Profit after tax fell significantly to LKR~9.7 bn from LKR~30.4bn in CY23, primarily due to decreases in interest income, capital gains, and higher revaluation losses. Consequently, ROA and ROE declined to ~7.9% and ~30.9% in CY24 from about ~31.9% and ~113.9% in CY23.

Relative Position WTSL holds a modest share of the stand-alone Primary Dealers' total assets, accounting for ~8.5%, or around LKR~22.9bn in FY25, a decrease from LKR~26.6bn in FY24. Its equity represents about ~7.6%, totaling LKR~5.8bn in FY25, down from LKR~6.6bn in FY24.

Revenues In FY25, the Company recorded interest income of LKR~3.3bn, reflecting a decline of ~46.1%, while interest expense fell by ~34.4% to LKR~2bn. Despite the drop in absolute income, WTSL earned a net interest income of LKR~1.3bn and maintained a strong net interest margin of ~40.2%.

Performance WTSL's profitability normalized in FY25 after posting exceptional results in previous year. The net income fell to LKR~1.2bn in FY25 (FY24: LKR~4.9bn), a contraction of ~75.7%. This was largely driven by lower gains on the sale of investments as the interest rates stabilized and remains in line with broader industry trend.

Sustainability The Company adopts a cautious, proactive interest rate strategy, expecting further cuts supported by macro stability. It plans to increase medium-term bond holdings (~3.8 years) to optimize funding gains while managing risk amid ample liquidity and upcoming bond maturities, balancing growth with risk mitigation.

Financial Risk

Credit Risk The credit risk is minimum for the Company since ~93.9% (FY24: ~90.0%) of their assets are invested in government securities as at FY25. A minor credit risk arises from their investment in securities purchased under resale agreements. However, due to the presence of collateral, in the form of government securities with sufficient haircuts, the credit risk is minimum.

Market Risk WTSL's investment portfolio is ~100% dedicated to government securities and thus, is exposed to significant interest rate risk. WTSL investments in government securities make up ~93.9% of the total assets during FY25 (FY24: ~90.0%). The interest rates have been declining, and further decline could result in the Company continuing to incur profits from capital gains. The rebound increase in policy rates will cause capital losses for the Company and necessary stress analysis should be done to counter the expected losses.

Liquidity And Funding Securities sold under repo being the main funding line of the Company, which stand at LKR~15bn and account for ~87.7% of the total liabilities in FY25 (FY24: ~74.0%). The Company's assets are liquid in nature, comprising mostly of resale agreements (re-repos) and government securities.

Capitalization WTSL has strong Capital Adequacy Ratio (CAR) of ~37.9%, well above the regulatory minimum of 10.0%, reflecting prudent capital management and buffer against potential market shocks. WTSL's total equity has been maintained at LKR~5.8bn as at FY25, which is well above the CBSL stipulated Capital Adequacy amount of LKR~2.5bn.

Lanka Rating Agency

Wealth Trust Securities Limited Public Limited Company	Mar-25 12M	Mar-24 12M	Mar-23 12M	Mar-22 12M
A BALANCE SHEET				
1 Total Finance-net	-	-	-	-
2 Investments	21,562	23,898	34,809	10,571
3 Other Earning Assets	1,195	2,472	2,032	1,026
4 Non-Earning Assets	196	187	105	101
5 Non-Performing Finances-net	-	-	-	-
Total Assets	22,953	26,557	36,946	11,698
6 Funding	16,268	16,261	31,275	8,926
7 Other Liabilities	865	3,670	1,201	7
Total Liabilities	17,133	19,931	32,476	8,933
Equity	5,819	6,626	4,470	2,765
B INCOME STATEMENT				
1 Mark Up Earned	3,295	6,118	5,329	638
2 Mark Up Expensed	(1,969)	(3,002)	(3,294)	(340)
3 Non Mark Up Income	1,267	7,054	1,161	(247)
Total Income	2,592	10,170	3,196	51
4 Non-Mark Up Expenses	(618)	(1,869)	(879)	(99)
5 Provisions/Write offs	-	-	-	-
6 Reversals	-	-	-	
Pre-Tax Profit	1,975	8,301	2,317	(48)
7 Taxes on Financial Services	(190)	(927)	-	-
Profit Before Income Taxes	1,785	7,373	2,317	(48)
8 Income Taxes	(592)	(2,467)	(612)	5
Profit After Tax	1,194	4,907	1,705	(43)
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	23.8%	18.4%	27.5%	193.0%
b ROE	19.2%	88.4%	38.1%	N/A
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	0.0%	0.0%	0.0%	0.0%
b Accumulated Provisions / Non-Performing Advances	N/A	N/A	N/A	N/A
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	139.9%	162.1%	116.9%	129.9%
b Borrowings from Banks and Other Financial Institutes / Funding	99.9%	99.9%	100.0%	99.8%
4 MARKET RISK				
a Investments / Equity	370.5%	360.7%	778.8%	382.3%
b (Equity Investments + Related Party) / Equity	0.0%	0.0%	0.0%	0.0%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	25.4%	25.0%	12.1%	23.6%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	18.0%	65.0%	38.1%	0.0%

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

Outlook (Stable, Positive, Negative, Developing)	Rating Watch	Suspension	Withdrawn	Harmonization
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'.	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.	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.	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.	A change in rating due to revision in applicable methodology or underlying scale.

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

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