



Lanka Rating Agency

## Rating Report

### Brown & Company PLC - Guaranteed Redeemable Debentures - LKR 02Bn (Maturity 2027)

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#### Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
16-Jan-2026	A	Stable	Maintain	-
18-Nov-2024	A	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 inter-company 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 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 approximately 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~5bn), 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.

The Debt Instrument Rating reflects the unconditional and irrevocable Corporate Guarantee provided by LOLC Holdings PLC in favor of the Trustee for the benefit of the Debenture Holders, guaranteeing both interest and principal payments for up to two Interest Periods. LOLC Group, a leading financial services company, has a diverse portfolio of investments in ~25 countries. LOLC Holdings had a consolidated asset base of LKR~2,132bn as at 1HFY26 and earned a profit after tax of LKR~12.2bn for 1HFY26. The rating depends on the LOLC Holdings rating as well as continued support from them. Any change in the rating of LOLC Holdings will impact the rating of the Debenture.

#### Disclosure

Name of Rated Entity	Brown & Company PLC - Guaranteed Redeemable Debentures - LKR 02Bn (Maturity 2027)
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	
Related Research	Sector Study   Holding Company(May-25)
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### Issuer Profile

**Profile** Brown and Company PLC ("BRWN" or "the Company") is a publicly quoted company, domiciled in Sri Lanka. The Company is listed on the Diri Savi Board of the Colombo Stock Exchange (CSE). The Company manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the "Browns Group", and provides function-based services to its subsidiaries, jointly controlled entities, and its associates. 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** LOLC Holdings PLC ("LOLC Holdings") owns ~83.42% of the Company's share capital while the general public holds ~16.58%. 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. The Company, under the leadership of Mr. Ishara Nanayakkara, has consistently set industry benchmarks, showcasing a commitment to diversification across various sectors. The LOLC Group is the largest conglomerate in Sri Lanka in terms of its asset base. In 1HFY26, the LOLC Holdings PLC Group earned a profit after tax of LKR~12.2bln for 1HFY26 (1HFY25:LKR~30.9bln, FY25: LKR~41.0bln). The Group has an asset base amounting to LKR~2,132bn as at 1HFY26 (1HFY25:LKR~1,905bln, FY25: LKR~2,030bln).

**Governance** The Company's Board comprises 07 members: four non-executive and three executive directors, with two independent directors. The Board, with a well-diversified background and relevant expertise of its members, is a key source of oversight and guidance for the management. Mr. Ishara Nanayakkara, a prominent entrepreneur with a strong business background, serves on the Board of LOLC Holdings PLC, providing oversight and guidance for management, backed by a well-diversified background. The Board ensures the effectiveness of the Company 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. Deloitte Partners are the external auditors of the Company. They have given an unqualified opinion on the financial statements for the year ended March 31, 2025.

**Management** BRWN has a divisional organizational structure. All Chief Operating Officers (COOs) and Heads of Departments (HODs) report to the Group Chief Executive Officer (CEO). 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 many senior management positions in multiple industries. 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. 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.

**Business Risk** The Company's Board oversees investments in its 3 Clusters with 15 Standard Business Units (SBUs) when it comes to its subsidiary investments, while the Group's investments are divided into six (6) segments of Trading, Manufacturing & Construction, Plantation, Investment, Leisure and Real Estate segments. In terms of the Company's business SBUs, the Agriculture, Battery, Pharmaceutical, Power Systems SBUs registered profitability, while General Trading, Heavy Machinery and Tech divisions have been making net losses. The Company recorded a net loss of LKR~10.7bn for 1HFY26 (1HFY25:LKR~21.6bn net profit, FY25:LKR~38.4bn net profit). At the group level, all sectors other than Trading incurred losses in FY24. The consolidated bottom line closed at a net loss of LKR~15.9bn for 1HFY26 (1HFY25:LKR~21.6bn net profit, FY25:LKR~29.0bn) largely due to consolidation adjustments specifically gain on bargain purchases of overseas subsidiaries which amounted to LKR~64.9bn in FY25. The Company's revenue mainly stems from its trading business. Revenue for FY25 was recorded at LKR~23,166mn, while for FY24, it was recorded at LKR~23,030mn. 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 majorly attributed to a growth in the revenue of the plantation segment by LKR~23.1bn to LKR~42.8bln in FY25 as compared to LKR~19.7bln in FY24.

**Financial Risk** Cash flow from operating activities weakened to a net cash outflow of LKR~13,091mn for FY25 (FY24: LKR~7,670 net cash inflow). Funding cost moderately improved to LKR~8,099mln in FY25 (FY24: LKR~10,316mln, 3MFY26: LKR~1,161mln). This improvement, however, was insufficient to adequately cover interest payments with interest coverage clocking ~0.4x in FY25 (FY24: ~0.2x, FY23: ~0.4x) highlighting increased strain on the Company's ability to service its debt. The leverage ratio remained unchanged at ~37.9% as at FY25. Payables to related parties surged to LKR~46,929mln in FY25 (FY24: LKR~39,340). The Company is incurring high finance cost on these borrowings. The stated capital remained strong at LKR~9,093mn. Total equity grew to LKR~274.9bn as at FY25 from LKR~188.7bn as at FY24 as the Group reported a profit which increased retained earnings.

### Instrument Rating Considerations

**About The Instrument** BRWN has issued LKR 2Bn, Listed Rated Guaranteed Senior Redeemable Debentures each worth LKR 100/- in March 2022. The Debentures have a tenure of 5 years. Type A Debenture coupons were paid Annually at the fixed rate of 15.50% p.a. (AER ~15.50%) and Type B Debenture coupons were paid quarterly at a fixed rate of 15.42% p.a. (AER ~16.33%).

**Relative Seniority/Subordination Of Instrument** The claims of the Debenture Holders shall, rank after all the claims of secured creditors, but Pari Passu to the claims of unsecured creditors of the Company and shall rank in priority to and over any subordinated debt of the Company and the ordinary and preference shareholders of the Company.

**Credit Enhancement** LOLC Holdings has provided an unconditional and irrevocable Corporate Guarantee in favor of the Trustee for the benefit of the Debenture Holders, guaranteeing both interest and principal payments for up to two Interest Periods.



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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+	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.
AA	
AA-	
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.
A	
A-	
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.
BBB	
BBB-	
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.
BB	
BB-	
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.
B	
B-	
CCC	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.
CC	
C	
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) 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'.	Rating Watch 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.	Suspension 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.	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.	Harmonization 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

Nature of Instrument	Size of Issue (LKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets as at FY24 (LKR)
Listed , Rated , Senior , Unsecured , Redeemable Debenture	2.0Bn	5 years				HNB	

<b>Name of Issuer</b>	BROWN & COMPANY PLC
<b>Issue Date</b>	30TH MARCH 2022
<b>Maturity</b>	30TH MARCH 2027
<b>Coupon Basis</b>	Annual / Quarterly
<b>Repayment</b>	Annual / Quarterly
<b>Option</b>	

Brown & Company PLC