



Lanka Rating Agency

Rating Report

SOFTLOGIC STOCKBROKERS (PVT) LTD - Asset Backed Rated CP - 500mln

Report Contents

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

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
10-Feb-2026	BBB	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The Softlogic Stockbrokers (Pvt.) Limited ("SSB" or "the Company"), a licensed stockbroker and a member of the Colombo Stock Exchange ("CSE"), intends to issue LKR~500 mln Commercial Papers ("CPs" or the "debt instrument"). Lanka Rating has assigned a preliminary rating to the proposed CPs issuance. The final rating will be assigned after the review of signed documents like Trust Deed and Term Sheet. The higher assigned rating (three notches higher than the entity rating) reflects the presence of structured credit protection mechanisms for the CPs. The structure comprises securitization of CPs against the Company's pool of receivables from its debtors (stock brokering clients) as collateral while maintaining a Loan to Value ("LTV") ratio of ~70%. A minimum collateral coverage of ~130% should be maintained at all times, giving ample cushion against potential credit and market risks. The investors of CP will have exclusive charge of eligible on the pool of receivables through trustee structure. The Trustee will liquidate the underlying stocks and make the proceeds available for the receivables pool in case of non-payment by the debtors. The rating also draws comfort from ring-fencing of the CPs' proceeds and their utilization in financing only top 40 eligible scripts/counters in terms of highest daily market turnover in Colombo Stock Exchange ("CSE"). The implementation of security structure will be assessed by a pre-issuance audit by an independent auditor. The auditor will verify the existence and eligibility of pledged receivables and collateral assets and other covenants. This will be followed by quarterly independent audits to ensure ongoing compliance and adherence to the security structure. The Company will maintain a sinking fund equivalent to ~50% of the quarterly coupon obligation while maintaining ~10% of the CP issue value in TBills or repurchase agreements, ensuring adequate short-term liquidity. The rating also considers SSB's compliance with regulatory capital adequacy and liquidity requirements. In case of any short-fall in the receivables pool at the time of maturity of CPs, the Company will fulfill the gap as the investors of CP will have recourse to the Company as well.

The assigned rating will remain contingent on the compliance of established covenants throughout the tenor of the debt instrument. Similarly, any change in the entity rating will have implications to the assigned rating.

Disclosure

Name of Rated Entity	SOFTLOGIC STOCKBROKERS (PVT) LTD - Asset Backed Rated CP - 500mln
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Stockbroker Entity Rating(Jul-24),Methodology Debt Instrument Rating(Aug-24)
Related Research	Sector Study Brokerage & Securities(Apr-25)
Rating Analysts	Imran Iqbal imran@lra.com.lk +94 114 500099

Profile Softlogic Stockbroker (Private) Limited (“SSB” or “the Company”) is a limited liability company incorporated in Sri Lanka in 2010. SSB is registered under the Securities and Exchange Commission (“SEC”) of Sri Lanka as a Stockbroker and is a licensed member of the Colombo Stock Exchange (“CSE”). SSB has been providing stock brokerage services to a growing client base of over 7,000 local, international retail and institutional investors. Its key services include equity and debt trading, research-based investment strategies, a secure online trading platform, and a live Question and Answer (“Q&A”) service providing direct access to investment advisors.

Ownership The largest shareholder of SSB is Softlogic Capital PLC (“SCAP”) and owns ~80.1% of the Company as at 1QFY26. The remaining ~19.9% is held by Seishin Limited, a company based in Japan.

Governance SSB is governed by a five-member Board of Directors (“BoDs”) comprising a mix of executive and non-executive representation, including two independent members. The Board is chaired by Mr. Lucile Wijewardena, who brings over three decades of experience in finance and management across plantation and industrial sectors. The remaining members have professional backgrounds spanning investment banking, finance, telecommunications, and capital markets, providing sectoral diversity in oversight. The governance structure includes two key subcommittees the Board Audit Committee (“BAC”) and the Risk Committee (“RC”) to strengthen oversight of internal control and risk management. The BAC is chaired by Mr. T.M.I. Ahamed, who has over 30 years of experience in financial services and international banking. The Company’s financial statements are audited by Ernst & Young Chartered Accountants, which issued an unqualified audit opinion for FY25. Overall, the governance framework provides a defined structure for accountability, risk management, and financial transparency, aligned with regulatory expectations for licensed stockbrokers in Sri Lanka.

Management SSB operates under a defined management hierarchy led by the Chief Executive Officer (CEO), Mr. Dehan Dedigama, with key departmental heads for operations, finance, compliance, Information Technology (“IT”), research, and Human Resource (“HR”) reporting directly to him. The management team has considerable industry experience and meets monthly under the Financial Sector Head, Mr. Ifthikar Ahamed, to review operational and business performance. The Company utilizes the ATrad trading platform, which integrates front- and back-office functions to enhance reporting, compliance, and risk monitoring. The Board retains oversight of the risk management framework, which addresses capital, liquidity, operational, credit, and regulatory risks, aligning risk governance with the Company’s brokerage operations.

Business Risk The business risk profile of the Sri Lankan stockbroking industry is assessed as moderate, shaped by cyclical market performance, highly competitive intensity, and dependence on investor sentiment and interest rate trends. The CSE has demonstrated growth in market capitalization and trading activity, with daily average turnover rising to LKR ~9.1 bln in January 2026, though trading volumes remain sensitive to macroeconomic stability and foreign investor flows. The industry remains fragmented, with a large number of brokers competing for limited market liquidity, leading to margin compression and reliance on transaction-based income. While regulatory oversight by the SEC provides structural discipline, evolving prudential and compliance requirements add operational complexity. Consequently, business risk for brokers such as SSB is influenced by exposure to market volatility, revenue concentration in brokerage operations, and competitive pressures. However, a diversified client base partially mitigates the business risk.

Financial Risk The Company’s financial risk profile is characterized by adequate capitalization and controlled leverage. Gearing increased to ~0.55x (FY25: ~0.32x; FY24: ~0.03x) in 1QFY26, following renewed utilization of short-term credit lines after the debt-to-equity swap in FY24 that strengthened the equity base to LKR~585mn. The Capital Adequacy Ratio (“CAR”) remained strong at ~6.2x (FY25: ~5.8x) in 1QFY26 comfortably above the regulatory requirement of 1.2x. Liquidity remained adequate with a current ratio of ~1.6x (FY25: ~1.9x) and liquid assets representing ~94.5% of total assets in 1QFY26. The Company maintained investments of LKR~112.6mn (FY25: LKR~110.5mn) in government securities as of 1QFY26. Borrowings primarily comprise short-term funding from related financial institutions, with interest rates ranging between 20%–21%. Credit exposure from margin trading stood at LKR~877mn in 1QFY26, well within the regulatory ceiling of three times net capital.

Instrument Rating Considerations

About The Instrument SSB intends to issue asset backed, rated Commercial Papers of LKR ~500 mln for eligible investors at a par value of LKR ~100. The Commercial Papers are secured against the Company’s pool of receivables from its debtors as collateral while maintaining a Loan to Value (“LTV”) ratio of ~70.0%. The CPs will be securitized against these receivables. The tenor of the Commercial Papers can range from 3 months to 12 months, with an expected rate of T/Bill + ~4.0%. The Commercial Papers will be redeemed with the interest and capital as a bullet payment at the time of maturity.

Relative Seniority/Subordination Of Instrument The claims of the Noteholders shall, in the event of winding up of the Company, be secured by and satisfied in priority from the receivable pool and collateral assets specifically and exclusively charged in their favor. Such claims shall rank in priority to all other creditors of the Company in respect of the said charged assets. To the extent any shortfall remains after enforcement of the security, the residual claims of the Noteholders shall rank pari passu with the unsecured creditors of the Company and in priority to all subordinated debt and the claims and rights of the shareholder(s) of the Company.

Credit Enhancement The LKR ~500 mln CPs are secured through the securitization of receivables from SSB’s stockbroking clients, maintaining an LTV ratio of ~70% and a minimum collateral coverage of ~130% at all times. The CP investors hold an exclusive charge over the eligible receivable pool, with proceeds ring-fenced for financing only the top 40 eligible scrips on the CSE. Structural safeguards include a pre-issuance audit to confirm the existence and adequacy of receivables, followed by quarterly independent audits to monitor compliance. Liquidity is further strengthened by the maintenance of a sinking fund equivalent to ~50% of quarterly interest payments and ~10% of the CP value in Treasury Bills or repos. In case of any collateral shortfall at maturity, investors retain full recourse to the Company, ensuring continuity of payment and structural integrity. Moreover, the assigned rating is also subject to the review of related documents like Trust Deed and Indicative Term Sheet.



Lanka Rating Agency Limited

Softlogic Stockbrokers (Pvt) Ltd
Stock Broker

| LKR Mln |
|---------|---------|---------|---------|---------|
| Jun-25 | Mar-25 | Mar-24 | Mar-23 | Mar-22 |
| 3M | 12M | 12M | 12M | 12M |

A BALANCE SHEET

1 Finances	-	-	-	-	-
2 Investments	113	110	101	-	-
3 Other Earning Assets	-	-	-	108	155
4 Non-Earning Assets	1,935	1,484	1,164	795	1,250
5 Non-Performing Finances-net	-	-	-	-	-
Total Assets	2,047	1,595	1,264	903	1,405
6 Funding	1,168	676	517	533	1,024
7 Other Liabilities (Non-Interest Bearing)	126	186	56	55	50
Total Liabilities	1,294	862	573	587	1,074
Equity	754	733	691	316	320

B INCOME STATEMENT

1 Fee Based Income	155	474	337	310	552
2 Operating Expenses	(117)	(406)	(327)	(254)	(285)
3 Non Fee Based Income	6	26	26	28	13
Total Operating Income/(Loss)	44	94	35	84	279
4 Financial Charges	(14)	(32)	(26)	(92)	(55)
Pre-Tax Profit	30	62	10	(8)	224
5 Taxes	(9)	(19)	(3)	2	(54)
Profit After Tax	21	43	7	(6)	170

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)	31.8%	33.9%	72.7%	109.2%	19.6%
Return on Equity (ROE)	12.9%	6.9%	1.3%	-1.5%	N/A

2 Capital Adequacy

Equity / Total Assets (D+E+F)	36.8%	45.9%	54.7%	34.9%	22.8%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current M	12.4%	77.6%	-353.4%	-34.9%	45.5%

3 Liquidity

Liquid Assets / Total Assets (D+E+F)	94.5%	93.0%	95.2%	79.5%	82.6%
Liquid Assets / Trade Related Liabilities	256.4%	333.7%	241.0%	346.0%	310.2%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers	182.9%	237.1%	193.7%	290.3%	274.9%
Equity Instruments / Investments	0.0%	0.0%	0.0%	N/A	N/A



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):	<ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Debt Instrument Rating d) Financial Institution Rating 	<ul style="list-style-type: none"> e) Holding Company Rating f) Independent Power Producer Rating g) Microfinance Institution Rating h) Non-Banking Finance Company
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