

Lanka Realty Investments advances strategic divestment and capital infusion to strengthen balance sheet and drive future growth

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Lanka Realty Investments (LRI) has made two significant moves in its journey of strategic repositioning and financial strengthening: the divestment of Baseline Holdings for 1.1 billion rupees and a capital infusion of approximately 1.21 billion rupees into HQ Colombo.

These transactions demonstrate LRI's commitment to unlocking shareholder value, reducing debt, and positioning the company for long-term, sustainable growth. Together, these actions are expected to decrease total borrowings by around 1.7 billion rupees, representing a 35 percent reduction in overall debt, and enhance LRI's ability to negotiate favorable terms on accrued interest stemming from COVID-era moratoriums.

LRI has successfully navigated the economic downturn and is now focused on growth, supported by a stronger balance sheet, lower interest costs, and a disciplined investment strategy.

The divestment of Baseline Holdings generated 500 million rupees in immediate cash and included discounted residential units at about 30,000 rupees per square foot—over 50 percent below market value. These units are expected to yield significant returns upon sale or lease. Additional non-core divestments are anticipated by FY26, providing further capital for reinvestment in high-yield assets. LRI has also secured a 1.21 billion rupee equity infusion from Eighth Wonder, a Mauritius-based investor, into its subsidiary, Lanka Realty Developments. This transaction results in a 51:49 ownership split between LRI and Eighth Wonder, affirming continued investor confidence in HQ Colombo—a flagship Grade A commercial asset that is fully occupied. A portion of the capital raised was used to settle over one billion rupees in outstanding debt, significantly easing the company's interest burden.

The remaining funds will be directed toward upgrading HQ Colombo, further enhancing its offerings for tenants and supporting future growth in rental income. With improving macroeconomic conditions and a resurgence in demand for high-quality office space, Grade A buildings are commanding increasing rental rates.

LRI plans to capture this momentum by optimizing returns from its core assets, particularly HQ Colombo and Unity Plaza, while maintaining high occupancy rates and efficient cost structures. These efforts are expected to lead to improved profitability in the second half of FY26, supported by both revenue growth and reduced finance costs. LRI's strategy of acquiring, upgrading, and actively managing high-potential real estate assets have already produced strong results: - HQ Colombo: Transformed from a dated government office building into a modern, premium office tower with 100 percent occupancy, now valued at 3.5 billion rupees and generating 248 million rupees annually. This asset has achieved an internal rate of return (IRR) of 21.28 percent. Unity Plaza: Repositioned as Sri Lanka's leading IT retail and commercial hub, with rental income increasing from 182 million rupees to 434 million rupees and a current valuation of 4.8 billion rupees. It has delivered an IRR of 24 percent. LRI is strengthening its W15 brand, seeing positive results from its operational assets. Construction is underway at W15 Yala and W15 Ambalangoda, and the company is exploring management contracts for capital light growth in the leisure sector. With reduced leverage and a fresh capital focus, LRI aims to acquire distressed buildings, divest non-core land, and invest in commercial properties that match its income strategy.