



Lanka Rating Agency

Rating Report

Capital Alliance PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
02-Dec-2025	A+	Stable	Upgrade	-
15-May-2024	A	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Capital Alliance PLC ("CALT" or "the Company") holds a strong position in the Primary Dealer (PD) market, as it operates as one of the largest non-bank primary dealers in Sri Lanka. Primary Dealers are inherently exposed to market risk due to the changing interest rate environment. Meanwhile, the credit risk of the PDs remains minimal due to their exposure to Government Securities (G-Sec). The rating upgrade incorporates CALT's robust capitalization, strong process controls, and notable improvement in profitability and retained earnings. In line with Industry peers, CALT generated exceptionally high Profit-After-Tax (PAT) amid a steep decline in interest rates during FY24 (PAT: LKR~13.9bn). The profitability remained strong in FY25 (LKR~4.4bn) and 6MFY26 (LKR~1.9bn) as interest rates stabilized, and the Company sustained its positive spread and higher trading volumes. The Company reported a Net Interest Income (NII) of LKR~1.4bn in 6MFY26 as compared to LKR~1.6bn in 6MFY25. Despite dividend payouts, the Company's profit retention is high. As of 6MFY26, CALT's total equity stood at LKR~15.0bn (FY25: LKR 14.4bn), offering a substantial cushion against potential contingencies and exceeding the CBSL's minimum capital requirement of LKR 2.5bn. CALT reported a Capital Adequacy Ratio of ~20.43% as at 6MFY26 (FY25: ~16.5%), comfortably above the regulatory minimum requirement of 10%. The rating also factors in the Company's recent diversification strategies to enhance its product slate, which is expected to augment its future growth. Moreover, synergies emanating from its association with Capital Alliance Group and a strong backing of its parent, Capital Alliance Holdings PLC ("CALH"), remain a key rating consideration. The Company has defined limits to mitigate risks, with an independent risk monitoring department in place. Going forward, the Company is expected to sustain its performance trend given a stable interest rate environment. This may, however, be impacted due to adverse movement in interest rates.

The rating is dependent on the Company's ability to sustain and further strengthen its strong market position in the sector as a non-bank PD. Sound financial practices, particularly including adherence to defined limits and risk exposure, are important. Additionally, sustaining profitability trends and capital buffers amid changing interest rates is critical.

Disclosure

Name of Rated Entity	Capital Alliance PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	
Related Research	Sector Study Primary Dealer(Feb-25)
Rating Analysts	Gayani Randima Ariyawansa gayani@lra.com.lk +94 114 500099

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Profile

Structure Capital Alliance PLC ("CALT" or "the Company") was incorporated on 10th August 2000 as a public limited liability company under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007. The Company is domiciled in Sri Lanka, and the registered office of the Company is located at Level 5, Millenium House, 46/58, Nawam Mawatha, Colombo 02, Sri Lanka.

Background CALT was originally incorporated as Capital Asia Market Ltd., a subsidiary of Asia Capital Ltd., engaged in the secondary trading of government securities. The Company rebranded as Capital Alliance Ltd. in August 2002 and was subsequently appointed as a Primary Dealer in government securities by the Central Bank of Sri Lanka in April 2003.

Operations The principal activity of the Company is dealing (Primary Dealer) with government securities, appointed by the Central Bank of Sri Lanka (CBSL). The Company provides investment solutions, participating in primary auction, trading of secondary market government securities and engaging in depth research on the Government securities market.

Ownership

Ownership Structure The majority shares of the Company (86.0%) are owned by Capital Alliance Holdings PLC (CAL Holdings). Mr. W. A. T. Fernando holds ~19.35% shareholding of CAL Holdings, while ~26.88% shares are owned by Ashthi Holdings (Pvt) Ltd, a company 100% owned by Mr. W.A.T. Fernando and his family members. Furthermore, ~26.44% of the stake in CAL Holdings is owned by Jetwing Travels (Pvt) Ltd., which is owned and headed by Ms. Shiromal Cooray and family.

Stability CALT derives its stability from its parent company, CAL Holdings PLC, and is further supported by its other shareholders, including Ashthi Holdings (Pvt) Ltd, headed by Mr. Fernando, and Jetwing Travels (Pvt) Ltd, owned and led by Ms. Shiromal Cooray and her family.

Business Acumen CALT has leveraged the strong sponsorship and strategic oversight of its parent, Capital Alliance Holdings PLC (CALH), and the significant backing of its major shareholders, Ashthi Holdings (Pvt) Ltd, headed by Mr. W. A. T. Fernando and family, and Jetwing Travels (Pvt) Ltd, led by Ms. Shiromal Cooray and family. The involvement of Mr. Fernando and Ms. Cooray brings a combination of entrepreneurial insight and industry experience.

Financial Strength The main sponsors, Mr. W. A. T. Fernando and Ms. N. T. M. S. Cooray, possess significant net worth, which positions them to provide essential support to the business during times of need.

Governance

Board Structure The Board of CALT consists of eight directors, four of whom are non-executive non-independent directors and four are non-executive independent directors.

Members' Profile The collective background of the Board of Directors (BoD) provides a balanced mix of skills and experience. Mr. D A De Zoysa is the Chairman of the Board. He has been a director since 2003 and currently serves as the Chairman of Capital Alliance Holdings PLC and Capital Alliance PLC. He is the Managing Director of AEC Ltd and has an extensive industry experience in a career spanning over 30 years. Mr. De Zoysa serves as a Board Member of several companies across risk and insurance brokering, hotel management and travel services, real estate development, and HR consulting services.

Board Effectiveness The Board comprises four Board Committees, namely the Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and Nominations and Governance Committee.

Financial Transparency M/S KPMG is the external auditor of the Company. They have given an unqualified opinion on the financial statements for the year ended 31st March 2025.

Management

Organizational Structure The Company has a functional organizational structure where the finance function and operations are headed by a manager, while compliance and risk, HR, IT, and customer support remain as shared services of the Group.

Management Team The management team is headed by the Chief Executive Officer, Mr. Sanura Silva. CALT has in place a well-qualified team comprising industry experts.

Effectiveness CALT has two management committees in place, Investment Committee and Asset and Liability Management Committee (ALCO).

MIS For operational purposes, CAL uses an in-house developed software - FIS system. Moreover, CALT uses Microsoft Dynamics 365 Business Central for accounting purposes.

Risk Management Framework All functions are clearly segregated and there is a clear demarcation between the front/middle/operations/finance and IT divisions. The risk and compliance team monitors all activities of CALT and the Chief Risk and Compliance Officer report directly to the Chairman of the Board CALT Risk Committee. Internal Audit is outsourced to EY and the internal controls are checked by the internal audit team.

Business Risk

Industry Dynamics The governing body for PDs in Sri Lanka is the CBSL. There are currently 13 PDs licensed in the country, while three of them are suspended from operations for various reasons. Out of the operational PDs, five are Licensed Commercial Banks while the rest are stand-alone PDs.

Relative Position CALT holds ~35.0% of the total assets of the PDs industry, amounting to LKR~104.0bn as of 9MFY25.

Revenues The interest income of the Company stood at LKR~4.8bn in 6MFY26 (FY25: LKR~8.9bn, FY24: LKR~10.5bn), which is a ~17.3% increase compared to 6MFY25. This reflects the higher yield environment in the government securities market, enabling CALT to earn better returns on its investment portfolio. The interest expenses of the Company stood at LKR~3.4bn in 6MFY26 (FY25: LKR~5.8bn, FY24: LKR~6.6bn), showcasing an increase of ~36.9% from LKR~2.5bn in 6MFY25. This is due to the rising cost of funding, particularly from repo borrowings and other short-term liabilities, as market rates remained elevated. Resultantly, the Net interest income (NII) recorded a decline of ~13.4% from LKR~1.6bn in 6MFY25 (FY25: LKR~3.0bn, FY24: LKR~3.9bn) to LKR~1.4bn in 6MFY26.

Performance The Profit After Tax ("PAT") of the Company increased by ~38.5% in 6MFY26 to LKR~1.9bn (FY25: LKR~4.4bn, FY24: LKR~13.9bn) in comparison to LKR~1.4bn in 6MFY25. The enhanced performance was due to an increase in the interest income and gains arising from Financial Assets measured at FVTPL.

Sustainability CALT is prioritising new product development, advanced research capabilities, and the automation of key processes to enhance efficiency, transparency, and customer experience.

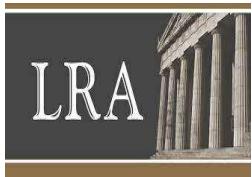
Financial Risk

Credit Risk The Company's credit risk exposure remains minimal, as ~99% of its assets are invested in government securities. A limited degree of credit risk arises from investments in securities purchased under resale agreements; however, this risk is largely mitigated by the presence of collateral in the form of government securities with adequate haircuts.

Market Risk CALT's investment portfolio is entirely comprised of government securities, resulting in a high exposure to interest rate risk. Government securities accounted for ~96% of the Company's total assets in FY25 (6MFY26: ~88.3%).

Liquidity And Funding Securities sold under repurchase agreements constitute CALT's primary funding source, accounting for ~96.5% of the total liabilities in FY25 of LKR~84.8bn as compared to LKR~37.3bn in FY24 (6MFY26: LKR~68.0bn).

Capitalization CALT's total equity amounted to LKR~15.0bn as of Sep-25, which is well above the CBSL stipulated capital requirement of LKR~2.5bn. The Company's Capital Adequacy Ratio recorded at ~20.43% as at 6MFY26 and ~16.15% as at FY25, while the minimum requirement by the CBSL is 10%.



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Capital Alliance PLC Public Listed Company	Sep-25	Jun-25	Mar-25	Mar-24	Mar-23
	6M	3M	12M	12M	12M
A BALANCE SHEET					
1 Total Finance-net	-	-	-	-	-
2 Investments	78,456	100,023	102,201	59,533	37,574
3 Other Earning Assets	8,273	4,308	3,003	1,016	373
4 Non-Earning Assets	1,189	214	153	709	93
5 Non-Performing Finances-net	-	-	-	-	-
Total Assets	87,918	104,544	105,357	61,258	38,041
6 Funding	70,708	85,709	87,819	37,412	31,194
7 Other Liabilities	2,218	3,032	3,141	7,449	1,356
Total Liabilities	72,926	88,741	90,960	44,861	32,551
Equity	14,992	15,803	14,396	16,397	5,490
B INCOME STATEMENT					
1 Mark Up Earned	4,784	2,444	8,875	10,505	4,720
2 Mark Up Expensed	(3,404)	(1,762)	(5,842)	(6,641)	(3,128)
3 Non Mark Up Income	1,682	1,505	4,580	19,899	3,271
Total Income	3,062	2,187	7,613	23,763	4,863
4 Non-Mark Up Expenses	(414)	(221)	(1,242)	(3,664)	(1,168)
5 Provisions/Write offs/Reversals	-	-	-	-	-
Pre-Tax Profit	2,648	1,966	6,371	20,099	3,695
6 Taxes	(735)	(559)	(1,951)	(6,205)	(868)
Profit After Tax	1,914	1,407	4,421	13,894	2,827
C RATIO ANALYSIS					
1 PERFORMANCE					
a Non-Mark Up Expenses / Total Income	13.5%	10.1%	16.3%	15.4%	24.0%
b ROE	26.0%	37.3%	28.7%	127.0%	51.5%
2 CREDIT RISK					
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	0.0%	0.0%	0.0%	0.0%	0.0%
b Accumulated Provisions / Non-Performing Advances	N/A	N/A	N/A	N/A	N/A
3 FUNDING & LIQUIDITY					
a Liquid Assets / Funding	123.1%	120.1%	118.7%	160.4%	121.7%
b Borrowings from Repurchase Agreement Borrowings / Funding	100.0%	100.0%	100.0%	99.8%	96.3%
4 MARKET RISK					
a Investments / Equity	523.3%	632.9%	709.9%	363.1%	684.4%
b (Equity Investments + Related Party) / Equity	0.0%	0.0%	0.0%	0.0%	0.0%
5 CAPITALIZATION					
a Equity / Total Assets (D+E+F)	17.1%	15.1%	13.7%	26.8%	14.4%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	8.3%	39.1%	-12.2%	198.8%	51.5%

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+	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	
AA-	
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	
A-	
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	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	
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

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) LRA 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.
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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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