



Lanka Rating Agency

Rating Report

Ceylon Tea Brokers PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
18-Jul-2025	BBB	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The tea brokerage industry in Sri Lanka operates within a regulated market structure. At present there are eight licensed tea brokers, all overseen by the Sri Lanka Tea Board under the Tea Board Act No. 14 of 1975 and Produce Broker Act No. 9 of 1979. The tea brokers act as intermediaries between tea producers and exporters, facilitating price discovery and sales through centralized Colombo Tea Auction (CTA). Tea production in Sri Lanka has declined in recent times, primarily due to rising input and labor costs, the prevalence of aging tea bushes with inadequate replanting, and increasing climate-related volatility.

Ceylon Tea Brokers PLC (“CTBL” or “the Company”) is a limited liability company engaged primarily in tea brokering, warehousing, and financing activities in Sri Lanka. The rating reflects CTBL’s long-standing track record in the tea brokerage business, where it is regarded as one of the top two players in the industry. CTBL’s strong parentage, through direct ownership by the ultimate shareholders of the Capital Alliance Group, also underpins the rating. CTBL demonstrated healthy performance in its core tea brokering business during FY24 and FY25, supported by an increase in market share within the industry. As of FY25, CTBL maintains a strong position in the low-grown segment with a commanding market share of ~20% and handles over ~16% of total sales at the CTA. CTBL also provided supplier finance to growers and has a lending portfolio of approximately LKR 1.4Bn as at end-FY25. Credit risk remains low, due to access to underlying stock for sales in case of default and debarring of the defaulter from future auctions. The rating remains constrained by the weak financial profile and highly leveraged capital structure of CTBL’s wholly owned subsidiary, Logicare (Pvt) Ltd, which reported a loss of LKR ~105Mn in FY25 (FY24: LKR ~71Mn loss).

CTBL has modest profitability as it reported a Net Profit (PAT) of LKR ~143.2Mn for FY25 (FY24: LKR ~141.9Mn). At the consolidated level, PAT was impacted by operational losses from Logicare (Pvt) Ltd, which were recorded at LKR ~38.2Mn in FY25 (FY24: LKR ~69.8Mn). CTBL recorded a ~15.5% growth in brokerage revenue, increasing income from tea brokering to LKR ~499Mn in FY25 (FY24: LKR ~433Mn). However, income from interest on supplier credit declined by ~35% during FY25, attributed to the low-interest rate environment, resulting in overall revenue of LKR ~1,001Mn in FY25 (FY24: LKR ~1,082Mn). CTBL has a leveraged capital structure which as at end-FY25 stands at ~77% with borrowings peaking in tea season. These funds are used to extend financing to tea growers and processing factories across the country.

The rating remains dependent on CTBL’s ability to maintain its strong market position in the core business, sustain profitability and maintain a healthy financial profile. Any deterioration in the credit quality of the lending portfolio or operational losses would negatively impact the rating. Meanwhile, curtailing losses of the subsidiary and reduce its financial exposure is important for the rating.

Disclosure

Name of Rated Entity	Ceylon Tea Brokers PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating Criteria(Aug-24)
Related Research	Sector Study Commodity Brokers(May-25)
Rating Analysts	Richmond Reginald richmond@lra.com.lk +94 114 500099



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Profile

Background Ceylon Tea Brokers PLC (“CTBL” or “the Company”), established in 1999 and listed on the Colombo Stock Exchange in 2010, evolved from a 1963 partnership. Acquired by Capital Alliance in 2005, it expanded into logistics in 2017 through acquiring Logicare (Pvt) Ltd while CTBL launched online auctions in 2021.

Operations The Company, Sri Lanka's second largest tea broker, offers brokering, marketing, warehousing, financing, advisory, cataloguing and real-time information services, serving 120+ factories and handling ~16.1% of Colombo Tea Auction sales.

Ownership

Ownership Structure Mr. W.A.T. Fernando owns ~26.78% of the share capital directly and controls Ashthi Holdings Ltd which owns a ~30.39% stake. Ms. Shiromal Cooray holds ~5.98% directly and ~18.69% indirectly via Jetwing Travels (Pvt) Ltd, where she is the controlling shareholder.

Stability The family members of Mr. W.A.T. Fernando and Ms. N.T.M.S. Cooray are experienced corporate leaders who inspire confidence. The stable ownership structure, unchanged recently, is expected to persist in the future.

Business Acumen Mr. W.A.T. Fernando, a CIMA (UK) fellow member and a MA in Financial Economics from the University of Colombo, chairs Capital Alliance Investments, Logicare, CAL Securities (Bangladesh), and serves as Non-Independent Non-Executive Director (NED) of Ceylon Tea Brokers PLC.

Financial Strength Mr. W. A. T. Fernando and Ms. Shiromal Cooray have substantial net worth and business support capacity.

Governance

Board Structure The CTBL board has 12 directors: 8 non-executive (4 independent) and 4 executive. On January 31, 2025, Mr. W.A.T. Fernando became Non-Executive Director, Mr. Waruna De Silva became Managing Director, and Mr. Dinesh Fernando was appointed CEO after serving as COO.

Members' Profile The CTBL Board combines diverse skills and experience. Chairman Mr. Niraj De Mel has 40+ years in the tea industry while Managing Director Mr. W.A.T. Fernando brings 30+ years and serves on CAL Group and other blue-chip company boards.

Board Effectiveness The board has five subcommittees—Audit, Related Party Transactions, Risk Management, Remuneration, and Nomination—each chaired by a non-executive director with delegated specific responsibilities.

Transparency KPMG is the external auditor of the Company. They have given an unqualified opinion on the financial statements for the year-end 31st March 2024.

Management

Organizational Structure CTBL has a functional organizational structure and operates through eight departments. All the departmental heads directly report to the CEO and other Executive Directors.

Management Team The Company is equipped with a well experienced and qualified management team. Mr. Dinesh Fernando is the CEO of the Company. He joined Ceylon Tea Brokers PLC in 2016 as a General Manager. He has over 20 years of experience in tea brokering. He is a Member of the Association of Chartered Certified Accountants (ACCA), UK and holds a Master of Business Administration (MBA) and a BA in Business and Marketing. CTB has 122 employees at present.

Management Effectiveness The Board of Directors delegate the day-to-day management of the company to the Managing Director and CEO of the Company. The Company has two formal corporate management committees namely the Management Committee and Credit Committee in place and these committees report to the Managing Director and to the CEO. The Management Committee of the Company is engaging in managing day to day risk taking activities and implementing internal policies and procedures. The Credit Committee is responsible for the decisions on credit risk of the company and is also responsible for implementing policies and procedures on lending.

Control Environment The Company has established a Risk Management Framework with three levels of control in place under the supervision and direction of its Board of Directors and supported by the Corporate Management Team and employees at all levels. The Board of Directors gives the leadership to risk management framework of the Company as a part of its good governance practices. The Board has delegated this responsibility to its two main subcommittees which are the Risk Management Committee (RMC) and the Audit Committee (AC). These two subcommittees conduct meetings at least once in every quarter and update the Board of Directors at the board meetings on the effectiveness of the risk management framework and internal controls, effectiveness of the audit, review of compliance and internal audit processes.

Business Risk

Industry Dynamics Iraq, Libya and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for 5MCY25. Total tea production of Sri Lankan Tea for CY24 was ~262.69 kg in comparison to 256.04 million Kilograms in CY23 (CY22: ~251.50 million kg). High, Medium and Low Grown Tea witnessed an increase in volume when compared to CY23.

Relative Position CTBL, out of the eight tea brokers in Sri Lanka, strengthened its market leadership in FY25 with a ~19.85% market share in the Low Grown sector (FY24: ~17.70%). It also held ~9.05% in the High Category in FY25 (FY24: ~9.52%) and also ~9.05% in the Medium Category (FY24: ~9.76%), achieving an overall ~16.13% market share in FY25 (FY24: ~14.46%) by quantity sold, maintaining strong industry presence.

Revenues CTB's revenue from contracts with customers is diverse and includes Brokerage Fee, Handling Charges, Logistics and Transportation Income, lot fee and Sundry Income. CTB earns ~1% brokerage income on the total value of tea sales sold at the Colombo Tea Auction. Brokerage revenue has witnessed a growth of ~15.5% during FY25. However, income from interest on supplier credit has declined by ~35% during FY25 due to low-interest rate environment. The income from tea brokering, the company's core business amounted to LKR~499Mn in FY25, LKR~375Mn in 9MFY25, LKR~251Mn in 6MFY25, LKR~121Mn in 3MFY25 and LKR ~ 433Mn in FY24 (FY23: LKR ~ 519Mn).

Cost Structure Total operating expenses shrank to LKR~457Mn in FY25 from LKR~656Mn in FY24 (FY23: LKR~613Mn) while Net Finance Expenses in FY25 amounted to LKR~219mn in comparison to LKR~215Mn in FY24 (FY23: LKR~209Mn).

Sustainability Total Operating Income accounted for LKR~634Mn in FY25 in comparison to LKR~507Mn in FY24 (FY23: LKR~596Mn). The Company reported a Net Profit of LKR~141Mn for FY25, relatively unchanged from the FY24 figure (FY23: LKR~240Mn).

Financial Risk

Credit Risk In FY25, Accounts Receivable amounted to ~113.2% of the sum of short-term borrowings and payables to customers in comparison to ~107.1% in FY24 (FY23: ~84.6%). Loans and advances to tea suppliers has increased by ~16.6% during FY25 when compared to FY24. The Company has a policy of extending up to 150% of inventory as credit to tea factories. CTB lends to tea factories to facilitate working capital investment.

Market Risk CTBL's Investments/Equity returned a figure of ~68.3% in FY25 in comparison to ~73.1% in FY24 and ~74.5% in FY23 as the Company continued to retain its investment in its subsidiary constant while net worth grew.

Liquidity Risk Liquid assets as a percentage of total assets clocked ~23.1% in FY25 from ~29.7% in FY24 (FY23: ~24.6%). Liquid assets accounted for ~176.6% of trade-related liabilities in FY25 in comparison to ~175.0% in FY24 (FY23: ~153%) while the drop in short-term borrowings to LKR~110mln in from LKR~249mln meant that liquid assets accounted for ~138.3% of the sum of trade-related liabilities and short-term borrowings in FY25 from ~116.3% in FY24 (FY23: ~90.7%).

Capital Structure The Company has a leveraged capital which stands at ~77% with borrowings peaking in the tea season. EBITDA interest coverage clocked ~51.2% in FY25 comparison to ~52.0% in FY24.



Limited

	LKR Mln	LKR Mln	LKR Mln	LKR Mln
Ceylon Tea Brokers PLC	Mar-25	Mar-24	Mar-23	Mar-22
Listed Public Limited	12M	12M	12M	12M

A BALANCE SHEET

1 Finances	-	-	-	-
2 Investments	633	633	633	633
3 Other Earning Assets	41	22	19	18
4 Non-Earning Assets	2,366	2,247	2,126	1,626
5 Non-Performing Finances-net	-	-	-	-
Total Assets	3,040	2,901	2,778	2,277
6 Funding	1,827	2,233	1,717	1,477
7 Other Liabilities (Non-Interest Bearing)	287	207	211	125
Total Liabilities	2,113	2,440	1,928	1,602
Equity	927	866	850	675

B INCOME STATEMENT

1 Fee Based Income	584	705	789	440
2 Operating Expenses	(457)	(656)	(613)	(300)
3 Non Fee Based Income	507	458	421	157
Total Operating Income/(Loss)	634	507	596	298
4 Financial Charges	(419)	(295)	(264)	(151)
Pre-Tax Profit	214	211	332	146
5 Taxes	(73)	(69)	(92)	(37)
Profit After Tax	141	142	240	110

C RATIO ANALYSIS

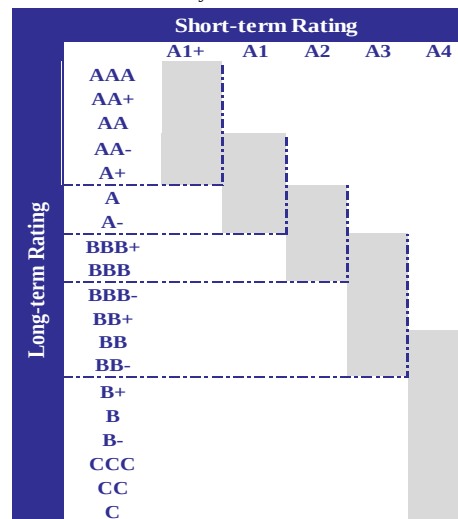
1 Cost Structure				
Financial Charges / Total Operating Income/(Loss)	66.2%	58.3%	44.3%	50.9%
Return on Equity (ROE)	29.1%	27.6%	47.5%	23.7%
2 Capital Adequacy				
Equity / Total Assets (D+E+F)	30.5%	29.8%	30.6%	29.6%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt)	28.3%	7.7%	73.5%	38.1%
3 Liquidity				
Liquid Assets / Total Assets (D+E+F)	23.1%	29.7%	24.6%	34.3%
Liquid Assets / Trade Related Liabilities	176.6%	175.0%	153.0%	138.4%
4 Credit & Market Risk				
Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers	113.2%	69.3%	84.6%	116.9%
Equity Instruments / Investments	0.0%	0.0%	0.0%	0.0%

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.

Long-term Rating	
Scale	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.

Short-term Rating	
Scale	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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