



Lanka Rating Agency

Rating Report

LOLC- Commercial Paper- 7Bn

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Short Term Rating	Outlook	Action	Rating Watch
20-Aug-2025	A1	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The rating reflects LOLC Holding's ("the Holding Company") robust position as the ultimate Holding Company of the LOLC Group (the Group) - one of the largest conglomerates in Sri Lanka (Asset Base of LKR~2.0tn: FY25). The Holding Company has gradually transitioned from being primarily focused on financial services to managing a diversified investment portfolio across various sectors, both locally and internationally. The financial services continue to be the core contributor in terms of assets and profitability. Overall, the Group's operations are divided into financial and non-financial segments, with the financial services segment accounting for ~76.67% of the Profit Before Tax of the LOLC Group. Historically, the Holding Company has maintained strong financial results through diversification into other business segments. The Holding Company's net profit increased to LKR~49.8bn in FY25 from LKR~29.9bn in FY24. The Group's net profit has also improved to LKR~41.0bn in FY25 as compared to LKR~21.8bn in FY24. The financial services segment continued to perform well in FY25, driven by the strong results of LOLC Cambodia and LOLC Finance in Sri Lanka. Other financial entities, particularly those involved in microfinance, also showed improved performance, although operations in some countries are yet to achieve profitability. The leisure sector returned to profits with the rebound in tourism in Sri Lanka and other operating regions. The trading and manufacturing segment also improved following losses in the previous year. The Holding Company's financial matrix remains constrained by low cash profits and high debt dependence. The capital structure reflects an elevated debt-to-equity mix of ~51.3% in FY25 (FY24: ~51%; FY23: ~42.7%) as the absolute quantum of debt has grown significantly. Moreover, the Holding Company's EBITDA is stressed, as most of its profit represents a non-cash share of income from the group companies. Resultantly, the interest and debt cover of the Holding Company remain weak. The Holding Company's liquid investments and unutilized funding lines from the Financial Institutions remain relatively low. The Holding Company is undertaking various strategies, including divestment of certain non-core investments and re-strategizing of fund upstreaming through dividends and share repurchases to consolidate and strengthen its financial position.

The rating is dependent on the Holding Company's aptness to improve its financial matrix, particularly in terms of its capital structure, debt mix, and debt repayment capacity. Alleviating pressure on short-term debt reliance is imperative. The rating also factors in the operational cash generation capacity of the Holding Company. Meanwhile, materialization of the envisaged plans, including share buybacks and divestments, remains critical.

Disclosure

Name of Rated Entity	LOLC- Commercial Paper- 7Bn
Type of Relationship	Solicited
Purpose of the Rating	Commercial Paper Rating
Applicable Criteria	Methodology Debt Instrument Rating(Aug-24)
Related Research	Sector Study Holding Company(May-25)
Rating Analysts	Gayani Randima Ariyawansa gayani@lra.com.lk +94 114 500099



Profile LOLC Holdings PLC ("the Holding Company") is a public quoted company incorporated in 1980. The address of the Company's registered office is No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka, and the principal place of business is situated at the same place. LOLC Holdings PLC is the ultimate Holding Company of the LOLC Group. The Holding Company has diversified into sub-groups with interests in Manufacturing & Trading, Agriculture & Plantation, Leisure, Construction and Real Estate, Financial Services, Digital Empowerment, Research & Innovation, Strategic Investment, and Mining. Geographically, the Group has expanded its global presence in over 28 countries.

Ownership The largest shareholding of the Holding Company rests with Mr. I C Nanayakkara with an ownership of ~48.86%. Meanwhile, ~31.03% is held by LOLC Capital (Private) Limited, which is also 100% owned by Mr. I C Nanayakkara, thereby contributing indirectly to his shareholding in the Holding Company. Mr. Ishara Nanayakkara is one of Sri Lanka's leading entrepreneurs, possessing a key position within the LOLC Group as Executive Chairman in LOLC Holdings PLC and Executive Chairman and director in other subsidiaries. The LOLC Group under Mr. Ishara Nanayakkara's leadership has diversified beyond the financial service arena, with large scale investments in Leisure, Construction, Plantation, Trading and Manufacturing. Mr. Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many conglomerates internationally. Coming from a strong business background, involved in their family enterprises, he ventured into the arena of financial services with a strategic investment in LOLC Holdings PLC and was appointed to the Board in 2002. LOLC Group is one of the largest conglomerates in Sri Lanka with an asset and equity base of LKR~2.0tn and LKR~604.6bn, respectively, as of Mar'25.

Governance The Holding Company's Board of Directors comprises seven members including a senior Independent Director; four Non-Executive Directors, out of which two are Independent Directors, and the remaining three are Executive Directors. The Board of Directors comprises highly qualified individuals with decades of experience. Their diversified backgrounds and extensive experience provide holistic guidance to the Company. Mr. Ishara Nanayakkara is the Executive Chairman and has more than 20 years of experience on LOLC's Board of Directors. The Board ensures effective governance through five committees, namely Audit Committee, The Talent Development and Remuneration Committee, Related Party Transaction Review Committee, The Integrated Risk Management Committee and The Corporate Governance Committee. With effect from the financial year 2024/25, the Group Management has decided to appoint Deloitte Partners, Chartered Accountants, as the Statutory Auditors, in line with the Group's commitment to enhancing its governance structure.

Management LOLC Holdings PLC has a functional organization structure, and all Head of Departments (HODs) under shared services structure report to the Group Managing Director (MD). The Holding Company is equipped with a well-experienced and qualified management team. Mr. Kapila Jayawardana, operates as the Group MD and is associated with the LOLC Group since 2007. He has a 15 years of experience in the LOLC Group, both locally and internationally in several fields. Prior to joining LOLC, he was the CEO of Citibank for Sri Lanka and Maldives. The management of the HoldCo ensures its effectiveness by efficient coordination between its SBUs through conducting meetings at different intervals as per the internal SOPs. Senior Management personnel are well experienced and aptly qualified for their roles. The Group has in place an Enterprise-wide Risk Management (ERM) framework to ensure a structured process of Internal Audit and Risk Management. Enterprise risk management unit has its reporting line to the Board of Management via the Integrated Risk Management Committee and the Board Audit Committees. The Business verticals remain aligned with the Chairman, the Board of Directors, and the Management in order to operate at the frontline and capture opportunities in the market. All investment decisions are approved by the LOLC Investment Committee. The Investment Committee is represented by all functional heads, including the Treasury, Finance, M&A, HR, Legal, IT, etc. The meetings are conducted on a regular basis for making investment decisions of the Holding Companies.

Business Risk The Group has consolidated its position as the most profitable diversified corporate under Financial, Agriculture & Plantations, Leisure, Renewable Energy, Construction & Real Estate, Manufacturing & Trading, Technology, Research & Innovation Sectors. The Group's Financial services sector is the predominant one which contributes the major portion (~76.67%) of the Group Profit Before Tax as well as the asset base of the Group. The trading sector of the Group is mainly represented by Brown & Company, providing a variety of trading services. The LOLC group invested in the leisure industry in Sri Lanka in 2009 as it expanded to Maldives and Mauritius. The Group manages the largest plantation footprint, spanning Sri Lanka, Kenya, Rwanda, Tanzania and Sierra Leone. The main plantation crops being the tea crop, rubber, cinnamon, and sugarcane. Browns Investments has become one of the larger plantation companies in the country with a total of 73 estates under management. Browns Engineering & Construction (Pvt) Ltd is a subsidiary of Browns Investments, established with the key intention of serving as the engineering and construction arm of the group. LOLC Group has in place centralized IT services and technologies operations, which play a critical role as providers of efficient and effective IT solutions to all business sectors of the Group locally & globally. The Group continues to explore technology and innovation by LOLC Advanced Technologies (Pvt) Ltd which provides advanced technologies consultation support to companies under LOLC group. The Holding Company is currently envisaging on divestments and share buybacks to improve its financial matrix and consolidate its group position. On a standalone basis, the Holding Company earned an income of LKR~53.2bn in FY25 and LKR~51.3bn in FY24. On a consolidated basis, the Group's top-line increased to LKR~339.7bn during FY25 from LKR~329.9bn in FY24. Reduced interest rates coupled with an economic revival have boded well for the key subsidiaries of the group, with LOLC Finance and LOLC Cambodia continuing with their sound performance trajectory.

Financial Risk Despite lowered interest rates, the Holding Company's coverages remained under pressure during FY25. This was primarily on account of lower cash profits and high borrowings, resulting in a negative interest cover of ~0.1x in FY25 (FY24: ~0.2x). Non-cash income EBITDA LKR~(9.4bn) in FY24 was reduced to LKR~(3.3bn) in FY25. The Holding Company's debt quantum has considerably grown over the period as a large portion of debt reflects short-term borrowings, i.e., LKR~84.4bn in FY25 (FY24: LKR~55.9bn). The Holding Company incurred finance costs of LKR~34.1bn during FY25 (FY24: LKR~49.3bn). The debt-to-equity ratio of the Holding Company has increased from ~42.7% in FY23 to ~51.0% in FY24, with a further slight increase to ~51.3% in FY25. On a consolidated basis, the Group recorded a total asset base of LKR~2.0tn as of Mar'25 (FY24: LKR~1.7tn). Also, the Group's net profit has significantly improved by ~88.7% from LKR~21.8bn in FY24 to LKR~41.0bn in FY25.

Instrument Rating Considerations

About The Instrument LOLC Holdings PLC intends to issue a LKR~7bn rated commercial paper program which is a short term, non-collateralized (Unsecured) debt instrument. The tenure of the commercial paper spans 12 months, with an interest rate of ~11.25%. The Commercial Papers will be redeemed with the interest and capital repayment being made as a bullet payment.

Relative Seniority/Subordination Of Instrument N/A

Credit Enhancement N/A



Lanka Rating Agency
LOLC Holdings PLC
Holding Company

Mar-25	Mar-24	Mar-23	Mar-22
12M	12M	12M	12M
Unaudited	Audited	Audited	Audited

A BALANCE SHEET

1 Investments	70,934	42,905	21,599	32,704
2 Related Party Investments	624,087	559,927	417,991	364,776
3 Non-Current Assets	7,109	5,803	6,593	6,905
4 Current Assets	6,575	7,839	11,115	5,541
5 Total Assets	708,704	616,474	457,298	409,926
6 Current Liabilities	1,453	2,034	1,777	1,374
7 Borrowings	360,950	311,126	189,648	146,388
8 Related Party Exposure	262	2,363	9,533	15,494
9 Non-Current Liabilities	2,936	2,341	1,871	1,559
10 Net Assets	343,103	298,610	254,470	245,112
11 Shareholders' Equity	343,103	298,610	254,470	245,112

B INCOME STATEMENT

1 Total Investment Income	98,591	86,801	55,901	61,218
2 Cost of Investments	(41,541)	(49,331)	(33,036)	(11,849)
3 Net Investment Income	57,050	37,470	22,865	49,368
a Other Income	5,073	(865)	7,394	16,058
b Operating Expenses	(7,670)	(8,586)	(7,865)	(4,362)
4 Profit or (Loss) before Interest and Tax	54,454	28,018	22,394	61,064
a Taxation	(336)	(433)	(20)	99
6 Net Income Or (Loss)	49,757	29,914	22,374	61,163

C CASH FLOW STATEMENT

a Total Cash Flow	(4,611)	(9,222)	(923)	11,156
b Net Cash from Operating Activities before Working Capital Changes	(47,283)	(53,237)	(27,998)	283
c Changes in Working Capital	(14,265)	(57,882)	(36,073)	(47,621)
1 Net Cash provided by Operating Activities	(61,548)	(111,119)	(84,070)	(47,338)
2 Net Cash (Used in) or Available From Investing Activities	8,772	(12,939)	42,664	7,325
3 Net increase (decrease) in long term borrowings	(7,017)	14,715	(9,592)	(178,801)
4 Net Cash (Used in) or Available From Financing Activities	48,052	105,400	51,909	220,285
5 Net Cash generated or (Used) during the period	(11,741)	(3,944)	910	1,472

D RATIO ANALYSIS

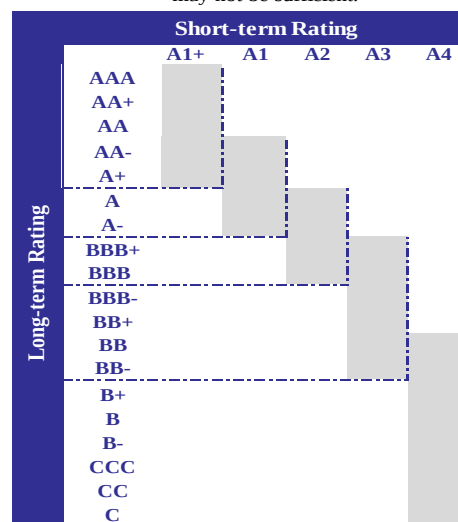
1 Performance				
a Asset Concentration (Market Value of Largest Investment / Market Value of	96.2%	96.7%	97.3%	91.2%
b Core Investments / Market Value of Equity Investments	98.4%	98.5%	99.2%	92.0%
c Marketable Investments / Total Investments at Market Value	2.4%	1.6%	0.8%	0.3%
2 Coverages				
a TCF / Finance Cost	-0.1	-0.2	0.0	1.0
b TCF / Finance Cost + CMLTB	-0.1	-0.1	0.0	0.4
c Loan to Value (Funding / Market Value of Equity Investments)	0.2	0.2	0.1	0.0
3 Capital Structure (Total Debt/Total Debt+Equity)				
a Leveraging [Funding / (Funding + Shareholders' Equity]	51.3%	51.0%	42.7%	37.4%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	105.3%	104.3%	83.4%	67.8%

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

Disclaimer: LRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. LRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of LRA documents may be used, with due care and in the right context, with credit to LRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

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.