



Lanka Rating Agency

Rating Report

Asiri Hospital Holdings PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
19-Dec-2024	BBB-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Asiri Hospital Holdings PLC (AHPLC), established in 1980, is part of the Asiri Health Group, which operates ~7 strategically located hospitals across Sri Lanka. The rating reflects Asiri Hospital Holdings PLC strong business profile as the Company operates both as an operating company and as a holding company. At present, the Company's investments are primarily focused on the private health care industry, where it enjoys very strong presence. The Company's core investments in ~11 subsidiaries comprise following services, i) Hospitals and Health Care Services, ii) Laboratory Services, iii) Health Care Education Services. The rating is constrained by the challenging financial position of Softlogic Holdings PLC, the majority shareholder (55.12%) of AHPLC. Softlogic Holdings PLC has reported a loss of LKR~9.1bn in FY24 (3MFY25: Loss of LKR~614.6mn) and an equity of LKR~7.0bn in 3MFY25 (FY24: LKR~43.8bn). AHPLC has sizeable exposure to Softlogic Group in the form of related party loans. These amounted to LKR~12.2bn (principal + interest due) as at 6MFY25, accounting for almost ~23% of the Asiri Group's asset base. The Auditor has given a qualified opinion on FY24 financials of the Company based on these related party loans.

AHPLC, on a consolidated basis, recorded revenue of LKR~15.0bn in 6MFY25 and profit of LKR~1.2bn. The Group has an asset base of LKR~54.7bn and equity of LKR~22.9bn as of 6MFY25. The Company has a leveraged capital structure (6MFY25: ~56.0%) and adequate coverages. The Company faces potential challenges with related party receivables, particularly if provisions need to be made against the loan.

The rating is dependent on Asiri Hospital Holdings PLC's (including its subsidiaries) exposure to the Softlogic Group. Any negative repercussions in this regard would lead to rating downgrade. Meanwhile, reduction in related party loans and measures taken to limit these in future will have positive implications. Meanwhile, sustaining its robust position in Sri Lanka private health care industry would be important.

Disclosure

Name of Rated Entity	Asiri Hospital Holdings PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Parent and Subsidiary Rating Linkage(Jun-22),Methodology Holding Company Rating Criteria(Aug-24)
Related Research	Sector Study Holding Company(Mar-24)
Rating Analysts	Imran Iqbal imran@lra.com.lk +94 114 500099



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Profile

Background Asiri Hospital Holdings PLC ("the Company" or "AHPLC") is a public limited liability company, incorporated and domiciled in Sri Lanka under the Companies Act No. 17 of 1982, and re-registered under the Companies Act No. 07 of 2007 in 2007. The Company got listed on the Colombo Stock Exchange in June 1986.

Structural Analysis Presently, the Company's investments are spread across eleven (11) subsidiaries providing services in Hospitals and Healthcare Segments, Laboratory Services, Investment Services, and Healthcare Education Services.

Ownership

Ownership Structure AHPLC is majority-owned by Softlogic Holdings PLC, which holds ~55.12% of its shareholding. Merrill Lynch Pierce Fenner & Smith-TPG Growth III SF Pte Limited owns ~28.86%, and BBH-Tundra Sustainable Frontier Fund holds ~2.64% as of FY24.

Stability The Company derives its stability from its major shareholder its parent Company, Mr. Asoka Pathirage, who holds approximately ~41.35% of Softlogic Holdings PLC. Mr. Pathirage brings decades of experience across key sectors such as retail, healthcare, financial services, ICT, leisure & property, and automotive. The ownership structure has remained unchanged for many years, with the ultimate control firmly retained by Mr. Pathirage.

Business Acumen Mr. Ashok Pathirage, widely regarded as a visionary leader in Sri Lanka's corporate sector, is the founding member and Chairman/Managing Director of the Softlogic Group. Under his leadership, the Group manages over ~50 companies and employs more than 11,000 individuals.

Financial Strength Softlogic Holdings PLC reported a loss of LKR~9.1bn in FY24 at Company Level (3MFY25: Loss of LKR~614.6mn), asset base of LKR~100.4bn in FY24 (3MFY25: LKR~59.6bn), and an equity of LKR~6.9bn in 3MFY25 (FY24: LKR~43.8bn). The Holding Company's investment in subsidiaries amounted to LKR~84.8bn in FY24 up from LKR~77.0bn in FY23.

Governance

Board Structure The Board of Directors consists of eight (6) directors, of which four (4) are Non-Executive Independent Directors, one (1) is Non-Independent Non-Executive Director, one (1) is an Executive Director. Mr. Ashok Pathirage who is the Chairman of the Board also acts as the Managing Director of the hospital chain.

Members' Profile Mr. Ashok Pathirage serves as the Chairman of the Board, overseeing its operations across multiple sectors. He serves as the Chairman/ Managing Director of Softlogic Holdings PLC and ODEL PLC. He also serves as the Chairman of Softlogic Capital PLC, Softlogic Life Insurance PLC, Softlogic Finance PLC and NDB Capital Holdings Limited in addition to other companies of the Softlogic Group.

Board Effectiveness The Company has four (4) Board sub-committees namely i.) Audit Committee (AC), ii) Related Party Transaction Review Committee (RPTC) iii) Remuneration Committee (RC), and iv) Nomination Committee (NC). The "AC" is headed by Mr. S Anghama, who is an independent Non-Executive Director.

Transparency The external auditors of the company, Ernst & Young, issued a qualified audit opinion on the annual financial statements for FY24. The basis for the qualified opinion arises from excessively high related party loans.

Management

Organizational Structure The Company operates with a clear organizational functional structure, consisting of twenty-three (23) key departments, all reporting to the Managing Director. A few of the departments include the audit department, Risk, Information Technology, Human Resources, Marketing, and Finance etc., The ultimate authority rests with the Board of Directors.

Management Team The Company's management team is spearheaded by Mr. Ashok Pathirage. The operations of the Company are assisted by a well-qualified team of professionals with extensive experience in their relevant fields.

Management Effectiveness The Group has established formal management committees referred to as the Chief Operating Decision Maker (CODM). These committees are responsible for monitoring the operating results of the business units separately to facilitate decisions regarding resource allocation and performance assessment.

Control Environment The Asiri Group has implemented an integrated Risk Management framework to identify, assess, and prioritize significant risks, supported by appropriate mitigation actions. A Risk Management Committee oversees this process, assisted by sub-committees focused on Quality & Patient Safety, Facility Management, Incident Reviews, Patient Feedback & Complaints, and Mortality & Morbidity Reviews.

Investment Strategy

Investment Decision-Making The Board of Directors has the final authority over the company's investment choices. When a specific investment opportunity is to be discussed, the Board appoints a sub-committee to examine and consider the pertinent factors. However, the final judgment is made after keeping the entire Board in the loop for the evaluation. Asset Maintenance and replacement of equipment in relation to ongoing operations are discussed and approved during the annual budget session by the Board

Investment Policy AHPLC does not maintain a formal investment committee or policy. Investment decisions are made at the time based on the optimal returns for the hospital chain.

Investment Committee Effectiveness The Board and management meetings are conducted as and when required for making investment decisions of the Company and to evaluate and discuss the performance of the subsidiaries.

Business Risk

Diversification The Company's investment portfolio consists of eleven (11) subsidiaries. All these investments could be defined as horizontal investments focusing on healthcare, particularly hospitals and laboratory segments of Sri Lanka.

Portfolio Assessment The performance of AHPLC and its major subsidiaries are as follows; AHPLC as a company reported a revenue and profit after tax (PAT) of LKR~3.2bn and LKR~179.1mn, respectively, in 3MFY25. The Company's total asset base stood at LKR~31.3bn in 3MFY25 (FY24: LKR~30.6bn). Asiri Hospital Matara (Pvt) Ltd., with an asset base of LKR~3.2bn, reported a PAT of LKR~233mn in FY24 (3MFY25 PAT: LKR~26mn). Asiri Surgical Hospital PLC has an asset base of LKR~13.3bn and recorded a PAT of LKR~479.mn for FY24 (3MFY25 PAT: LKR~130mn). Central Hospital Ltd. has an asset base of LKR~19.1bn, generating a PAT of LKR~1.4bn during FY24 (3MFY25 PAT: LKR~300mn). Asiri Hospital Galle (Pvt) Ltd., with an asset base of LKR~2.6bn, recorded a PAT of LKR~69mn for FY24 (3MFY25: Loss LKR~13mn). Asiri AOI Cancer Centre (Pvt) Ltd., with an asset base of LKR~846mn, reported a PAT of LKR~200mn in FY24 (3MFY25 PAT: LKR~61mn). Asiri Diagnostics Services (Pvt) Ltd., with an asset base of LKR~456mn, posted a PAT of LKR~23mn for FY24 (3MFY25 PAT: LKR~2mn).

Income Assessment The Company aims for sustainable income flows, from its core business, while relying less on other income e.g., Rental and Interest Income. The Company has reported a (PAT) of LKR~434.8mn in FY24 (6MFY25: LKR~1.8bn) as compared to a loss of LKR~981.7mn in FY23 due to a decrease in the finance cost.

Financial Risk

Coverages In FY24, the total operating cash flow stood (TCF) at LKR~4.2bn (6MFY25: LKR~3.3bn). The Company's interest coverage ratio (TCF/Finance Cost) improved to ~1.5x in FY24 (6MFY25: ~4.1x) from ~0.9x in FY23, reflecting stronger coverage of finance costs due to a decrease in interest rates. The debt payback capacity stood at ~2.9x in FY24, compared to ~3.1x in FY23 (6MFY25: ~2.4x), indicating a slightly lower but still reasonable ability to service debt obligation.

Capital Structure The Company's debt leverage ratio stood at ~59.8% in FY24 (6MFY25:~56.0%). The short-term borrowings, which comprise interest-bearing loans & borrowings, and bank overdrafts, amounted to LKR~7.8bn in FY24 (6MFY25: LKR~10.7bn). Long-term borrowings stood at LKR~8.7bn in FY24 (6MFY25: LKR~4.6bn).

Consolidated Position The Group has a total asset base of LKR~52.5bn as of FY24 (6MFY25: LKR~54.8bn) and total equity of LKR~23.4bn for FY24 (6MFY25: LKR~22.8bn). The Group has reported a (PAT) of LKR~3.1bn in FY24 (6MFY25: LKR~1.2bn).



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Asiri Hospitals Holdings PLC
Holding Company

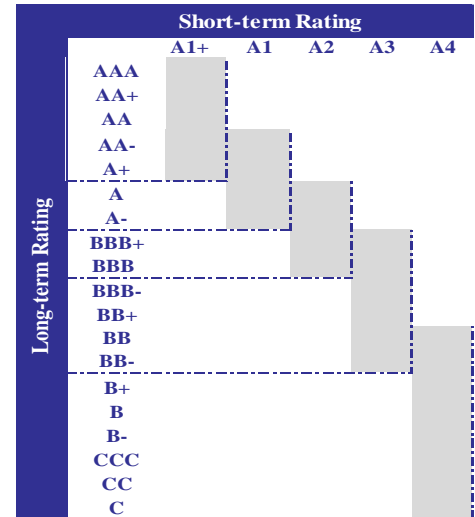
	Sep-24	Jun-24	Mar-24	Mar-23	Mar-22
	6M	3M	12M	12M	12M
	Management	Management	Audited	Audited	Audited
A BALANCE SHEET					
1 Investments	45	42	39	36	36
2 Related Party Investments	13,372	12,933	13,232	13,165	13,456
3 Non-Current Assets	15,251	15,579	15,428	15,919	15,063
4 Current Assets	2,582	2,711	1,879	1,558	1,749
5 Total Assets	31,249	31,266	30,579	30,678	30,304
6 Current Liabilities	2,935	1,442	1,435	1,560	2,478
7 Borrowings	10,369	10,965	10,273	11,720	8,600
8 Related Party Exposure	5,147	5,921	6,403	5,290	7,428
9 Non-Current Liabilities	2,772	2,674	2,566	2,436	1,201
10 Net Assets	10,027	10,264	9,901	9,672	10,597
11 Shareholders' Equity	10,027	10,264	9,901	9,672	10,597
B INCOME STATEMENT					
1 Total Investment Income	1,452	55	271	279	2,492
a Cost of Investments	(799)	(409)	(2,809)	(3,906)	(1,190)
2 Net Investment Income	653	(353)	(2,539)	(3,627)	1,302
a Other Income	145	6	33	31	36
b Operating Expenses	(1,839)	(899)	(3,177)	(2,502)	(2,065)
4 Profit or (Loss) before Interest and Tax	2,089	271	576	(766)	3,756
a Taxation	(257)	(92)	(141)	(215)	(499)
6 Net Income Or (Loss)	1,832	179	435	(982)	3,256
C CASH FLOW STATEMENT					
a Total Cash Flow	3,282	879	4,075	3,669	3,177
b Net Cash from Operating Activities before Working Capital Changes	2,693	581	2,210	513	1,594
c Changes in Working Capital	(1,076)	(532)	(487)	170	(1)
1 Net Cash (Used in) or Available From Investing Activities	(1,566)	(109)	112	821	357
2 Net increase (decrease) in long term borrowings	(141)	13	(1,758)	(207)	(261)
3 Net Cash (Used in) or Available From Financing Activities	(17)	573	(1,863)	(1,438)	(2,110)
4 Net Cash generated or (Used) during the period	35	513	(29)	67	(159)
D RATIO ANALYSIS					
1 Performance					
a Asset Concentration (Market Value of Largest Investment / Market Value of)	44.8%	46.7%	46.3%	42.5%	66.4%
b Core Investments / Market Value of Equity Investments	100.0%	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments at Market Value	0.0%	0.0%	0.0%	0.0%	0.0%
2 Coverages					
a TCF / Finance Cost	4.1	2.2	1.5	0.9	2.8
b TCF / Finance Cost + CMLTB	3.2	1.7	1.3	0.7	1.6
c Loan to Value (Funding / Market Value of Equity Investments)	0.5	0.6	0.6	0.7	1.3
3 Capital Structure (Total Debt/Total Debt+Equity)					
a Leveraging [Funding / (Funding + Shareholders' Equity)]	56.0%	57.8%	59.9%	60.8%	59.1%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	127.2%	137.2%	149.3%	154.9%	144.4%

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 Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
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.
AA-	
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.
A-	
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.
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+	
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-	
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 Definition
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.



*The correlation shown is indicative and, in certain cases, may not hold.

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) PACRA 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.

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.

Note. This scale is applicable to the following methodology(s):

- a) Broker Entity Rating
- b) Corporate Rating
- c) Debt Instrument Rating
- d) Financial Institution Rating
- e) Holding Company Rating
- f) Independent Power Producer Rating
- g) Microfinance Institution Rating
- h) Non-Banking Finance Companies Rating

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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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