



Lanka Rating Agency

## Rating Report

### Brown & Company PLC

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#### Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
16-Jan-2026	BBB	Negative	Maintain	-
18-Nov-2024	BBB	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Brown and Company PLC ("BRWN" or "the Company") is the parent company of the 'Browns Group' ("the Group"). The Group has diversified interests in six (6) distinct segments, namely Trading, Manufacturing & Construction, Investments, Plantation, Leisure and Real Estate.

The Rating reflects the strong ownership structure of the Company, majority (~83.42%) owned by LOLC Holdings and demonstrated support from the parent through guarantees and intercompany loans. LOLC Group, Sri Lanka's leading conglomerate, has a diverse portfolio of investments in over 25 countries. The consolidated asset base of LOLC Group was recorded at LKR~2,132bn as of 1HFY26 (1HFY25: LKR~1,905bn, FY25: LKR~2,030bn) with a net income of LKR~12.2bn for 1HFY26 (1HFY25: LKR~30.9bn, FY25: LKR~41bn) during the same period.

Brown & Company operates as an Investment Holding Company, along with operations of its own. The Company's various business segments, referred to as Strategic Business Units (SBUs), are classified in three (3) broad clusters, i.e., (i) Automotive & Hardware, (ii) Agriculture and Heavy Equipment, and (iii) Pharma, Consumer, and Integrated Engineering Solutions. During FY25, the Company's clusters exhibited mixed performance. Despite economic stability, the Company recorded a standalone net loss (excluding share of profit of equity accounted investees) of LKR~1.9 bn in FY25, an improvement compared to a larger loss of around LKR~4.2 bn in FY24. While this reduction in losses reflects some progress, the Company's performance remains constrained, as evidenced by a net loss of LKR~10.7 bn during 1HFY26. Going forward, the Company plans to fortify its market share and presence in the Tractors and Batteries segments to improve its overall performance. At the Group level, despite a revival in economic activity, the investments yielded subdued results during FY25. Barring the Trading Segment (net profit of LKR~5bln), other segments remained under pressure and registered bottom-line losses, with the Investments' segment losses being the most significant. Overall, the Group reported a net profit of LKR~29bn during FY25 (LKR~8.5bn in FY24), primarily owing to the acquisition Gain on Bargain Purchase (LKR~65bn) of Plantation segment subsidiaries. This turned into a loss during 1HFY26. In terms of financial position, the Group's funding needs were primarily met through borrowings from the parent entity (LOLC Holdings) and Financial Institutions.

As of June 2025, Brown & Co's loans from related parties increased to LKR~34.6bn, up from LKR~25.6bn in June 2024. Meanwhile, the Group's 'due to related parties', primarily from LOLC Holdings, climbed to LKR~173bn in FY25 (FY24: LKR~127bn). A substantial portion of these payables relates to "Browns Investments PLC," the key investment arm of the Browns Group. The Company's debt coverage ratios remain under stress due to weak operating cash profits, recording at just ~0.3x in FY25 (~0.1x in FY24), and ~0.3x in 1QFY26. This comes off despite a moderate debt leverage ratio of ~37.9% in FY25 (FY24: ~37.9%), and ~23.8% in 1QFY26. Meanwhile, the Group's debt leverage ratio was recorded at ~16.1% in FY25 (~17.4% in FY24), and ~26.6% in 1QFY26. Going forward, Brown & Co. is planning to dispose of some of its Group assets to reduce the inter-group borrowings and improve its overall financial discipline.

The 'Negative' Outlook assigned reflects the Company and the Group's substantial reliance on borrowings and continuing losses in key business segments. Meanwhile, cashflow generation through core operations remain constrained. Timely disposal of certain assets and utilization of proceeds to reduce debt levels is critical. Similarly, stronger cashflows generation for debt servicing is imperative for sustaining the rating. Continued support from LOLC Holdings PLC's remains a key rating factor.

#### Disclosure

Name of Rated Entity	Brown & Company PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	
Related Research	Sector Study   Holding Company(May-25)
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### Profile

**Background** Brown and Company PLC ("BRWN") is a Sri Lanka-based public company listed on the Diri Savi Board of the Colombo Stock Exchange, managing diverse businesses as the "Browns Group" and offering functional services to its subsidiaries, associates, and joint ventures.

**Structural Analysis** The Company's operations are mainly categorized under three Clusters: 1. Automotive and Hardware Cluster, 2. Pharmaceuticals, Consumer & Industrial Engineering Solutions Cluster, 3. Agriculture and Heavy Machinery Cluster.

### Ownership

**Ownership Structure** LOLC Holdings PLC ("LOLC Holdings") owns ~83.42% of the Company's share capital, while the general public holds ~16.58%.

**Stability** The ownership structure of the Company remains stable, with LOLC Holdings possessing the majority ownership interest, which is ultimately under the stewardship of Mr. Ishara Nanayakkara. He is the Executive Deputy Chairman of LOLC Holdings and the Executive Chairman of Browns Investments PLC. He has over 30 years of experience in the industry.

**Business Acumen** The Company, under the leadership of Mr. Ishara Nanayakkara, has consistently set industry benchmarks, showcasing a commitment to diversification across various sectors.

**Financial Strength** The LOLC Group is the largest conglomerate in Sri Lanka in terms of its asset base. In 1H FY26, the LOLC Group earned a profit after tax of LKR~12.2bn (1H FY25: LKR~30.9bn, FY25: LKR~41.0bn). The Group has an asset base of LKR~2,132bn as at 1H FY26 (1H FY25: LKR~1,905bn, FY25: LKR~2,030bn), and investments in subsidiaries amounted to LKR~322bn as at 1H FY26 (1H FY25: LKR~272bn, FY25: LKR~290bn).

### Governance

**Board Structure** The Company's Board of Directors comprises seven (07) members: three executive and four non-executive directors.

**Members' Profile** The Board of Directors, with a well-diversified background and relevant expertise of its members, provide oversight and guidance for the management. Mr. Ishara Nanayakkara, a prominent entrepreneur with a profound background, serves on the Board of LOLC Holdings PLC.

**Board Effectiveness** The Board ensures the effectiveness of the Company's operations through five Board Sub-Committees, namely the Audit Committee, Remuneration Committee, Related Party Transaction Review Committee, Business Operations Committee, and Management Committee. These Board Committees are each chaired by a non-executive director, focusing on specific areas of the Board's responsibilities.

**Transparency** M/S Deloitte Partners is the external auditor of the Company. It has given an unqualified opinion on the financial statements for the year ended March 31, 2025. During FY25, the Company made a change in its accounting policy to account for its investments in subsidiaries under the equity accounting method permitted by LKAS 27, "Separate Financial Statements" instead of the cost model of subsidiary accounting. The change in accounting policy takes a retrospective effect, and therefore, the investments in subsidiaries have been restated for FY24 and FY23.

### Management

**Organizational Structure** The Company has a divisional organizational structure. All Chief Operating Officers (COOs) and Heads of Departments (HODs) report to the Group Chief Executive Officer (CEO).

**Management Team** BRWN is equipped with a well-experienced and qualified management team. Mr. Thamotharampillai Sanakan operates as the Group CEO. He joined the Browns Group in 2013. He counts for over 25 years of experience, where he has held several senior management positions in multiple industries.

**Management Effectiveness** The Management Committee plays a pivotal role in ensuring the effectiveness of the management practices, chaired by the Executive Chairman and the Senior Management. The Committee conducts monthly meetings to assess the performance of the Group Corporate, Divisions, and Departments against the established Annual Business Plans and Budgets.

**Control Environment** The Board has implemented a Risk Management Framework (ERM) to identify and address business risks, subject to quarterly reviews. Additionally, a thorough assessment of the Company's emerging and principal risks is conducted by the Board.

### Investment Strategy

**Investment Decision-Making** The Chairman, the Board of Directors, and the Management remain in line with the Business verticals, and they operate as the frontline to capture opportunities in the market. The Group Investment Committee, which operates at the LOLC Holdings PLC level, ultimately governs the investment policy of the Company.

**Investment Policy** The Company's investment policy considers two perspectives, which include investments in core business and strategic investments. The Brown & Company, Browns Investments, and international investment decisions are approved by the LOLC Investment Committee.

**Investment Committee Effectiveness** All the investment decisions are approved by the Group Investment Committee before being submitted to the Brown and Company PLC Board of Directors. The investment committee evaluates the availability of funding for investments without compromising the funding for operations, cost of funding, or available alternative returns.

### Business Risk

**Diversification** Browns Group is highly diversified. The Company's Board oversees investments in its 3 Clusters with 15 Standard Business Units (SBUs). When it comes to its subsidiary investments, the Group's investments are divided into six (6) segments: Trading, Manufacturing & Construction, Plantation, Investment, Leisure and Real Estate.

**Portfolio Assessment** The Company's Agriculture, Battery, Pharmaceutical, and Power Systems SBUs were profitable, while General Trading, Heavy Machinery, and Tech divisions made losses. BRWN recorded a consolidated net loss of LKR ~15.9bn for 1H FY26 (1H FY25: LKR ~21.6bn net profit, FY25: LKR ~38.5bn net profit). The prior period profits were primarily from a LKR ~64.9bn gain on bargain purchases in FY25. Without this gain, both prior periods would have posted losses.

**Income Assessment** The Company's revenue mainly stems from its trading business. Revenue for 1H FY26 amounted to LKR~13,256mn (1H FY25: LKR~10,886mn, FY25: LKR~23,166mn). The Company's Battery Division earned the highest income in FY25, clocking in at LKR~10,588mn as compared to LKR~11,104mn in FY24. The overall Group's top line stood at LKR~107.8bn in FY25, and LKR~80.6bn in FY24. The increase was attributed to a growth in the revenue of the plantation segment by LKR~23.1bn to LKR~42.8bn in FY25 as compared to LKR~19.7bn in FY24.

### Financial Risk

**Coverages** The Company's cash flow from operating activities weakened to a net cash outflow of LKR~13,091mn for FY25 (FY24: LKR~7,670mn net cash inflow), due to reduced cash profits. Funding cost moderately improved to LKR~8,099mn in FY25 (FY24: LKR~10,316mn, 3MFY26: LKR~1,161mn). The reduced Free Cash Flows From Operations (FCFO) remained largely insufficient to cover interest payments and the current debt portion. Therefore, interest coverages fell below 01x to record at ~0.4x in FY25 (FY24: ~0.2x, FY23: ~0.4x), highlighting an increased strain on the Company's ability to service its debt obligations.

**Capital Structure** The Company's leverage ratio remained unchanged at ~37.9% during FY25 from the previous year. Meanwhile, outstanding dues to the related parties, particularly to LOLC Holdings, surged to LKR~46,929mn in FY25 (FY24: LKR~39,340mn), which drove the overall debt funding to LKR~61.1bn in FY25 from LKR~42.9bn in FY24. Meanwhile, the total equity grew to LKR~100.1bn as at FY25 from LKR~70.1bn as at FY24 due to an increase in the retained earnings.

**Consolidated Position** The Consolidated Leverage Ratio of the Browns Group slightly decreased to ~16.1% as at FY25 from ~17.4% as at FY24. The Group's dependence on inter-company borrowings remains high.



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Browns and Company PLC  
Holding Company

	Jun-25 3M Management	Mar-25 12M Audited	Mar-24 12M Audited- Restated	Mar-23 12M Audited- Restated
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#### A BALANCE SHEET

1 Investments	33,249	23,312	22,166	20,520
2 Related Party Investments	110,017	110,589	93,480	93,458
3 Non-Current Assets	4,656	4,689	3,658	3,884
4 Current Assets	10,968	32,608	8,696	10,956
<b>5 Total Assets</b>	<b>158,890</b>	<b>171,198</b>	<b>128,000</b>	<b>128,818</b>
6 Current Liabilities	5,125	5,031	3,008	5,390
7 Borrowings	28,193	18,661	14,869	24,145
8 Related Party Exposure	34,568	46,929	39,340	17,551
9 Non-Current Liabilities	509	479	591	2,629
<b>10 Net Assets</b>	<b>90,495</b>	<b>100,097</b>	<b>70,191</b>	<b>79,104</b>
<b>11 Shareholders' Equity</b>	<b>90,495</b>	<b>100,097</b>	<b>70,191</b>	<b>79,104</b>

#### B INCOME STATEMENT

1 Total Investment Income	(3,819)	42,857	9,012	5,400
2 Cost of Investments	(2,029)	(14,650)	(10,316)	(8,685)
<b>3 Net Investment Income</b>	<b>(5,848)</b>	<b>28,207</b>	<b>(1,304)</b>	<b>(3,285)</b>
a Other Income	44	216	4	46
b Operating Expenses	(803)	(3,247)	(2,928)	(2,748)
<b>4 Profit or (Loss) before Interest and Tax</b>	<b>(5,323)</b>	<b>31,137</b>	<b>309</b>	<b>(278)</b>
a Taxation	-	1,290	2,073	(1,152)
<b>6 Net Income Or (Loss)</b>	<b>(5,323)</b>	<b>32,428</b>	<b>2,382</b>	<b>(1,430)</b>

#### C CASH FLOW STATEMENT

a Total Cash Flow	663	3,483	2,110	3,655
b Net Cash from Operating Activities before Working Capital Changes	(1,386)	(4,040)	(8,206)	(3,503)
c Changes in Working Capital	(4,003)	(9,051)	15,875	(2,596)
<b>1 Net Cash provided by Operating Activities</b>	<b>(5,389)</b>	<b>(13,091)</b>	<b>7,669</b>	<b>(6,100)</b>
<b>2 Net Cash (Used in) or Available From Investing Activities</b>	<b>280</b>	<b>(1,368)</b>	<b>(2,040)</b>	<b>(12,996)</b>
<b>3 Net increase (decrease) in long term borrowings</b>	<b>(159)</b>	<b>3,117</b>	<b>(1,302)</b>	<b>(1,123)</b>
<b>4 Net Cash (Used in) or Available From Financing Activities</b>	<b>3,491</b>	<b>18,425</b>	<b>(4,447)</b>	<b>17,085</b>
<b>5 Net Cash generated or (Used) during the period</b>	<b>(1,618)</b>	<b>3,966</b>	<b>1,181</b>	<b>(2,011)</b>

#### D RATIO ANALYSIS

<b>1 Performance</b>				
a Asset Concentration (Market Value of Largest Investment / Market Value of	95.7%	95.7%	94.3%	100.0%
b Core Investments / Market Value of Equity Investments	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments at Market Value	16.6%	4.0%	3.1%	2.3%
<b>2 Coverages</b>				
a TCF / Finance Cost	0.6	0.4	0.2	0.4
b TCF / Finance Cost + CMLTB	0.3	0.3	0.2	0.3
c Loan to Value (Funding / Market Value of Equity Investments )	0.5	1.2	1.1	1.0
<b>3 Capital Structure (Total Debt/Total Debt+Equity)</b>				
a Leveraging [Funding / (Funding + Shareholders' Equity]	23.8%	37.9%	37.9%	34.1%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	31.2%	61.0%	61.1%	51.8%



## 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

<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'.	<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.	<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.	<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.	<b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.
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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       |

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## 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

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