



Lanka Rating Agency

Rating Report

LOLC Holdings PLC - LKR 10Bn Listed Rated Senior Unsecured Redeemable Debenture

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
20-Aug-2025	A	Positive	Maintain	-
29-Jul-2024	A	Stable	Maintain	Yes
12-May-2023	A	Stable	Initial	-

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. Despite this diversification, financial services continue to be the core contributor in terms of assets and profitability. The Group has expanded its geographical footprint and now operates in 25 countries, with a strong presence in South and Southeast Asia, Central Asia, Africa, and the MENA region. 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. 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. Despite its robust footing and diversified business streams, 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 remains stressed, as most profit represents non-cash income from group companies, resulting in weak interest and debt cover. Conversely, the Holding Company's liquid investments and unutilized funding lines 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 Holdings PLC - LKR 10Bn Listed Rated Senior Unsecured Redeemable Debenture
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument 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 Company 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. 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.

Instrument Rating Considerations

About The Instrument LOLC Holdings PLC raised a debenture of LKR~7.5bn listed, rated, senior, unsecured, redeemable debenture at a par value of LKR 100/- with an option to issue up to a further LKR~2.5bn in the event of an over subscription up to a maximum of LKR 10bn. The debenture has three types of debentures, namely Type A, Type B and Type C.

Relative Seniority/Subordination Of Instrument The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured creditors and preferential claims under any Statutes governing the Company but pari passu to the claims of unsecured creditors of the Company and shall rank in priority to and over any subordinated debt of the Company and the ordinary and preference shareholder/s of the Company.

Credit Enhancement It is an unsecured debt instrument and the debenture is not underwritten. The capital repayment will be done at the end of the tenor. Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer.



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
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

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

Nature of Instrument	Size of Issue (LKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets as at FY24 (LKR)
Listed Rated Unsecured Senior Redeemable Debentures	3,683,890,000	5 Years	Unsecured	N/A	N/A	HNB	N/A

Name of Issuer	LOLC Holdings PLC
Issue Date	February 24, 2021
Maturity	February 24, 2026
Coupon Basis	Type A: Annually Type B: quarterly
Repayment	Maturity
Option	Redeemable

LOLC Holdings PLC

Due Date Principal	Opening Principal	Principal Repayment	Coupon Due Date	Fixed Rate	Coupon	Principal Outstanding		
	LKR				YYYY-MM-DD	LKR		
Type A					Fixed			
24-Feb-26	2,931,750,000		24-Feb-25	10.25%				2,931,750,000
	2,931,750,000	2,931,750,000	24-Feb-26	10.25%				-
Type B				Fixed Rate	Fixed			
24-Feb-26	752,140,000		26-Aug-24	9.85%				752,140,000
	752,140,000		25-Nov-24	9.85%				752,140,000
	752,140,000		24-Feb-25	9.85%				752,140,000
	752,140,000		26-May-25	9.85%				752,140,000
	752,140,000		25-Aug-25	9.85%				752,140,000
	752,140,000		24-Nov-25	9.85%				752,140,000
	752,140,000	752,140,000	24-Feb-26	9.85%				-



Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (LKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets as at FY24 (LKR)
Listed Rated Unsecured Senior Redeemable Debentures	6,316,110,000	10years	Unsecured	N/A	N/A	HNB	N/A

Name of Issuer	LOLC Holdings PLC
Issue Date	February 24, 2021
Maturity	February 24, 2031
Coupon Basis	Annually
Repayment	Maturity
Option	Redeemable

LOLC Holdings PLC

Due Date Principal	Opening Principal	Principal Repayment	Coupon Due Date	Fixed Rate	Coupon	Principal Outstanding		
	LKR				YYYY-MM-DD	LKR		
Type C					Fixed			
24-Feb-31	6,316,110,000		24-Feb-25	12.00%		6,316,110,000		
	6,316,110,000		24-Feb-26	12.00%		6,316,110,000		
	6,316,110,000		24-Feb-27	12.00%		6,316,110,000		
	6,316,110,000		24-Feb-28	12.00%		6,316,110,000		
	6,316,110,000		24-Feb-29	12.00%		6,316,110,000		
	6,316,110,000		24-Feb-30	12.00%		6,316,110,000		
	6,316,110,000	6,316,110,000	24-Feb-31	12.00%		-		