



Lanka Rating Agency

Rating Report

Capital Alliance Holdings PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
04-Jun-2026	A+	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Capital Alliance Holdings PLC ("CALH" or "the Company") operates as the holding company of the Capital Alliance Group ('the Group'). CALH is primarily engaged in investment activities and the management of its subsidiaries, with operations divided across six (6) key business segments: Primary Dealer (PD), Corporate Finance, Asset Management, Stock Brokering, Investment Related Products & Investment Holding, and Consultancy.

The assigned rating reflects CALH's strong business and financial risk profile. The Company maintains an established position in the financial services sector, supported by its brand positioning and an investment portfolio diversified across multiple asset classes. Income generation remains concentrated, with ~90% of total income derived from dividend inflows from the PD business conducted through its subsidiary, Capital Alliance PLC (CALPLC). Contributions from other investment segments remain limited. The recent performance of the PD segment has supported the Company's earnings and overall business profile. However, the high reliance on a single income source exposes the Company to concentration risk, linking its financial performance to the underlying performance and dividend capacity of CALPLC. The Company does not have a formal Investment Committee and follows larger group strategy in terms of its investment decisions, including expansion in the regional markets.

The Company's performance and profitability bolstered in FY25, followed by normalization during 1HFY26. Total income increased to LKR~4.8bn (FY24: LKR~2.2bn) in FY25 primarily driven by a higher dividend contribution from CALPLC. The elevated dividend payout was supported by exceptional trading gains on government securities at the subsidiary level. Consequently, the Company reported a net profit of LKR~4.6bn (FY24: LKR~1.9bn) in FY25. During 1HFY26, total income moderated and was reported at LKR~1.2bn, reflecting stable interest rate environment and related trading gains. Net profit for 1HFY26 was reported at LKR~1.0bn, in line with the reduced income levels during the period. The Company has a largely debt-free capital structure signifying low financial leverage and funding risk. CALH has made investments in mutual funds during 1HFY26, which are considered liquid. The Company has also made significant investment in convertible preference shares of a subsidiary, Finnovation. Going forward, CALH is expected to sustain its current profitability levels with no major leveraging. Subsidiaries are performing well but major contribution is expected to come from treasury operations.

The assigned rating will remain sensitive to changes in the Company's operational and financial performance, particularly the sustainability of dividend inflows from its subsidiary and the resulting impact on earnings and cash flows. Emergence of other business segments as meaningful contributors to revenues is important. Continued adherence to a low-leverage capital structure may support positive rating momentum over time. Conversely, any material debt drawdown leading to increased leverage and weakening of coverage metrics may exert downward pressure on the rating.

Disclosure

Name of Rated Entity	Capital Alliance Holdings PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Holding Company Rating Criteria(Aug-24)
Related Research	Sector Study Holding Company(May-25)
Rating Analysts	Ruwanthi Sylva ruwanthi@lra.com.lk +94 114 500099



Holding Company

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Profile

Background Capital Alliance Holdings PLC ("CALH" or "the Company"), is a limited liability company incorporated in 2003 under the Companies Act No. 07 of 2007, with its registered office at Level 5, Millennium House No 46/58, Nawam Mawatha, Colombo 02, Sri Lanka.

Structural Analysis CALH's principal activity is the investment in and management of its subsidiaries. The Group operates through seven business segments—Primary Dealing, Corporate Finance, Asset Management, Stock Brokering, Private Equity, Investment Products & Holding, and Consultancy—covering capital market, advisory, and investment management activities. Its portfolio comprises seven direct subsidiaries, including Capital Alliance PLC (~86%) and other wholly or majority owned entities, along with seven indirect subsidiaries primarily supporting regional operations in Bangladesh and related advisory and investment platforms. CALH functions as a holding company, providing strategic oversight and capital allocation across the Group.

Ownership

Ownership Structure The top 3 shareholders hold ~72.67% of the Company's issued capital as of 1HFY26. These include Ashthi Holdings (Pvt) Ltd(~26.88%), Jetwing Travels (~26.44%), and Mr. W.A.T. Fernando (~19.35%), who also holds stake in Ashthi Holdings (Pvt) Ltd. Jetwing Travels is controlled by Ms. N.T.M.S. Cooray.

Stability CALH benefits from the stability and strategic oversight of Mr. W.A.T. Fernando and Ms. N.T.M.S. Cooray, both seasoned professionals. The ownership structure has remained unchanged in recent periods, supporting operational continuity.

Business Acumen Mr. Fernando is a fellow member of CIMA (UK) and holds an MA in Financial Economics from the University of Colombo. With extensive leadership experience, he holds key positions across multiple companies. Ms. Cooray, an Associate Member of CIMA and holder of an MBA from the University of Colombo, is part of the second generation of the renowned Jetwing family-owned hospitality group.

Financial Strength Mr. W. A. T. Fernando and Ms. N. T. M. S. Cooray possess the financial capacity to provide essential support to the entity if required, thereby reinforcing their role as key financial backers.

Governance

Board Structure The Board of CALH consists of ~9 members, of whom ~8 is Non-Executive Directors (NEDs). Among them, 3 serves as Independent Directors. The Chairman of the Board, Mr. D. A. De Zoysa, holds the position of Non-Independent NED.

Members' Profile The BoD, comprising individuals with diverse professional backgrounds and extensive expertise, provides critical oversight and strategic direction to the management team. The Chairman, Mr. D. A. De Zoysa, a distinguished professional with a broad and accomplished background, offers strong leadership that upholds rigorous governance standards and supports the Company's strategic goals through prudent oversight.

Board Effectiveness The Board oversees the operational effectiveness of the Company through the governance and oversight functions of five specialized subcommittees: the Audit Committee (AC), Risk Management Committee (RMC), Related Party Transactions Review Committee (RPTRC), Remuneration Committee (RC), and Nomination & Governance Committee (N&GC).

Transparency KPMG is the external auditor of the Company. They have given an unqualified opinion on the financial statements for the year end of March 31, 2025.

Management

Organizational Structure CALH operates within a structured organizational framework, segmented into core functional divisions. Each subsidiary, along with CALH, is led by dedicated business unit head and supported by fully resourced teams. Key functions such as Information Technology (IT), Human Resources (HR), and Finance are centralized and delivered as shared services by CALH, ensuring consistency, efficiency, and alignment across the Group.

Management Team CALH is supported by a highly experienced and qualified management team. Mr. Kanishke Mannakkara has served as the Group CEO since January 2024, bringing with him over 20 years of industry experience. Mr. Mannakkara has held several senior management positions across diverse sectors, underscoring his extensive leadership capabilities and strategic expertise.

Management Effectiveness The Company ensures operational effectiveness through coordination among Strategic Business Units (SBUs) via regular meetings. It maintains a comprehensive Risk Management Policy (RMP) and a formal Risk Register for identifying and mitigating potential risks.

Control Environment Senior management is tasked with implementing internal controls, with Ernst & Young outsourced to conduct independent audits and report on control effectiveness. The AC oversees financial reporting, internal controls, and serves as the key communication link among auditors, management, and the Board.

Investment Strategy

Investment Decision-Making The BoD adopts a bottom-up approach to identify and evaluate investment opportunities, drawing on insights from across the organization. Once opportunities are identified, the management team conducts detailed assessments before presenting them to the Board for final consideration.

Investment Policy The Company's general investment policy is to allocate excess cash into treasury or corporate instruments with maturities of less than one year, provided the return on investment exceeds the cost of funding. This prudent approach is designed to optimize short-term returns while effectively managing liquidity risk.

Investment Committee Effectiveness The Company does not have a formal Investment Committee (IC); instead, all identified investment opportunities are reviewed and approved by the BoD. While this approach ensures oversight, it may lack the specialized focus and in-depth scrutiny that a dedicated IC could provide.

Business Risk

Diversification The Company leverages its portfolio of ~14 subsidiaries/sub-subsidiaries, each offering a range of financial services, in alignment with the Group's strategic objective of diversifying income streams. These horizontal investments, spanning Sri Lanka, Bangladesh, and the UAE, reflect a focused commitment to the financial services sector while maintaining geographic diversification.

Portfolio Assessment Capital Alliance PLC remains the key driver of CALH's performance, CALH has posted a PAT of LKR~1.1bn (FY25: LKR~4.6bn) in 1HFY26, while the Group's PAT was recorded at LKR~1.1bn in 1HFY26 (FY25: LKR~4.2bn). However, the performance of CALH's other group companies remained moderate during FY25 and 1HFY26, albeit improving in certain segments.

Income Assessment CALH targets sustainable income primarily through dividends from its business ventures, with around ~90% derived from its PD operations via Capital Alliance PLC. In 1HFY26, the Company reported revenue of LKR~1.2bn (FY25: LKR~4.8bn), of which LKR~1.2bn was dividend income. On a consolidated basis, Group revenue reached LKR~8.8bn in 6MFY26 (FY25: LKR~17.1bn).

Financial Risk

Coverages Cash flow from operating activities were reported at negative of LKR~0.2bn (FY25: negative of LKR~2.6bn) in 1HFY26. Total Operating Cash Flows (TOCF) to Finance Cost ratio is recorded at 36.0x (FY25: ~146.5x) in 1HFY26.

Capital Structure The Company's leverage ratio slightly improved to ~3% in 1HY26, primarily due to the addition of both short-term and long-term borrowings. In contrast, the leverage ratio remained negligible in FY24 at ~3.2%, reflecting the Company's limited dependence on external debt during that period.

Consolidated Position On a consolidated basis, CALH reports a total asset base of LKR~103.3bn and total equity of LKR~24.6bn for 1HFY26. The consolidated Leverage ratio of the CALH stood at ~2.5% in 1HFY26 (FY25: ~2.5%) as compared to ~0.6% in FY24.



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Capital Alliance Holdings
Holding Company

Sep-25 6M Unaudited	Mar-25 12M Audited	Mar-24 12M Audited	Mar-23 12M Audited
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A BALANCE SHEET

1 Investments	3,835	3,706	473	422
2 Related Party Investments	4,437	1,897	2,269	1,728
3 Non-Current Assets	4	5	11	15
4 Current Assets	159	151	242	330
5 Total Assets	8,435	5,759	2,995	2,495
6 Current Liabilities	22	72	36	31
7 Borrowings	252	183	-	1,809
8 Related Party Exposure	-	-	3	99
9 Non-Current Liabilities	11	10	17	11
10 Net Assets	8,149	5,495	2,939	546
11 Shareholders' Equity	8,149	5,495	2,939	546

B INCOME STATEMENT

1 Total Investment Income	1,194	4,853	2,290	210
2 Cost of Investments	(24)	(32)	(177)	(279)
3 Net Investment Income	1,169	4,822	2,113	(69)
a Other Income	5	21	2	1
b Operating Expenses	(95)	(243)	(180)	(93)
4 Profit or (Loss) before Interest and Tax	1,079	4,599	1,936	(161)
a Taxation	-	(2)	1	3
6 Net Income Or (Loss)	1,079	4,598	1,937	(158)

C CASH FLOW STATEMENT

a Total Cash Flow	(93)	(95)	(139)	(45)
b Net Cash from Operating Activities before Working Capital Changes	(93)	(95)	(315)	(100)
c Changes in Working Capital	(61)	(2,549)	(40)	85
1 Net Cash provided by Operating Activities	(154)	(2,644)	(355)	(15)
2 Net Cash (Used in) or Available From Investing Activities	(1,467)	4,530	1,667	653
3 Net increase (decrease) in long term borrowings	-	-	-	-
4 Net Cash (Used in) or Available From Financing Activities	1,651	(1,948)	(1,350)	(691)
5 Net Cash generated or (Used) during the period	30	(63)	(38)	(52)

D RATIO ANALYSIS

1 Performance				
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	98.3%	98.3%	97.8%	96.2%
b Core Investments / Market Value of Equity Investments	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments at Market Value	17.0%	18.1%	3.1%	0.3%
2 Coverages				
a TCF / Finance Cost	36.0	147.7	44.6	-0.8
b TCF / Finance Cost + CMLTB	36.0	147.7	44.6	0.0
c Loan to Value (Funding / Market Value of Equity Investments)	0.0	0.0	0.0	0.2
3 Capital Structure (Total Debt/Total Debt+Equity)				
a Leveraging [Funding / (Funding + Shareholders' Equity)]	3.0%	3.2%	0.0%	76.8%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	3.1%	3.3%	0.0%	331.5%



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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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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