



Lanka Rating Agency

Rating Report

George Steuart & Company Ltd - Guaranteed Redeemable Zero Coupon 3 Year Debenture - Maximum LKR 01Bn Face Value

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
16-Mar-2026	A	Stable	Initial	-
11-Oct-2024	A	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

George Steuart & Company Limited (“GSCL” or “the Company”), founded in 1835 by Mr. James Steuart, is the holding company of the George Steuart (GS) Group. The Group has presence across seven key sectors: tea exports, healthcare, travel, leisure, financial services, industrial solutions, and FMCG. GS & Co reported revenue of LKR~710mln in FY25 (FY24: LKR~520mln) and profit of LKR~109mln (FY24: LKR~402 mln).

The rating reflects fully guaranteed structure of the LKR ~500 million, zero-coupon, debentures issued by GSCL. The debentures are fully guaranteed by George Steuart Health (Pvt) Ltd. (GSHPL), rated "A" (single A), and covers both principal and interest. The guarantee strengthens the credit profile of the debentures, highlighting GSHPL's strong balance sheet relative to other Group entities, with full recourse to George Steuart & Company. The debenture proceeds were disbursed to GSHPL as a return of funds that GS & Co had previously borrowed in 2022 and 2024 to support certain Group subsidiaries. The rating also incorporates GSHPL's current financial profile and compliance with certain covenants to ensure enough cushion in its cashflows to meet guaranteed obligations. The covenants include (i) Leverage Ratio not exceeding 40.0% (ii) Interest Coverage Ratio maintained at 6.0x (iii) Debt Coverage Ratio maintained at 2.0x.

As of 1HFY26, GSHPL's leverage (~16.4%), interest coverage (19.1x), and debt coverage (11.6x) remain well above the minimum thresholds stipulated in the guaranteed agreement. Additionally, monitoring liquidity and potential restrictions on dividend payments further mitigate the downside risks.

The rating is contingent on sustained performance of GS Group and, in turn, the holding company. Additionally, GSHPL's ability to maintain strong financial management, sustainable leverage, adequate debt coverage and adherence to the agreed covenants is critical for the rating. Any revision in GSHPL's (guarantor) rating will have a direct impact on the debenture rating.

Disclosure

Name of Rated Entity	George Steuart & Company Ltd - Guaranteed Redeemable Zero Coupon 3 Year Debenture - Maximum LKR 01Bn Face Value
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Debt Instrument Rating(Aug-24)
Related Research	Sector Study Holding Company(May-25)
Rating Analysts	Imran Iqbal imran@lra.com.lk +94 114 500099



Profile George Steuart & Company Limited (“GSCL” or “the Company”), founded in 1835 by Mr. James Steuart, is the holding company of the George Steuart Group. GSCL is a diversified entity in Sri Lanka, engaging in a range of businesses including tea exports, healthcare, travel, leisure, financial services, FMCG, and industrial solutions. George Steuart Health (Pvt) Limited (“GSHPL” or “the Company”) is a limited liability company incorporated in Sri Lanka in 1975, and re-registered under the Companies Act No. 7 of 2007. The pharmaceutical industry is regulated by the National Medicines Regulatory Authority (NMRA). GSHPL is a subsidiary of GSCL. GSHPL is primarily engaged in import and distribution of pharmaceutical products and equipment. Warehouse operations include storage for general pharmaceutical products & cold chain products. The current storage facility spans over 18,000 square feet. Additionally, the Company relies on third-party logistic providers for the storage. The Company also provides 3PL (3rd party logistics) services.

Ownership The ownership structure of the Company is primarily held by GSCPL, which owns a majority stake of ~99.58%. GSHPL operates as a subsidiary of GSCPL. GSCPL is ~93.95% owned by Divasa Equity (Pvt.) Limited, a company incorporated in Sri Lanka. GSHPL draws stability from its parent company and takes comfort in the ultimate ownership by Divasa Equity (Pvt.) Ltd, which is privately held by eight shareholders and is not expected to change in the near future. GSCPL provides strategic management, centralised support, research, and rental services. In FY25, GSCPL reported revenue of LKR ~710 mln (FY24: LKR ~520 mln) and profit of LKR ~109 mln (FY24: LKR ~402 mln), with total assets of LKR ~7.9 bln and equity of LKR ~4.4 bln.

Governance GSHPL has a formal Board structure comprising of 2 Executive Directors, and 4 Non-Executive Directors and 4 independent directors. The Chairman of GSCPL, Mr. Ameresekere is also the Non-Executive, Non-Independent Chairman of GSHPL. Mr. Ameresekere is the currently the Chairman of George Steuart Group, he holds directorships in the key entities within the group. He is a qualified professional in both business and engineering, possesses extensive local and international business experience. The Executive Directors of GSHPL, under the leadership of the Managing Director, oversee operational decisions in line with the approved annual budget and strategic plan. Material deviations are reviewed during quarterly meetings. For significant management decisions, the Managing Director and Executive Directors present their proposals to the Chairman, who subsequently provides recommendations to the Board of GSCPL. Ernst & Young Chartered Accountants serve as the Company’s external auditors and have issued an unqualified opinion on the financial statements for the year ended 31 March 2025.

Management The Company has a functional organizational structure, with the finance function overseen by the finance director. The other three directors have their own promotional and support services for diverse products and services offered by the Company, while the sales remain to be a shared service. The senior management of GSHPL is headed by Mr. Erandajith Ranasinghe, the Managing Director, who brings over 35 years of industry experience and has held positions as Secretary and President of the Sri Lanka Chamber of Medical Devices Industry. The team also includes three other Directors, each with over 20 years of industry experience. The Company convenes management meetings on a quarterly basis, where managers, executives, and board members review each division in detail. The review covers the effectiveness of marketing initiatives, sufficiency of inventory, and the appropriateness of team-related expenditures. The Company operates on the Microsoft 365 platform and has deployed multi-factor authentication to prevent unauthorized access. Additionally, it employs the IFS ERP system, allowing real-time oversight of operations spanning supply chain management through to financial processes. The Company has strengthened its internal control framework by implementing SOPs based on Kreston Sri Lanka’s recommendations, assigning monitoring responsibilities to the Finance Associate and Stores Manager, while a full third-party audit function remains under consideration.

Business Risk The Sri Lankan pharmaceutical industry operates under a tightly regulated framework, with the NMRA overseeing product registration, pricing, and quality standards. Approximately 85% of demand is met through imports, with the remainder supplied by ~20 local manufacturers. Government initiatives support domestic production and supply continuity. Robust regulatory supervision and a focus on quality are favourable for credit risk profiles. High import dependence, exchange rate volatility, and pricing pressures remain key sectoral risks. GSHPL is among the leading private sector pharmaceutical importers in Sri Lanka, with a strong presence in the domestic market, with pharmaceutical import market share improving to ~7% in 1HFY26 from ~4% in FY23. Industry-wide pharmaceutical imports totalled ~LKR 99.5 bln in 1HFY26, indicating a large, import-dependent market where scale advantages favor larger players, while supporting gradual growth opportunities. In 1HFY26, GSHPL reported LKR ~6,637 mln, with pharmaceuticals contributing ~65% and non-pharmaceuticals ~34%, reflecting a stable revenue mix. Revenue from top 10 customers accounted for 39%, indicating moderate customer concentration and gradual diversification toward smaller clients. GSHPL’s profitability in 1HFY26 was affected by higher costs arising from exchange rate volatility and imported raw materials. Net profit margin remained at ~6.9%, highlighting margin sensitivity to NMRA price controls and sustained cost pressures on pharmaceutical products. GSHPL’s long-term sustainability is supported by its new local manufacturing plant, planned product launches, and diversification, which reduce reliance on imports.

Financial Risk GSHPL’s net working capital stood at ~77 days in 1HFY26, improving from ~89 days in FY25, supported by lower inventory (~60 days) although this improvement was partly offset by a decline in trade payable days (~67 days). Receivables, particularly from government-related sales (~140–150 days), remain elongated, constraining liquidity. While inventory management has improved, ongoing focus on collection efficiency and optimisation of payables is critical to sustain cash flow and operational effectiveness in the pharmaceutical distribution business. GSHPL has very strong interest and debt coverages due to its low debt levels and healthy cashflows. The interest coverage ratio stood at ~19.1x in 1HFY26 as compared to ~11.9x times in FY25, while the debt coverage ratio improved to ~11.6x in 1HFY26 (FY25: ~2.7x). GSHPL’s capital structure remains conservatively leveraged, with gearing declining to ~16.4% in 1HFY26 (FY25: 24.4%). The reduction reflects strong equity growth (~48%) from retained earnings and revaluation reserves, which slightly exceeded a ~47% rise in borrowings, supporting a strengthened balance sheet.

Instrument Rating Considerations

About The Instrument GSCL has issued LKR 500 mln 3-year zero-coupon debenture with a par value of LKR~100, with a face value of LKR ~712 mln at maturity. The instrument carries a gross interest rate of 12.5% per annum. GSHPL is providing a full corporate guarantee in favor of the debenture, covering the entire face value of the issuance.

Relative Seniority/Subordination Of Instrument The claims of the debenture holders, in the event of the winding up of the company, shall be covered by the Corporate Guarantee from GSHPL. This guarantee will cover the entire face value.

Credit Enhancement It is a secured debt instrument, and the debenture is underwritten. The face value will be entirely paid at the end of the tenor and is fully secured by GSHPL.



Lanka Rating Agency Limited

George Steuart Health (Pvt) Ltd Pharmaceuticals	Sep-25	Mar-25	Mar-24	Mar-23
	6M	12M	12M	12M

A BALANCE SHEET

1 Non-Current Assets	1,631	1,626	1,326	1,177
2 Investments	1	1	12	388
3 Related Party Exposure	980	985	771	10
4 Current Assets	6,386	5,677	6,282	4,592
<i>a Inventories</i>	2,170	2,164	2,466	1,864
<i>b Trade Receivables</i>	3,066	3,093	2,847	1,576
5 Total Assets	8,998	8,289	8,391	6,167
6 Current Liabilities	3,247	3,070	3,310	2,415
<i>a Trade Payables</i>	2,407	2,480	2,764	1,884
7 Borrowings	845	1,220	1,209	547
8 Related Party Exposure	51	85	116	154
9 Non-Current Liabilities	551	126	164	140
10 Net Assets	4,303	3,788	3,592	2,911
11 Shareholders' Equity	4,304	3,787	3,592	2,911

B INCOME STATEMENT

1 Sales	6,637	10,907	10,023	7,909
4 Profit or (Loss) before Interest and Tax	801	1,313	1,504	1,472
<i>a Total Finance Cost</i>	(45)	(114)	(72)	(202)
<i>b Taxation</i>	(300)	(487)	(559)	(394)
6 Net Income Or (Loss)	455	712	873	876

C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	527	770	904	1,054
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	482	656	832	887
<i>c Changes in Working Capital</i>	585	(415)	(1,509)	(581)
1 Net Cash provided by Operating Activities	1,067	242	(677)	306
2 Net Cash (Used in) or Available From Investing Activities	(8)	(258)	42	71
3 Net Cash (Used in) or Available From Financing Activities	(202)	(136)	403	(638)
4 Net Cash generated or (Used) during the period	857	(152)	(232)	(261)

D RATIO ANALYSIS

1 Performance				
<i>a Sales Growth (annualised)</i>	21.7%	8.8%	26.7%	-27.6%
<i>b Net Profit Margin</i>	6.9%	6.5%	8.7%	11.1%
<i>c Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	16.8%	3.3%	-6.0%	6.0%
<i>d Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Shareholders' Equity)]</i>	22.5%	19.3%	26.8%	30.1%
2 Working Capital Management				
<i>a Gross Working Capital (Average Days)</i>	144	177	159	159
<i>b Net Working Capital (Average Days)</i>	77	89	75	72
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	2.0	1.8	1.9	1.9
3 Coverages				
<i>a FCFO / Finance Cost+CMLTB+Excess STB</i>	11.7	2.7	1.5	1.6
<i>b Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	0.7	1.1	0.9	0.6
4 Capital Structure				
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	16.4%	24.4%	25.2%	15.8%
<i>b Interest or Markup Payable (Days)</i>	0.0	0.0	0.0	0.0
<i>c Entity Average Borrowing Rate</i>	9.2%	9.2%	12.7%	36.9%

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

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