



Lanka Rating Agency

Rating Report

Laxapana PLC

Report Contents

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

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
11-Jul-2025	BB+	Positive	Maintain	-
08-Aug-2024	BB+	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Laxapana PLC ("Laxapana" or "the Company") is limited liability company primarily engaged in the import and distribution of dry-cell batteries, LED and CFL lamps, rechargeable lighting devices, industrial lighting solutions, and hardware products. The Company has strong brand recognition and market position in dry cell battery and LED bulbs segments. The Company has diversified its offering by adding other products but their contribution in revenue remains relatively modest. The rating incorporates Laxapana's steady other income (mainly dividend from investments) and synergies emanating from its association with E. B. Creasy Group in the form of extensive distribution network. Laxapana is the second-largest supplier in the domestic dry-cell battery segment with a market share of ~25%-30% and ~15% in the LED lamp market. These segments account for ~71% of revenues and remain highly competitive.

In FY25, the Company's revenue increased by ~ 34.2% to LKR~1.15bn (FY24: LKR~858.58mn) due to better demand and downward revision in prices of batteries and LED bulbs. Battery revenues declined in FY25 as the Company adjusted its prices in line better import prices. The Company's gross profit stood at ~28.4% in FY25. However, operating margin remained at just ~4.2%. Laxapana's net profit was LKR~166mn (FY24: LKR~177mn) on back of higher dividend income and other income.

Despite maintaining healthy gross margins in its core business segments, price fluctuation and stagnant product demand have constrained operating profit. Laxapana is exposed to foreign exchange volatility due to its reliance on imports. The Company is working on initiatives to improve margins through technological changes in its LED bulb segment. This is expected to increase market share and make the segment more profitable. Laxapana acquired Sterling Steels Private Limited financed mainly through debt, highlight Laxapana's commitment to growth and diversification.

The Company has a low leveraged capital structure (20%) with strong coverages. The working capital requirements of the Company emerge from its inventory and trade receivable financing with net working capital days standing at ~130 days.

The rating is dependent on the Company's ability to improve and sustain its profitability from core operations. Effective working capital management and maintaining strong coverages remain important. Continued support from the Group and resulting synergies bode well for the rating.

Disclosure

Name of Rated Entity	Laxapana PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating Criteria(Aug-24)
Related Research	Sector Study Household Appliances(Jul-24)
Rating Analysts	Ruwanthi Sylva ruwanthi@lra.com.lk +94 114 500099



Household Appliances

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Profile

Legal Structure Laxapana PLC, formerly Laxapana Batteries PLC, is a public limited company incorporated in Sri Lanka since 1956 and listed on the Colombo Stock Exchange (CSE) since 1982. The name change to Laxapana PLC took effect on April 1, 2024, under Section 8 of the Companies Act No. 07 of 2007.

Background Laxapana PLC, originally Elephant Lite Corporation Limited, was established in 1956 and was subsequently listed on CSE. The Company operates a warehouse in Mabima for efficient storage and delivery of finished goods. In March 2024, the Company acquired 100% shareholding of BlueScope Lysaght Lanka (Private) Limited.

Operations Laxapana PLC is principally engaged in import and trading of dry cell batteries, LED bulbs, hardware products, water pumps and steel products. The Company offers various variants of batteries and LED bulbs under "Laxapana" brand name. Additionally, LED Ceiling Lights for emergencies, eco-friendly Backlit LED Panel Lights, and high-efficiency LED Outdoor Flood Lights solutions are provided. The Company also offers Solar solutions.

Ownership

Ownership Structure As of FY25, E.B. Creasy and Company PLC holds a majority stake of ~68.28% in Laxapana PLC, thereby exerting significant influence over its governance and strategic direction. The Colombo Fort Land and Building PLC (CFLB) is the parent company of E.B. Creasy and, consequently, the ultimate shareholder of Laxapana PLC, with an effective ownership of ~36.17%.

Stability Laxapana PLC benefits from stability provided by its ultimate parent, CFLB. Founded in 1895, CFLB and its group companies have presence in multiple sectors as consumer products, industrial products, leisure, plantations, and other investments. The holding company structure ensures strong group structure and proper segmentation of businesses.

Business Acumen CFLB, the ultimate parent Company has been in business for decades across multiple sectors. They provide strategic guidelines and direction to the group companies through the presence of its Directors on respective Board of Directors.

Financial Strength CFLB has an operational track record of over 120 years and showed resilience to build a diversified business portfolio. In FY25, CFLB Group achieved revenues of LKR ~89.0bn and a profit after tax of LKR ~2.6bn. Total assets of the Group reached LKR ~79.6bn with an equity base of LKR ~15.4bn.

Governance

Board Structure Laxapana PLC's Board comprises eight Non-Executive Directors, including three Independent Directors. Recently, five members resigned, and four new members were appointed. These include Mr. A.D.T. Mendis (2024), Mr. K.G. Punchihewa (2025), Mr. S.B. Perera (2025), and Mr. P.Y.S. Perera (2025), the latter serving as Chairman of the Audit Committee. The Chairman of the Board, Mr. S. D.R. Arudpragasam is a Non-Independent, Non-Executive Director.

Members' Profile Laxapana PLC's Board, led by Chairman Mr. S.D.R. Arudpragasam since 2011, brings decades of experience and a balanced mix of skills. The Chairman also chairs E.B. Creasy & Company PLC and The Colombo Fort Land and Building PLC. He is a qualified Fellow of the Chartered Institute of Management Accountants (UK).

Board Effectiveness Laxapana PLC has four Board committees: i) Nominations and Governance Committee, ii) Audit Committee, iii) Remuneration Committee, and, iv) Related Party Transactions Review Committee).

Financial Transparency KPMG are the Company's external auditors. They issued an unqualified audit opinion for FY25.

Management

Organizational Structure Laxapana PLC is led by the Group Managing Director, supported by the Directors and Group Chief Financial Officer (CFO). The Directors oversees the marketing, Brand, Production, and Sales Managers, while the Finance Manager reports directly to the Group CFO.

Management Team Mr. S. Gunawardene leads Laxapana PLC and is a Director of E.B. Creasy and Company PLC, reporting to its Chairman. He hold a MBA degree and has 30+ years of industry experience, including 23 years at Laxapana PLC. He is supported by seven senior managers, each bringing decades of experience.

Effectiveness There are no formal management committees in place. Laxapana PLC promotes collaboration through monthly meetings that focus on production efficiency, KPIs, and management strategies.

MIS Laxapana PLC implemented SAP ERP in September 2016 and upgraded to SAP S/4HANA 2020 in 2021. In February 2024, it migrated to the Azure Cloud. The Company does not prepare a dedicated MIS pack and circulates management accounts to the Board periodically.

Control Environment Laxapana PLC has strong internal controls for health and safety and risk management. It provides quarterly health and safety training and is overseen by the Group Internal Audit.

Business Risk

Industry Dynamics At present, there are around 4 companies largely involved in the trading of dry-cell batteries and around 7 companies in the trading of LED bulbs, most of them are private companies. The estimated size of the dry-cell market in FY25 was LKR~25.6mn units and that of the LED bulb was LKR~2.1mn. The rising awareness about energy efficiency has increased the demand among consumers for LED lights, which have a longer lifespan than conventional light sources and are energy efficient. In the local market, dry cell batteries demand for AA batteries is stagnant, while there is an increasing demand for AAA batteries. The trend in Sri Lanka is moving towards rechargeable batteries. The local market for LED bulbs is growing at a slow pace, while there is an increase in demand for LED-Industry and LED panels. Both segments are price sensitive.

Relative Position Laxapana PLC is the second-largest supplier in the domestic dry-cell battery segment with a market share of ~25%-30% and has ~15% market share in the LED bulb market. These segments account for ~71% of revenues of the Company and remain highly competitive.

Revenues In FY25, the Company's revenue increased by ~34.2% to LKR~1.15bn (FY24: LKR~858.58mn) due to better demand and downward revision in prices of batteries and LED bulbs. Battery revenues declined in FY25 as the Company adjusted its prices in line with better import prices.

Margins The Company's gross profit stood at ~28.4% in FY25 exhibiting improvement from FY24. However, operating margin remained at ~4.2% showing limited operating profit from core activities. Laxapana PLC's net profit was LKR~166mn (FY24: LKR~177mn) on back of higher dividend and other income.

Sustainability Laxapana PLC plans to enhance operational efficiency by automating LED bulb assembly by FY25/26, emphasizing sustainability. The Company is also working to reduce cost of its LED bulbs. This is expected to improve margins and increase market share. Laxapana PLC plans to further boost its brand visibility through awareness campaigns and digital marketing efforts.

Financial Risk

Working Capital The Company's working capital needs arise from inventory and trade receivable financing needs. Laxapana PLC maintains around three months inventory to avoid any supply side disruptions. The net working capital days of the Company stand at ~130. These are financed through a mix of internally generated cashflows and borrowings.

Coverages Laxapana PLC has strong coverages. The interest coverage ratio improved to ~4.5x in FY25, while the EBITDA to finance cost ratio reached around 5.5x in the same period. The Company generated adequate Free Cash Flow from Operations (FCFO) in FY25.

Capitalization The Company maintains a low leveraged capital structure at ~20% (FY24: 27%), mainly due to bank borrowings linked to its acquisition of Sterling Steels Private Limited. Total borrowings of the Company were LKR~271mn in FY25.



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Financial Summary

LKR mln

Laxapana PLC Corporate	3	Mar-25 12M	Mar-24 12M	Mar-23 12M	Mar-22 12M
A BALANCE SHEET					
1 Non-Current Assets		306	344	357	151
2 Investments		609	608	575	559
3 Related Party Exposure		320	321	20	290
4 Current Assets		597	523	475	358
a Inventories		266	231	188	106
b Trade Receivables		199	233	218	164
5 Total Assets		1,832	1,796	1,427	1,358
6 Current Liabilities		326	219	251	247
a Trade Payables		88	19	90	131
7 Borrowings		271	384	88	56
8 Related Party Exposure		0	17	1	1
9 Non-Current Liabilities		136	140	126	94
10 Net Assets		1,099	1,037	960	959
11 Shareholders' Equity		1,099	1,037	960	959
B INCOME STATEMENT					
1 Sales		1,152	859	916	870
a Cost of Good Sold		(825)	(621)	(548)	(619)
2 Gross Profit		327	237	367	250
a Operating Expenses		(278)	(249)	(233)	(138)
3 Operating Profit		49	(12)	134	113
a Non Operating Income or (Expense)		197	264	130	78
4 Profit or (Loss) before Interest and Tax		246	251	264	191
a Total Finance Cost		(49)	(25)	(51)	(60)
b Taxation		(32)	(49)	(79)	(31)
6 Net Income Or (Loss)		166	177	134	100
C CASH FLOW STATEMENT					
a Free Cash Flows from Operations (FCFO)		188	104	175	134
b Net Cash from Operating Activities before Working Capital Changes		136	78	154	109
c Changes in Working Capital		57	(51)	124	(143)
1 Net Cash provided by Operating Activities		194	27	278	(34)
2 Net Cash (Used in) or Available From Investing Activities		51	(229)	(220)	(45)
3 Net Cash (Used in) or Available From Financing Activities		(213)	197	(100)	139
4 Net Cash generated or (Used) during the period		32	(5)	(42)	60
D RATIO ANALYSIS					
1 Performance					
a Sales Growth (for the period)		34.2%	-6.2%	0.0%	0.0%
b Gross Profit Margin		28.4%	27.6%	40.1%	28.8%
c Net Profit Margin		14.4%	20.6%	14.6%	11.5%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)		21.3%	6.2%	32.7%	-1.1%
e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]		15.6%	17.7%	14.0%	10.4%
2 Working Capital Management					
a Gross Working Capital (Average Days)		147	185	135	113
b Net Working Capital (Average Days)		130	162	91	58
c Current Ratio (Current Assets / Current Liabilities)		1.8	2.4	1.9	1.4
3 Coverages					
a EBITDA / Finance Cost		5.5	9.6	4.5	2.7
b FCFO / Finance Cost+CMLTB+Excess STB		1.3	0.4	1.8	2.0
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)		1.9	3.8	0.7	0.8
4 Capital Structure					
a Total Borrowings / (Total Borrowings+Shareholders' Equity)		19.8%	27.0%	8.4%	5.6%
b Interest or Markup Payable (Days)		0.0	0.0	0.0	0.0
c Entity Average Borrowing Rate		10.3%	6.8%	66.1%	104.0%



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) 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

(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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