



Lanka Rating Agency

## Rating Report

### First Capital Holdings - LKR 2.5Bn - Commercial Papers

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#### Rating History

Dissemination Date	Short Term Rating	Outlook	Action	Rating Watch
05-Jun-2025	A1	Stable	Maintain	-
02-May-2024	A1	Positive	Maintain	-
23-Jun-2023	A1	Stable	Maintain	Yes
24-Jan-2023	A1	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Lanka Rating takes both Consolidated and Standalone view on the market positioning and performance of the First Capital Holdings PLC (FCH or the Company). The assigned rating incorporates the Company's ability to uphold its relative position as a Holding Company of First Capital/Janashakthi Group within the financial service industry. FCH has sustained strong performance in terms of profitability and capital formation over last 2 years. FCH's net profit stood at LKR~4.3bn in 9MFY25 compared to LKR~8.3bn in 9MFY24. During FY24, FCH recorded strong financial results and witnessed positive outcomes. The Group's profitability remained strong at LKR~4.5bn in 9MFY25 (9MFY24: LKR~9.4bn). On a consolidated basis, the Company reflects a total asset and equity base of LKR~94.2bn and LKR~12.5bn, respectively, in 9MFY25. Although in the past, FCT, the Company's prominent subsidiary in Primary Dealer activities, had been a major contributor towards FCH's improved business profile, recently it is evident that this is changing. At present the performance of other subsidiaries and investments are also increasingly contributing to the overall performance of FCH. The Dealing Securities and Corporate Advisory division reported PAT of LKR~1.9bn and this was predominantly driven by the Equity portfolio of the Company. The Wealth management division and Stockbroking division has also shown profits in 9MFY25. FCH has a diverse funding base with a mix of debentures, commercial papers and bank borrowings, which bodes well for the Company. FCH has significantly reduced its exposure to related-party receivables as of March-25. The Company maintains moderate leveraging of ~54.1% in 9MFY25 (FY24: ~59.7%) and a strong capital base.

The rating is dependent on the Company's ability to maintain its strong market position in the changing macroeconomic environment. Meanwhile, sound financial discipline, including continued capital retention, managed related-party exposure and debt repayment ability, is imperative. Additionally, the financial health of the parent, JL, and continued strong performance of subsidiaries would be critical rating factors.

#### Disclosure

Name of Rated Entity	First Capital Holdings - LKR 2.5Bn - Commercial Papers
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(Mar-24)
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**Profile** First Capital Holdings PLC (FCH or the Company) is a public limited company incorporated in 1992 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The Company's registered office and place of business is No. 2, Deal Place, Colombo 03. At present, the principal activity of the Company encompasses investment and management of subsidiaries. FCH's integrated business platform comprises four specialized areas - Capital Markets Advisory, Wealth Management, Fixed Income and Equities. The Company's investment bid constitutes core investments comprising seven subsidiaries i.e., First Capital Limited (FCL) - 100%, First Capital Treasuries PLC (FCT) - 89.36%, First Capital Markets Limited (FCM) - 100%, First Capital Asset Management Limited (FCAM) - 98.71%, First Capital Equities (Private) Limited (FCE) - 100%, First Capital Trustee Services (Private) Limited (FCTS) - 100%, First Capital Advisory Services (Private) Limited (FCAS) - 100%.

**Ownership** The ultimate shareholding of the Company rests with Schaffter brothers, which is through the parent company Janashakthi Limited (JL). JL owns ~76.57% of First Capital Holdings PLC. Remaining shareholding is with remaining minority shareholders. The Company is part of the Janashakthi Group and, as per their existing business strategy, it will not change in the near future. The Schaffter family owns ~100% of the stake of Janashakthi Limited. The family has decades of experience in various sectors and has continuously diversified their business. In addition to financial markets, the family has presence in Leasing and Finance and Insurance sector as well. The ultimate shareholder, Janashakthi Limited, as a holding company has invested in Non-Banking Financial Institute, and Insurance. The Holding Company has gained recognition and prominence over time. Janashakthi Limited (JL) has a consolidated asset base of LKR~134.1bn supported by an equity base of LKR~15.3bn as at FY24. In FY24, consolidated revenue stood at LKR~15.3bn. JL has improved its financial position over the last two years by lowering its leveraging but still has adequate financial profile. JL has limited ability to provide support, if needed, although this is an unlikely scenario. FCH has a consolidated asset base of LKR~94.2bn supported by an equity base of LKR~12.5bn as at 9MFY25.

**Governance** FCH Board comprises eight members out of which five are independent non-executive directors and one executive director. The Board includes two representatives from the Schaffter family: Mr. Ramesh Schaffter and Ms. Manjula Mathews. The BOD, with a well-diversified background and relative expertise of its members, is a key source of oversight and guidance for the management. Board's Chairman, Mr. Rajendra Theagarajah, is an independent non-executive director and holds directorship at several companies including Orient Finance PLC, Engenuity AI (Pvt) Ltd, Payables (Pvt) Ltd, BCAS (Pvt) Ltd, Siam City Cement (Lanka) Ltd. The Board ensures effective governance through its six sub-committees, namely i) Audit Committee, ii) Enterprise Risk Management Committee, iii) Related Party Transactions Review Committee, iv) Asset and Liability Committee, v) Remuneration Committee, and vii) Nomination Committee. 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, 2024.

**Management** FCH functions as an investment holding company. It has a simple organizational structure that is divided across various divisions. FCH and each of its subsidiaries have their own business unit heads and supporting functions along with fully equipped teams. FCH has an experienced and professional management team. Mr. Dilshan Wirasekara joined FCH in November 2013 and presently holds the position of the Company's Managing Director/CEO. He has over 29 years of diverse professional experience in Banking, Treasury and Investment Management, Capital Market Strategy and Corporate Advisory. Monthly KPI and management meetings are held to discuss performance and strategies within subsidiaries and the group. The Internal Audit Advisory function for all subsidiaries has been outsourced to M/s. Ernst & Young, while the FCH's internal audit responsibilities have been assigned to the Internal Audit Division of Janashakthi Group. The Internal Audit reports directly to the Board's Audit Committee. For investment decision-making, the Company has an Investment Asset and Liability Committee (IALCO) at the group level. FCH has a prudent investment policy, which is developed to be in line with the industry best practices, regulatory requirements, and expectations of the senior management and Board of Directors. Group investment team liaisons with the rest of the Group companies and receives updates on their performance. The team then presents them to the BOD on a quarterly basis.

**Business Risk** Having subsidiaries that are offering various financial services, bodes well for the Company along with the initiative of the group to diversify its income sources. The Company's investment portfolio consists of seven subsidiaries. All these investments could be defined as horizontal investments focusing on the financial service segment of Sri Lanka. However, the Company remains reliant on its Primary Dealer business through First Capital Treasuries PLC (FCT) due to FCT's dominant share in profitability. FCH has core investments in both listed and unlisted companies. On a consolidated basis, FCH has an asset base of LKR ~94.2bn supported by an equity base of LKR~12.5bn for 9MFY25. Under its investment portfolio, FCT remains prominent. Meanwhile, the Asset Management, which is catered through First Capital Asset Management Ltd, comes up as a segment. Remaining subsidiaries and investments remain modest. FCH aims for sustainable income flows, in the form of dividends, from its business ventures. On a consolidated basis, the Group's top-line stood at LKR~10.7bn for 9MFY25. The Company's consolidated bottom line closed at a net profit of LKR~4.5bn for 9MFY25. The strong performance of both the Primary Dealer segment and the Corporate Finance segment has been a key driver of profitability for the period ended 9MFY25.

**Financial Risk** FCH's has strong interest coverage as it stood at ~7.7x during 9MFY25 (FY24: ~1.0x). This was mainly due to increase in total operating cash flow (TCF) to LKR~6.8bn in 9MFY25 and lower interest rates in the country. Coverages are expected to remain strong in the short-term, especially considering prevailing interest rate environment in Sri Lanka. FCH has a diversified funding base, a combination of debentures, commercial papers and bank borrowings. The Company's standalone leverage stood at ~54.1% for 9MFY25, compared to ~59.7% in FY24. The Company's short-term borrowings stood at LKR~5.0bn at 9MFY25 (FY24: LKR~3.7bn) while the long term borrowings stood at LKR~1.2bn in 9MFY25 (FY24: LKR~1.6bn). The Company is expected to maintain the funding mix to optimize borrowing costs. On a consolidated basis, First Capital Holdings PLC has a total asset base of LKR~94.2bn and a total equity of LKR~12.5bn for 9MFY25. Further the rating takes into note the consolidated net profit of LKR ~4.5bn for 9MFY25 compared to the net profit reported of LKR ~10.2bn for FY24. Currently, there is no exposure to Janashakthi Limited in terms of inter-group lending. However, this exposure would be limited to keep financial flexibility. FCH has significantly reduced its exposure to related-party receivables as of 31st March-25.

## Instrument Rating Considerations

**About The Instrument** FCH currently has LKR~2.5bn Rated Commercial Papers in issue which could span to a maximum of 365 days.

**Relative Seniority/Subordination Of Instrument** N/A

**Credit Enhancement** N/A



Lanka Rating Agency

First Capital Holdings PLC  
Holding Company

	Dec-24 9M Management	Sep-24 6M Management	Mar-24 12M Audited	Mar-23 12M Audited
<b>A BALANCE SHEET</b>				
1 Investments	8,022	4,719	4,663	2,217
2 Related Party Investments	16,722	15,894	13,246	13,348
3 Non-Current Assets	100	37	41	40
4 Current Assets	157	102	2,171	942
5 <b>Total Assets</b>	<b>25,000</b>	<b>20,753</b>	<b>20,120</b>	<b>16,547</b>
6 Current Liabilities	179	94	2,429	111
7 Borrowings	13,410	12,679	10,559	10,340
8 Related Party Exposure	22	19	14	1
9 Non-Current Liabilities	-	-	-	-
10 <b>Net Assets</b>	<b>11,389</b>	<b>7,961</b>	<b>7,119</b>	<b>6,095</b>
11 <b>Shareholders' Equity</b>	<b>11,389</b>	<b>7,961</b>	<b>7,119</b>	<b>6,095</b>
<b>B INCOME STATEMENT</b>				
1 Total Investment Income	5,371	1,461	11,244	5,659
2 Cost of Investments	(881)	(538)	(1,832)	(2,971)
3 <b>Net Investment Income</b>	<b>4,490</b>	<b>922</b>	<b>9,411</b>	<b>2,689</b>
a Other Income	40	26	95	20
b Operating Expenses	(241)	(97)	(481)	(230)
4 <b>Profit or (Loss) before Interest and Tax</b>	<b>4,289</b>	<b>852</b>	<b>9,025</b>	<b>2,479</b>
a Taxation	(25)	(16)	(54)	(127)
6 <b>Net Income Or (Loss)</b>	<b>4,263</b>	<b>835</b>	<b>8,971</b>	<b>2,352</b>
7 <b>Net Income Or (Loss) - Preferred Dividends</b>	<b>4,263</b>	<b>835</b>	<b>123</b>	<b>2,252</b>
<b>C CASH FLOW STATEMENT</b>				
a Total Cash Flow	6,793	1,729	1,863	3,443
b Net Cash from Operating Activities before Working Capital Changes	5,904	1,183	(8)	527
c Changes in Working Capital	(3,591)	(548)	(2,018)	(383)
1 <b>Net Cash provided by Operating Activities</b>	<b>2,314</b>	<b>635</b>	<b>(2,027)</b>	<b>144</b>
2 <b>Net Cash (Used in) or Available From Investing Activities</b>	<b>(15)</b>	<b>2,018</b>	<b>6,169</b>	<b>(12)</b>
3 <b>Net increase (decrease) in long term borrowings</b>	<b>(200)</b>	<b>(200)</b>	<b>(300)</b>	<b>(100)</b>
4 <b>Net Cash (Used in) or Available From Financing Activities</b>	<b>(2,225)</b>	<b>(2,225)</b>	<b>(5,173)</b>	<b>900</b>
5 <b>Net Cash generated or (Used) during the period</b>	<b>74</b>	<b>428</b>	<b>(1,030)</b>	<b>1,032</b>
<b>D RATIO ANALYSIS</b>				
1 Performance				
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	95.4%	95.9%	52.5%	62.2%
b Core Investments / Market Value of Equity Investments	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments at Market Value	24.6%	14.6%	36.7%	17.7%
2 Coverages				
a TCF / Finance Cost	7.7	3.2	0.2	1.1
b TCF / Finance Cost + CMLTB	7.7	3.2	0.2	1.1
c Loan to Value (Funding / Market Value of Equity Investments )	0.9	0.8	19.3	16.9
3 Capital Structure (Total Debt/Total Debt+Equity)				
a Leveraging [Funding / (Funding + Shareholders' Equity)]	54.1%	61.4%	59.7%	62.9%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	N/A	N/A	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 Definition
AAA	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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	<b>High credit quality.</b> 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	<b>Good credit quality.</b> 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+	<b>Moderate risk.</b> 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	<b>High credit risk.</b> 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	<b>Very high credit risk.</b> 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 can 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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