



Media Release

RAM Ratings Lanka assigns A/P2 to Nawaloka Hospitals PLC

RAM Ratings Lanka has assigned respective long- and short-term corporate ratings of A (with a stable outlook) and P2 to Nawaloka Hospitals PLC ("Nawaloka" or "the Company"). The ratings are supported by the Company's strong competitive position and sturdy financial profile. On the other hand, the ratings are constrained by Nawaloka's geographical concentration stemming from its single branch.

Incorporated in 1985, as Sri Lanka's first private hospital, Nawaloka benefits from its established name and strong reputation in the local healthcare industry. The Company operates with a bed capacity of 405 and is among the largest private hospitals in the country. Nawaloka's competitive position is further strengthened by its location, which is easily accessible by residents from several highly populated areas within Colombo. Nawaloka also benefits from its close proximity to the state-owned general hospital in the city; this has enabled it to attract a large number of visiting consultants/doctors who are perceived to be among the best in the industry. In addition, the Company is well poised to benefit from the expected growth of the local private healthcare industry. Increased health awareness among the public and higher disposable income are anticipated to boost demand for high quality healthcare over the medium to long term.

Historically, Nawaloka's financial profile had been plagued by its heavy debt burden and persistent losses arising from a 24.03% associate stake held in Galadari Hotels PLC ("Galadari"). However, the Company had been successful in disposing this stake during May 2010; as a result RAM Ratings Lanka anticipates the Company's financial profile to improve significantly. Disposal proceeds of LKR 1.36 billion had been utilised to settle approximately LKR 890 million of the Company's borrowings; consequently Nawaloka's gearing ratio is estimated to have improved to 0.25 times from 0.85 as at end FYE 31 March 2010 ("end-FY Mar 2010"). Furthermore, the Company's liquidity position has also strengthened subsequent to the inflow.

On a separate note, RAM Ratings Lanka opines that the lack of a branch network may expose the Company to geographical concentration risk. As such, Nawaloka may be vulnerable to new entrants in the same vicinity which could erode the Company's competitive position. In this regard, we note that a competing private hospital has already augmented capacity within close proximity to Nawaloka; RAM Ratings Lanka views this with concern.

Analyst Contact
Prashani Illangesekera
prashani@ram.com.lk

Date of Publication: 06th July 2010

The credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment on the security's market price or its suitability for a particular investor, nor does it involve any audit by RAM Ratings Lanka. The credit rating also does not reflect the legality and enforceability of financial obligations, transfer and convertibility risks, repatriation risk, currency risk or any other risk apart from credit risk.

RAM Ratings Lanka receives compensation for its rating services, normally paid by the issuers of such securities or the rated entity, and sometimes third parties participating in marketing the securities, insurers, guarantors, other obligors, underwriters, etc. The receipt of this compensation has no influence on RAM Ratings Lanka's credit opinions or other analytical processes. In all instances, RAM Ratings Lanka is committed to preserving the objectivity, integrity and independence of its ratings. Rating fees are communicated to clients prior to the issuance of rating opinions. While RAM Ratings reserves the right to disseminate the ratings, it receives no payment for doing so, except for subscriptions to its publications.

Published by RAM Rating Lanka Ltd
© Copyright 2010 by RAM Ratings Lanka

RAM Ratings (Lanka) Ltd
Wholly owned by
RAM Holdings Berhad

No 9, Arthur's Place
Colombo 4
Sri Lanka

T +94 112 553089
F +94 112 553090
E ram@ram.com.lk
www.ram.com.lk