



Lanka Rating Agency

## Rating Report

### Asia Securities (Pvt) Ltd

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#### Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
08-Jan-2026	BBB+	Stable	Upgrade	-
18-Nov-2024	BBB	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The rating upgrade reflects the Company's strong profitability, improved capitalization amid expanding operations, and its continued prudent management of market and credit exposures across proprietary and client-related activities.

As a leading brokerage firm in Sri Lanka, Asia Securities (Pvt) Limited ("ASPL" or "the Company") consistently maintained a sizeable share in market trading volumes. The Company's main sources of revenue are brokerage income and interest income from broker credit. The Colombo Stock Exchange recorded significant growth in FY25, as market capitalization surpassed LKR 8.0Tn and trading volumes almost doubled. The enhanced market activity and higher investor interest boded well for brokerage firms. Average daily turnover in 1HCY25 rose to LKR ~4.1Bn from LKR ~1.8Bn in 1HCY24. The market is expected to attract investor interest with relatively low interest rates and favorable tax regime.

Building on positive investor sentiment, the Company's balance sheet expanded significantly in FY25 and its brokerage income doubled. ASPL's leverage increased to 0.95x in FY25, with the majority of borrowings utilized to support its broker credit portfolio. The leverage level remains comfortably below the regulatory ceiling of 3x. Funding is primarily short term, consisting mainly of bank overdraft facilities and commercial papers. The Company maintains sufficient available lines to meet investor demand for short-term trading opportunities. The Capital Adequacy Ratio (CAR) of ASPL in FY25 was well above the mandated minimum of 1.2x, underscoring its strong capital position and ability to withstand periods of heightened market volatility. Governance was further enhanced during the period with the addition of an independent director, supplementing an otherwise adequately structured board. The Company continues to exhibit key-person risk, given the Chairperson's key role in investment decisions and overall strategy, while serving in a non-independent capacity. ASPL remains exposed to market volatility and investor confidence.

The rating is dependent on the Company's ability to maintain and further strengthen its market position as a leading stockbroker while sustaining its performance trends and capital cushion. Effective rebalancing of its portfolio to manage market dynamics and the continued enhancement of governance practices remain important. Any substantial loss arising from unfavorable capital market movements or other factors that weaken its risk absorption capacity could exert downward pressure on the rating.

#### Disclosure

Name of Rated Entity	Asia Securities (Pvt) Ltd
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	
Related Research	Sector Study   Brokerage & Securities(Apr-25)
Rating Analysts	Gayani Randima Ariyawansa   gayani@lra.com.lk   +94 114 500099

## Lanka Rating Agency

### Profile

**Background** Asia Securities (Private) Limited (“ASPL” or “the Company”) is a limited liability company incorporated and domiciled in Sri Lanka. The Company is registered under the Securities and Exchange Commission as a Stockbroker and Stock Dealer. The registered office and principal place of business of the Company are located on 4th Floor, Lee Hedges Tower, No. 349, Galle Road, Colombo 03.

**Operations** The Company is primarily engaged in the business of stock brokerage and broker credit. The Company also provides research services to its clients. The clientele is divided into three main categories: i) Foreign, ii) Institutional, iii) Retail and HNWIs.

### Ownership

**Ownership Structure** The largest shareholder of the Company is West Side Equity Ltd which is 100% owned by the Chairman, Mr. Dumith Fernando. It owns 76.7% of the Company as of 6MFY26. York Street Partners (Pvt) Ltd and J L N Investments (Pvt) Ltd owns 11.9% and 11.4% respectively.

**Stability** The ownership structure does not show any major changes in the recent past. The shareholding pattern is expected to remain stable for the foreseeable future.

**Business Acumen** Mr. Fernando has over three decades of experience in international and local capital markets which also includes experience with global banking firms, where he has held leadership roles across various divisions.

**Financial Strength** The Company's revenue is made up of brokerage fees, interest earned on broker credit, returns on trading, and dividend income from equity investments.

### Governance

**Board Structure** The Board consists of six directors, out of which three are non-executive directors, and two are independent directors. Mr. Dumith Fernando is the Chairman of the Board.

**Members' Profile** The Chairman, Mr. Fernando, has experience in the international and Sri Lankan capital markets, having spent much of his career in global financial centers with global banking firms, JPMorgan Chase and Credit Suisse. The remaining members of the board have experience in investment banking, capital markets, finance, and economics.

**Board Effectiveness** The Board of Directors (BoD) does not have Board Committees. The BoD, from time to time, deliberate on matters falling within their purview.

**Transparency** The External Auditors of the Company, KPMG have issued an unqualified audit opinion pertaining to the financial statements as of FY25.

### Management

**Organizational Structure** The Company has a functional organizational structure where the heads of operations, risk, IT, and sales departments report to the Chief Executive Officer. Whereas, heads of research, compliance and human resources departments directly report to the Chairman of the Company.

**Management Team** The management team is headed by the CEO, Mr. Shiyam Subaulla who possesses over 25 years of experience in the industry. The remaining members of the senior management team have experience in investment, finance, economics, and law.

**Management Effectiveness** The Company does not have management or executive committees. The business heads meet to discuss market conditions, client feedback, and other business-related matters on a weekly basis or as and when needed.

**Control Environment** The Company's Board retains the overall responsibility for reviewing and approving the risk management framework. The risk management framework is jointly developed by the CEO, the Head of Legal and Equities Compliance, and the Head of Operations and Risk. All functions are segregated with the Chinese wall in place with clear demarcations between different departments.

### Business Risk

**Industry Dynamics** Sri Lanka's stock brokerage industry has been identified as one that is crowded with fragmented market share and intensifying competition. As many as 28 listed members at the Colombo Stock Exchange is testament to that. The earnings from the capital markets business (including broking) depend on the extent of trading activity in the equity markets, which are volatile and are driven by economic and political factors and investor sentiment. Moreover, global factors influence these markets.

**Relative Position** Currently, the Company is holding a leading position in the market, brokering in the early double digits of the total volume of the market on average (in LKR terms). The Company manages around 70,000 trading accounts of clients among which ~10% are active at any given point in time.

**Revenues** The Company's revenue increased in 3MFY26 by ~98.7% from 3MFY25. The Company's revenue increased in FY25 which is by a ~117.4% increase compared to FY24. The Company operating revenue in FY25 wholly comprised of brokerage income witnessed a significant improvement of ~117.4% when compared to same period of last year. Direct expenses have reduced by ~99.0% in 3MFY26 from 3MFY25. However, direct expenses have increased in FY25 from FY24 which is a ~86.5% increase. The profitability as of 3MFY26 increased by a ~334% compared to the same period of previous year. In FY25, Profit After Tax (“PAT”) has increased by ~30% compared to FY24.

**Cost Structure** Over the years total expenses have increased gradually. In FY25, total expenses have increased by ~26.0% compared to FY24. The main reason for this increase is due to the increasing trend of administration expenses. Administration Expenses increased year by year where in FY25, this has increased by ~17.4% from FY24.

**Sustainability** The Company operates as Sri Lanka's leading stock broker and has won various accolades from well-reputed financial bodies in the form of annual performance awards. Due to regulatory restrictions, the Company has set its focus and efforts on improving its stock brokerage and related services. To enhance client experience and strengthen its competitive position in a mature and saturated brokerage market, the Company is committed to investing in advanced technologies. A key initiative in this regard is the launch of its proprietary trading platform, Athena, based on global trading platform TradingView. The Company will retain adequate capital to support operations and maintain strong regulatory ratios, while exploring strategic investment opportunities. Where suitable opportunities do not arise, excess capital may be distributed to shareholders as dividends.

### Financial Risk

**Credit Risk** The Company is exposed to credit risk arising from the extension of broker credit facilities to clients. However, this risk is mitigated by the maintenance of adequate collateral in the form of equity securities, subject to appropriate haircuts on valuation, along with other internal risk management controls and ongoing regulatory oversight.

**Market Risk** No investment committee oversees the investment decision or market risk. All the investment-related decisions are made by the Board of Directors. The Company is exposed to significant market risk and interest rate risk due to maintaining a proprietary book along with investments in government securities.

**Liquidity Risk** Liquid Assets to Total Assets ratio was recorded at ~79.6% in 6MFY26 and ~56.1% in FY25. Trade payables make up ~ 28.7% of the total financial liabilities of the Company.

**Capital Structure** The Company's Capital Adequacy Ratio (CAR) stood at 3.99x as of 3MFY26 which was reduced from a level of 4.56x in FY25 (FY24: 3.39x).



Asia Securities (Pvt) Ltd  
Stock Broker

	LKR Mn	LKR Mn	LKR Mn
Sep-25	Mar-25	Mar-24	Mar-23
6M	12M	12M	12M

### C RATIO ANALYSIS

#### 1 Cost Structure

Financial Charges / Total Operating Income/(Loss)  
Return on Equity (ROE)

10.6%	27.3%	24.6%	24.7%
286.0%	49.6%	75.4%	38.9%

#### 2 Capital Adequacy

Equity / Total Assets (D+E+F)  
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt + Uncovered Short Term Borrowings)

28.4%	28.2%	38.5%	41.0%
-133.6%	-145.9%	-3.5%	-204.1%

#### 3 Liquidity

Liquid Assets / Total Assets (D+E+F)  
Liquid Assets / Trade Related Liabilities

79.6%	53.0%	43.2%	50.6%
1094.9%	353.1%	182.2%	260.6%

#### 4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers  
Equity Instruments / Investments

61.6%	15.8%	29.3%	26.3%
86.7%	80.4%	46.5%	7.0%

### 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+	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

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

### Rating Team Statements

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

### Conflict of Interest

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

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

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

### Restrictions

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

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

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

- (a) has a business development function of the Credit Rating Agency; or
- (b) who initiates or participates in discussions regarding fees or payments with any Client of the LRA. (Section 28 – Rules applicable to Credit Rating Agencies)

### Conduct of Business

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

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

### Independence & Conflict of interest

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

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

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

### Monitoring and review

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

LRA maintain the following records pertaining to Clients:

- (a) all internal records to support its credit rating opinions;
- (b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and
- (c) a written record of all complaints received from Clients and action taken thereon by the LRA. (Section 48 – Rules applicable to Credit Rating Agencies)

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

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

### Probability of Default

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

### Proprietary Information

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