RAM RATINGS

CREDIT RATING RATIONALE

FINANCIAL INSTITUTION – SRI LANKA

A wholly owned subsidiary of RAM Holdings Berhad

CONSTRUCTION GUARANTEE FUND - Initial Rating

Ratings:
Long-term: BBB+ [Assigned]
Short-term: P2 [Assigned]

Rating Outlook:
Stable

Strengths:
- State linkage
- Healthy capitalisation
- Stringent underwriting standards
- Conservative investment strategy

Weaknesses:
- Concentration risk
- Small stature
- Lack of reinsurance

Principal Activity:
Providing financial guarantees to construction contractors

Analysts:
Khailash Weeralingam B.Sc. ACMA(UK)
(9411) 2553089
khailash@ram.com.lk

Prashani Illangasekera M.Sc, BA
(9411) 2503551
prashani@ram.com.lk

Company Contact:
Adrian Perera
MBA, FCCA, FCMA(UK), FCMA(SL), AIB
Chief Executive Officer
(9411) 2596099
adrian@ram.com.lk

Website: www.ram.com.lk

Summary

RAM Ratings Lanka has assigned respective long- and short-term financial enhancement ratings of BBB+ and P2 to the Construction Guarantee Fund ("CGF" or "the Fund"). The ratings are primarily based on the Fund's state linkage, healthy capitalisation and stringent underwriting standards, tempered by its inherent vulnerability to the volatile construction industry and its limited geographical reach. The ratings also take into consideration the Fund's priority level within the Government of Sri Lanka's ("GOSL") overall economic development strategy.

CGF is a Trust set up by the GOSL in 1999, to assist in the development of the construction industry by providing indirect financial assistance to domestic construction contractors. The trustees comprise high-ranking government officials and representatives from the private sector.

The Fund provides financial guarantees in the form of bid, performance, advance-payment, retention and other forms of bonds to construction contractors. Such guarantees are provided without any collateral, by evaluating the contractors' capabilities against the project requirements. CGF follows stringent underwriting standards, with guarantees only extended to contractors holding a valid grading with the Institute of Construction Training and Development ("ICTAD"); all applications are vetted by vastly experienced personnel. Furthermore, the majority of contracts are monitored regularly to ensure that project performance is as per specifications. In the event a contractor lags behind, CGF has the authority to take all necessary actions to minimize claims by ensuring total project performance.

CGF's financial performance is intertwined with the health of the construction industry. The Fund recorded its highest premium income of LKR 76.95 million in FYE 31 December 2006 ("FY Dec 2006"), boosted by increased construction activity amid the flurry of rebuilding following the havoc wreaked by the tsunami in December 2004. However, the Fund's premium income has been trending downwards in the last 3 years, from LKR 50.83 million in FY Dec 2007 to LKR 36.37 million in FY Dec 2009, as the weak macroeconomic conditions have dampened demand for construction services. Nonetheless, its overall financial performance has been supported by sturdy investment income.

We note that the Fund adopts a conservative investment strategy, maintaining a portfolio solely comprising government securities. We view this positively as these are low-risk and highly liquid investments.

On the other hand, the lack of soft capital in the form of reinsurance is a concern to RAM Ratings Lanka. Reinsurance is expected to cushion capital in the event of large claims. Although the management is evaluating reinsurance arrangements,

credence will be given based on the form of reinsurance and once a fixed guideline has been put in place. Moreover, CGF's lack of branch network will hinder capital growth as new business will be limited.

Meanwhile, CGF's capitalisation levels are deemed healthy owing to implicit state support and the Fund's robust capital-adequacy ratio ("CAR"), which clocked in at 61.55% as at end-FY Dec 2009 (end-FY Dec 2008: 40.62%). Moreover, the Fund is expected to keep its leverage below 10 times, i.e. much lower than the levels of standard financial-guarantee insurers.

Company Background

Trust set up in 1999

CGF is a trust fund set up by the GOSL in 1999, and the settlor is the Secretary to the Ministry of Finance. The objective of the Fund is to provide construction contractors with financial guarantees.

Addresses difficulties faced by contractors in obtaining guarantees

Contractors' participation in the bidding process is often hindered by the requirement to furnish guarantees. Traditionally, contractors have had to approach banks for guarantees, which in turn would require them to produce collateral. In addition, the contractor is subject to hefty interest charges. The Fund, on the other hand, provides guarantees based on the financial profile and competency of the contractor, rather than collateral. By providing a guarantee, CGF is obliged to settle any legitimate claim that may arise due to non-performance of the agreement.

Provides 6 types of guarantees

The Fund provides 6 types of guarantees: bid bonds, performance bonds, advance-payment bonds, maintenance bonds, retention bonds and combined bonds. Bid bonds are required by a contractor during the tender-application process; performance and advance-payment bonds are required during the execution of a project. Meanwhile, the other 3 types of bonds are required after the completion of a project to protect the employer during the maintenance phase of the project and to ensure that the contractor will rectify any shortcoming.

Ownership & Financial Flexibility

Ratings underpinned by state support

CGF's equity had been provided by the Ministry of Finance, by way of a grant. The Fund has received LKR 55 million from the LKR 100 million allocated via the national budget of 1999. The assigned ratings reflect our opinion on the degree of financial flexibility derived from state support, and also CGF's subordinate priority vis-à-vis other state financial institutions.

Robust capital growth

Bulk of the Fund's overall capital is made up of retained profits, which have been accreted over the years. CGF's reserves have grown from LKR 61.42 million as at end-FY Mar 2005 to LKR 365.47 million as at end-FY Dec 2009. The robust growth in retained profits has been supported by almost no claims and no dividend payouts to the state.

CGF prone to state influence

Nonetheless, the state wields significant influence over CGF's operations. The Fund has provided State Development and Construction Corporation ("SD&CC") a working-capital loan of LKR 100 million, by borrowing an equivalent sum from the Bank of Ceylon ("BOC"). SD&CC, which comes under the purview of the Ministry of Construction and Engineering Services, specialises in the construction of large infrastructure projects and the production of pre-cast concrete products.

Payments to CGF have been volatile; LKR 86.25 million of the LKR 100 million lent to SD&CC in March 2009 remained outstanding as at end-FY Dec 2009.

Meanwhile, the trustees of the Fund comprise representatives holding offices in both government and private entities (refer to Table 1).

Table 1: Trustees of CGF

Office	GOSL / private
Secretary to the Minister in charge of Construction	GOSL
Director General – Department of Public Finance	GOSL
Director General – Securities and Exchange Commission	GOSL
Executive Director – National Construction Contractors Association	Private
President – Federation of Chamber of Commerce and Industry	Private

Management & Corporate Strategy

Well-experienced key personnel

The management of CGF consists of individuals who are vastly experienced in the construction sector. The Board is advised by Dr Edward de Zylva, a doyen of the construction industry; who has also been an advisor the GOSL. Mr de Zylva, together with the trustees, charts the strategic direction of the Fund. Mr Lionel Mulleriyawa, the general manager, oversees the operational aspects. The trustees have enlisted Mr Amrit CanagaRetna, as Head of Operations, to assist in strategic planning. Mr CanagaRetna has extensive experience in the financial sector, having worked for both local and international monetary institutions.

Intending to improve customer base

To address increasing competition from banks and insurance companies, the management intends to improve its customer base through employer awareness programs and branch expansion. Furthermore, CGF's present network of only 2 branches (in Jaffna and Galle) is expected to be increased over time. Moreover, the Fund also plans to broaden its client base by extending its scope to include areas that facilitate construction; at present, only contractors involved in construction work are provided with guarantees. Furthermore, the management expects to increase focus on contractors that cater to the private sector; currently, almost all are focused on government-based projects.

The management's expansion plans vis-à-vis widening CGF's geographical footprint and broadening its clientele are expected to exert some pressure on its financial performance in the short to medium term. Moreover, aggressive portfolio expansion may strain internal resources, resulting in weaker claims experience. RAM Ratings Lanka will closely monitor developments in this regard.

Underwriting

Stringent underwriting standards

CGF's underwriting standards are commendable, as reflected in its history of low claims. The Fund only underwrites contractors registered by the ICTAD, and is staffed with vastly experienced engineers who vet each project proposal. However, the Fund's inherent concentration on a single sector is a concern.

ICTAD registration a pre-requisite

Registration with the ICTAD is a pre-requisite for a guarantee from CGF. The ICTAD is an organisation set up by the state, with the aim of promoting and developing the construction industry. It aims to fulfil its role through several means, which include providing training to contractors, renting of construction equipment, and providing advisory services. The ICTAD also acts as a central point for the registration and grading of construction contractors, thus enabling standardisation throughout the industry. Contractors are conferred grades from C1 to C11, reflecting the value of the project they are eligible to undertake (refer to Table 2). The grades are assigned based on a points system, assessing its resources both financial and technical factors (refer to Table 3). Financial aspects considered include working capital and overdraft facilities available, as well as deposits. Technical factors take into account past projects, equipment, and the experience and qualifications of available staff, to mention but a few.

Table 2: Financial limits for each grade of constructor

Project Limit (LKR million)	Grade
0.5 ≥ X	Grade C 11
1.0 ≥ X > 0.5	Grade C 10
2.0 ≥ X > 1.0	Grade C 9
5.0 ≥ X > 2.0	Grade C 8
10.0 ≥ X > 5.0	Grade C 7
25.0 ≥ X > 10.0	Grade C 6
50.0 ≥ X > 25.0	Grade C 5
100.0 ≥ X > 50.0	Grade C 4
300.0 ≥ X > 100.0	Grade C 3
600.0 ≥ X > 300.0	Grade C 2
X ≥ 600.0	Grade C 1

Table 3: Grading points

Area	Points
Financial ability	120
Technical ability	
- Human resources	55
- Equipment	25
- Experience	210
- Organisation	12
Other considerations	12

Applications vetted by experienced personnel

Aside from the detailed analysis carried out by the ICTAD during registration, the relevant staff at CGF will evaluate each application for a bond/guarantee on a case-by-case basis. The Fund has the sole discretion to issue a guarantee to a contractor; it may issue a guarantee to a contractor that does not meet certain criteria, and which entails a higher risk- at an additional levy. The staff members entrusted with evaluating the proposals are well-experienced individuals with over 25 years' experience in the construction industry.

Most guarantees closely monitored

Meanwhile, the guarantee can either be classified as with or without monitoring. If the evaluator feels the contractor will have to be monitored throughout the contract period, they will make periodical physical and financial checks to ensure that the project is progressing as planned. An additional levy is charged for this type of guarantee; approximately 90% of contracts require such monitoring. Guarantees without monitoring are only provided to clients with proven track records where an exclusive self-monitoring system has been developed and established. We have a positive view of monitored contracts as they enhance the Fund's ability to take corrective action if the contractor deviates from the intended plan or fails.

Inherent industry-concentration risk

Owing to the Fund's objectives, its entire portfolio is exposed to the construction industry; as such its performance is highly correlated to the health of this sector. However, exposures are relatively diversified with 66.72% of the portfolio having contingent liabilities of less than 10 million as at end-FY Mar 2009 (end-FY Mar 2008: 53.75%) (refer to Table 4).

Table 4: Distribution of contingent labilities

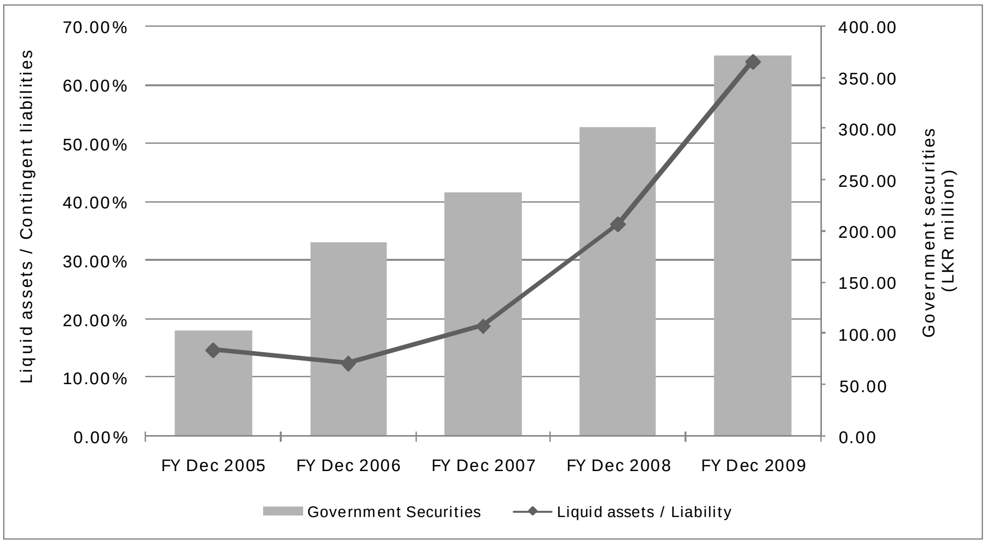
Contingent liability value (LKR million)	2009	2008	2007
less than 0.5	9.20%	6.42%	4.72%
0.5 to 1	9.32%	8.32%	4.03%
1 to 5	28.63%	26.12%	18.26%
5 to 10	19.57%	12.89%	16.78%
10 to 15	7.72%	5.53%	5.02%
15 to 20	11.85%	6.50%	4.62%
20 to 25	0.00%	1.86%	6.88%
25 to 50	13.71%	22.14%	26.09%
50 to 75	0.00%	10.22%	9.52%
75 to 100	0.00%	0.00%	4.09%

Investment Strategy & Liquidity

Conservative investment strategy

CGF adopts a conservative investment strategy, with all investments channelled to low-risk and highly liquid government securities. The Fund's liquidity position has also improved; its ratio of liquid assets to contingent liabilities clocked in at 63.96% as at end-FY Dec 2009, compared to 14.79% as at end-FY Dec 2005 (refer to Chart 1). The amelioration was supported by the augmentation of treasury assets, coupled with shrinking contingent liabilities owing to the slump in the construction industry. Over the medium term, the management intends to follow its investment strategy of maintaining a portfolio of only government securities.

Chart 1: Liquid assets to total contingent liabilities



Financial Performance

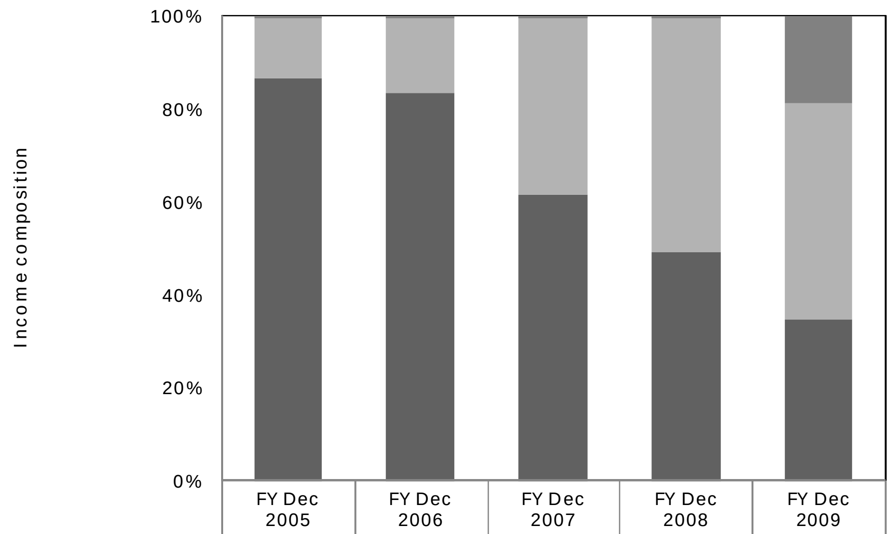
Moderate financial performance

CGF’s financial performance is deemed moderate due to concentration risk in its income sources and its inherent vulnerability to the cyclical construction industry. The Fund’s premium income has been declining in the past 3 years, as high interest rates have stifled the growth of the construction industry. Nonetheless, CGF’s financial performance has been supported by its zero-claims experience.

Dip in premium income compensated by investment income

Despite the slump in the construction industry, the Fund’s income has augmented as a result of returns from high-yield investments in government securities and a loan extended to SD&CC. CGF’s premium income peaked at LKR 76.95 million in FY Dec 2006 (refer to Chart 2), driven by increased construction activity in the country’s northern, eastern and southern sectors following the havoc wreaked by the tsunami in December 2004. However, income from this source has been declining steadily since, to only LKR 36.37 million in FY Dec 2009, as the construction industry has weakened in line with the deteriorating macroeconomic environment. This highlights the Fund’s dependence on a single industry. However, its overall income expanded from LKR 92.40 million in FY Dec 2006 to LKR 104.79 million in FY Dec 2009, bolstered by high-yielding government securities and interest from a loan granted to the SD&CC during FY Dec 2009. Income from government securities took up 46.65% of CGF’s income base as at end-FY Dec 2009 (end-FY Dec 2008: 50.57%), followed by premium income (34.71% vs 49.43% as at end-FY Dec 2008) and loan income (18.64%). Going forward, income from government securities is expected to be pressured due to declining interest rates. At the same time, however, the anticipated rebound of the construction industry will lead to higher premium income.

Chart 2: CGF's income composition



	FY Dec 2005	FY Dec 2006	FY Dec 2007	FY Dec 2008	FY Dec 2009
Other income	0.00	0.00	0.00	0.00	19.53
Income from Government Securities	5.66	15.45	31.63	48.15	48.88
Premium income	36.43	76.95	50.83	47.07	36.37

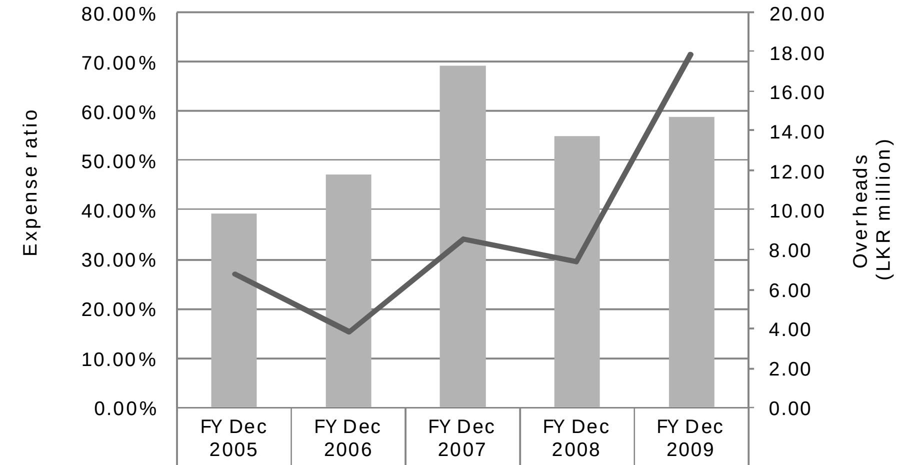
Surge in finance costs hurt expense ratio

Meanwhile, CGF’s expense[1] ratio deteriorated significantly in FY Dec 2009, depressed by the contraction in its premium income and a surge in finance costs. The Fund’s expense ratio came in at 71.35% as at end-FY Dec 2009 (refer to Chart 3), much higher than the 29.36% of a year earlier. This was mainly due

[1] (General and Administrative expenses + Other expenses) / Premium income

to substantially higher finance costs, as the Fund had borrowed LKR 100 million from BOC; CGF's finance costs ballooned from LKR 0.05 million in FY Dec 2008 to LKR 11.24 million in FY Dec 2009. The dip in premium income can also be attributed to the worsening of the Fund's expense ratio. Overheads had spiked up in FY Dec 2007, following an *ex gratia* payment to the Italian embassy over a claim. Although the management views the claim to be unsupported, the payment had been made because of political pressure.

Chart 3: CGF's expense ratio and overheads

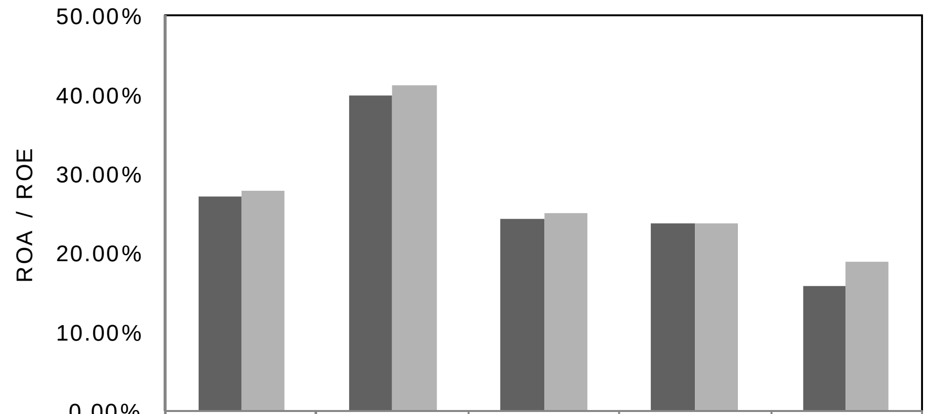


	FY Dec 2005	FY Dec 2006	FY Dec 2007	FY Dec 2008	FY Dec 2009
Overheads	9.79	11.77	17.29	13.77	14.71
Expense ratio	26.88%	15.30%	34.16%	29.36%	71.35%

Performance expected to improve

Concurrently, CGF's return on equity ("ROE") dipped to from 23.82% as at end-FY Dec 2008 to 18.75% as at end-FY Dec 2009 (refer to Chart 4). Over the years, the Fund's ROE has been shrinking as its equity reserves have been built up, without a corresponding increase in new business. Moving ahead, the Fund's ROE is expected to reverse its downtrend as the management intends to revise its levies upwards and new business flows in tandem with the construction industry's upturn.

Chart 4: CGF's ROE and ROA



	FY Dec 2005	FY Dec 2006	FY Dec 2007	FY Dec 2008	FY Dec 2009
ROA	27.18%	40.06%	24.32%	23.73%	15.71%
ROE	27.74%	41.23%	24.98%	23.82%	18.75%

ROA = return on assets

Capital Adequacy

Healthy capitalisation

RAM Ratings Lanka perceives CGF's capital adequacy to be healthy, underpinned by implicit state support and a robust CAR. Although CGF had initially been allocated LKR 100 million, only LKR 55 million has been channelled to the Fund; the management has the option of calling on the remaining LKR 45 million in times of stress. Moreover, the Fund's CAR clocked in at 61.55% as at end-FY Dec 2009 (end-FY Dec 2008: 40.62%).

Leverage to be kept below 10 times

Prospectively, CGF's leverage[2] is expected to be conservatively kept below 10 times, which is viewed favourably. The leverage limit is set by the trustees. The Fund's leverage stood at 1.41 times as at end-FY Dec 2009, better than the 2.46 times of a year earlier.

Setting up of contingent liability reserve viewed positively

In FY Dec 2009, the management created a contingent-liability reserve of LKR 300 million, through a transfer from the Fund's retained profits. This is viewed in a positive light as it renders accumulated profits non-distributable. Going forward, the management intends to transfer a certain percentage of CGF's profits to the contingent-liability reserve.

Lack of reinsurance guidelines a concern

In terms of soft capital, the Fund has scaled back its reinsurance, but is expected to expand reinsurance in the future. CGF's primary reinsurer had been Ceylinco Insurance PLC. After the Ceylinco debacle in 2009, however, reinsurance from this company has been reduced. Elsewhere, the Fund also reinsures with Janashakthi Insurance PLC. Reinsurance premiums are passed through to the Fund's clients. Historically, less than 10% of CGF's outstanding contingent liabilities has been reinsured. The management is currently evaluating alternative reinsurance possibilities, and hopes to place a reinsurance guideline during FY Dec 2010. RAM Ratings Lanka views the Fund's lack of reinsurance and reinsurance guidelines with concern.

[2] Leverage = (Total contingent liabilities) / (Shareholders' funds)

Corporate Information

Date of Incorporation:	1999	
Commencement of Business:	April 2000	
Trustees:	Mr Nissanka N Wijeratne	Secretary to the Minister in charge of construction
	Mr Wasantha Ekanayake	Director General – Department of Public Finance
	Mr Channa De Silva	Director General – Securities and Exchange Commission of Sri Lanka
	Mr Nissanka N Wijeratne	Chairman – Institute of Construction Training & Development
	Mr Priyantha Perera	Chairman - National Construction Association of Sri Lanka
	Mr Kosala Wickramanayake	President – Federation of Chamber of Commerce and Industry of Sri Lanka
Auditor:	Auditor General	
Listing:	Not listed	
Key Management:	Mr Edward De Zylva	Advisor
	Mr Lionel Mulleriyawa	General Manger
	Mr Amrit CanagaRetna	Head of Operations
	Mr Gamini Balasuriya	Technical credit rating officer
Major Subsidiaries and Associates:	None	

Capital History:

Year	Remarks	Amount (LKR million)	Cumulative Total (LKR million)
1999	Treasury grant	10.00	
2001	Treasury grant	10.00	20.00
2002	Treasury grant	10.00	30.00
2005	Treasury grant	25.00	55.00

Financial Summary - Company

BALANCE SHEET (LKR million)	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09 *unaudited*
Property, Plant & Equipment	0.58	1.21	2.09	1.73	1.51
Investment in Subsidiaries & Associates	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets	0.00	0.00	0.00	0.00	0.00
Other Investments & Non-Current Assets	0.00	0.00	0.00	0.00	0.00
Goodwill & Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Non-Current Assets	0.58	1.21	2.09	1.73	1.51
Inventory	0.00	0.00	0.00	0.00	0.00
Trade Receivables	0.59	0.00	0.01	0.00	0.29
Other Current Assets	105.07	194.81	260.36	337.71	493.46
Amounts Due from Holding/Related Companies & Directors	0.00	0.00	0.00	0.00	0.00
Amounts Due from Subsidiaries & Associates/Joint Ventures	0.00	0.00	0.00	0.00	0.00
Cash & Bank Balances	12.57	5.21	5.15	3.56	6.49
Total Current Assets	118.23	200.03	265.52	341.27	500.24
Total Assets	118.81	201.24	267.61	343.00	501.75
Equity Share Capital	55.00	55.00	55.00	55.00	55.00
Equity-Like Hybrid Capital	0.00	0.00	0.00	0.00	0.00
Reserves	0.98	0.98	0.98	0.98	300.98
Retained Surplus/(Accumulated Losses)	60.44	139.58	204.58	285.79	64.49
Minority Interests	0.00	0.00	0.00	0.00	0.00
Total Shareholders' Funds & Minority Interests	116.42	195.57	260.57	341.77	420.47
Short-Term Private Debt Securities	0.00	0.00	0.00	0.00	0.00
Amounts Due to Holding/Related Companies & Directors	0.00	0.00	0.00	0.00	0.00
Amounts Due to Subsidiaries & Associates/Joint Ventures	0.00	0.00	0.00	0.00	0.00
Other Short-Term Debts	0.00	0.00	0.22	0.00	0.00
Trade Payables	0.00	0.00	0.00	0.00	0.00
Taxation	0.00	0.00	0.00	0.00	0.00
Dividends Payable	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities	2.39	5.67	6.82	1.23	1.27
Total Current Liabilities	2.39	5.67	7.05	1.23	1.27
Long-Term Deferred Liabilities	0.00	0.00	0.00	0.00	0.00
Debt-Like Hybrid Capital	0.00	0.00	0.00	0.00	0.00
Long-Term Private Debt Securities	0.00	0.00	0.00	0.00	0.00
(Sinking Fund)	0.00	0.00	0.00	0.00	0.00
Other Long-Term Debts	0.00	0.00	0.00	0.00	80.00
Total Non-Current Liabilities	0.00	0.00	0.00	0.00	80.00
Total Liabilities	2.39	5.67	7.05	1.23	81.27
Shareholders' Funds & Minority Interests + Total Liabilities	118.81	201.24	267.61	343.00	501.75

Financial Summary - Company

INCOME STATEMENT (LKR million)	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09 *unaudited*
Revenue	36.43	76.95	50.83	47.07	36.37
Operating Surplus/(Loss) Before Depreciation, Interest & Tax	26.90	65.32	34.04	33.94	22.25
Depreciation & Amortisation	(0.26)	(0.14)	(0.50)	(0.64)	(0.59)
Operating Surplus/(Loss) Before Interest & Tax	26.64	65.18	33.54	33.30	21.66
Finance Costs	(0.00)	(0.00)	(0.07)	(0.05)	(11.24)
Debt-Related Foreign Exchange Gain/(Loss)	0.00	0.00	0.00	0.00	0.00
Operating Surplus/(Loss) Before Tax	26.64	65.17	33.47	33.25	10.42
Other Income	5.66	15.45	31.63	48.15	68.42
Non-Recurring Items	0.00	0.00	0.00	0.00	0.00
Share of Associated Companies'/Joint Ventures' Profits/(Losses)	0.00	0.00	0.00	0.00	0.00
Pre-Tax Surplus/(Loss)	32.30	80.62	65.10	81.40	78.84
Taxation	0.00	0.00	0.00	0.00	0.00
Net Surplus/(Loss)	32.30	80.62	65.10	81.40	78.84
Minority Interests	0.00	0.00	0.00	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	0.00
Post-Distribution Surplus/(Loss)	32.30	80.62	65.10	81.40	78.84

CASHFLOW STATEMENT (LKR million)	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09 *unaudited*
Pre-Tax Surplus/(Loss)	32.30	80.62	65.10	81.40	78.84
Adjustments	0.16	(1.34)	0.80	0.60	0.45
Operating Surplus/(Loss) Before Working Capital Changes	32.45	79.29	65.90	82.00	79.29
Tax Paid	0.00	0.00	0.00	0.00	0.00
Funds from Operations	32.45	79.29	65.90	82.00	79.29
Changes in Working Capital	(1.14)	1.13	(15.27)	(20.45)	(85.99)
Other Income/(Expenses)	0.00	0.00	0.00	0.00	0.00
Net Cashflow from Operating Activities	31.31	80.42	50.63	61.55	(6.70)
Capital Expenditure	(0.37)	(0.78)	(1.78)	(0.43)	(0.37)
Free Operating Cashflow	30.95	79.64	48.85	61.12	(7.07)
Other Investing Outflows	(45.93)	(87.77)	(50.69)	(63.15)	(70.37)
Investing Inflows	0.00	0.00	0.00	0.00	0.00
Pre-Financing Cashflow	(14.98)	(8.13)	(1.84)	(2.02)	(77.43)
Interest Payments	0.00	0.00	0.00	0.00	0.00
Net Changes in Borrowings	0.00	0.00	0.00	0.00	80.00
Dividend Payments	0.00	0.00	0.00	0.00	0.00
Others	25.00	0.00	0.00	0.00	0.00
Net Increase/(Decrease) in Cash & Cash Equivalents	10.02	(8.13)	(1.84)	(2.02)	2.57
Opening Cash Balance	2.18	12.56	5.21	5.15	3.56
Closing Cash Balance	12.20	4.44	3.37	3.12	6.12

Financial Ratios - Company

KEY RATIOS	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	*unaudited* 31-Dec-09
PROFITABILITY (%):					
OPBDIT Margin	73.85%	84.89%	66.97%	72.11%	61.18%
OPBIT Margin	73.13%	84.70%	65.99%	70.75%	59.55%
Pre-Tax Profit Margin	88.67%	104.78%	128.07%	172.94%	216.75%
Net Profit Margin	88.67%	104.78%	128.07%	172.94%	216.75%
After-Tax Return on Equity	27.74%	41.23%	24.98%	23.82%	18.75%
Return on Capital Employed	27.75%	41.23%	24.99%	23.83%	18.00%
CAPITALISATION (TIMES):					
Gearing Ratio	0.00	0.00	0.00	0.00	0.19
Net Gearing Ratio	(0.11)	(0.03)	(0.02)	(0.01)	0.17
Debt-Capital Ratio	0.00	0.00	0.00	0.00	0.16
DEBT COVERAGE (TIMES):					
Interest Coverage Ratio	10,193.68	14,262.26	469.74	667.06	1.98
Operating Cashflow Interest Coverage Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
OPBDIT Debt Coverage Ratio	n.a.	n.a.	153.55	n.a.	0.28
Funds from Operations Debt Coverage Ratio	n.a.	n.a.	297.28	n.a.	0.99
Operating Cashflow Debt Coverage Ratio	n.a.	n.a.	228.40	n.a.	(0.08)
Free Operating Cashflow Debt Coverage Ratio	n.a.	n.a.	220.38	n.a.	(0.09)
LIQUIDITY (TIMES):					
Current Ratio	49.47	35.25	37.68	277.71	392.54
Quick Ratio	49.47	35.25	37.68	277.71	392.54
CASH CYCLE (DAYS)					
Receivables Cycle	5.93	0.02	0.05	0.03	2.87
Payables Cycle	n.a.	n.a.	n.a.	n.a.	n.a.
Inventory Cycle	n.a.	n.a.	n.a.	n.a.	n.a.
Operating Cash Cycle	n.a.	n.a.	n.a.	n.a.	n.a.

OPBDIT = Operating Profit Before Depreciation, Interest & Tax

OPBIT = Operating Profit Before Interest & Tax

Financial Ratios - Company

Ratio Definition:-	
Profit Margin Before Depreciation, Interest and Tax	Operating profit before depreciation, interest and tax / Operating income
Profit Margin Before Interest and Tax	Operating profit before interest and tax / Operating income
Pre-tax Return on Sales	Operating profit before tax / Operating income
After Tax Return on Equity	Adjusted profit after tax / (Shareholders' funds + Minority interest)
Return on Capital Employed	(Adjusted profit before tax + Interest and financial charges + Foreign exchange loss/(profit)) / (Total debt net of sinking fund + Shareholders' funds + Minority interest)
Gearing Ratio	Total debt net of sinking fund / (Shareholders' funds + Minority interest)
Gearing ratio (adj. for Deferred Revenue)	Total Debt / (S Funds + MI + Deferred Revenue)
Net Gearing Ratio	(Total debt - Cash and bank balances) / (Shareholders' funds + Minority interest)
Long Term Gearing Ratio	Long term gearing ratio = Long term debt net of sinking fund/ (Shareholders' funds + Minority interest)
Short Term Gearing Ratio	Short term debt / (Shareholders' funds + Minority interest)
Interest & Finance Charges Coverage Ratio	Operating profit before depn., interest and tax / (Interest and finance charges + Realised foreign exchange loss/(profit) + Dividend on preference shares + Interest capitalised)
Adjusted Interest Coverage Ratio	Adjusted Profit Before Depreciation, Interest and Tax / (Interest and finance charges + Realised foreign exchange loss/(profit) + Dividend on preference shares + Interest capitalised)
Operating Cash Flow Interest Coverage Ratio	Net cash flow from operations / (Interest and financial charges + Realised foreign exchange loss/(profit) + Dividend on preference shares)
Operating Cash Flow Debt Coverage Ratio	Net cash flow from operations / (Total debt net of sinking fund)
Free Cash Flow Debt Coverage	(Net cash flow from operations - Total investing cash outflow) / Total debt
Current Ratio (times)	(Current assets - Amounts due from related companies) / (Current liabilities - Amounts due to related companies)
Quick Ratio (times)	(Current assets - Amounts due from related companies - Inventory) / (Current liabilities - Amounts due to related companies)
Days Receivables (days)	(Trade receivables / Gross sales) x 365
Days Payables (days)	(Trade payables / Cost of sales) x 365
Inventory Turnover (days)	Total Inventory / (Turnover - Operating profit before depreciation, interest & tax) x 365
Operating Income	Operating income (excluding income which is not directly related to the principal business of the Group)
Total Debt	Short term and long term borrowings + Short term and long term private debt securities - Amount placed in sinking fund for the redemption of debt + Amounts owing to holding/related companies
Shareholders' funds	Equity capital + Reserves - Preliminary & Pre-operation Expenditure

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to RAM's definition to facilitate meaningful comparisons between companies.

RAM RATINGS' CREDIT RATING DEFINITIONS (Financial Enhancement Ratings)

A Financial Enhancement Rating ("FER") is RAM Ratings' current opinion on the overall capacity of the financial guarantee insurance company ("FGIC") to meet its financial obligations to policy/contract holders on a timely basis. The opinion is not specific to any particular policy/contract, as it does not take into account the expressed terms and conditions of any specific policy/contract.

Long-Term Ratings

AAA	A FGIC rated AAA has a superior capacity to meet its financial obligations to policy/contract holders. This is the highest long-term FER assigned by RAM Ratings.
AA	A FGIC rated AA has a strong capacity to meet its financial obligations to policy/contract holders. The FGIC is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	A FGIC rated A has an adequate capacity to meet its financial obligations to policy/contract holders. The FGIC is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	A FGIC rated BBB has a moderate capacity to meet its financial obligations to policy/contract holders. The FGIC is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
BB	A FGIC rated BB has a weak capacity to meet its financial obligations to policy/contract holders. The FGIC is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	A FGIC rated B has a very weak capacity to meet its financial obligations to policy/contract holders. The FGIC has limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
C	A FGIC rated C has a high likelihood of defaulting on its financial obligations to policy/contract holders. The FGIC is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations to policy/contract holders.
D	A FGIC rated D is currently in default on either all or substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

For long-term ratings, RAM Ratings applies signs plus (+), flat or minus (-) in each category from AA to C. The sign plus (+) indicates that the institution ranks at the higher end of its generic rating category; the sign flat indicates a mid-ranking; and the sign minus (-) indicates that the corporate ranks at the lower end of its generic rating category.

Short-Term Ratings

P1	A FGIC rated P1 has a strong capacity to meet its short-term financial obligations to policy/contract holders. This is the highest short-term FER assigned by RAM Ratings.
P2	A FGIC rated P2 has an adequate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
P3	A FGIC rated P3 has a moderate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more likely to be weakened by the effects of deteriorating circumstances than those in higher-rated categories. This is the lowest investment-grade category.
NP	A FGIC rated NP has a doubtful capacity to meet its short-term financial obligations to policy/contract holders. The FGIC faces major uncertainties that could compromise its capacity for payment of financial obligations.
D	A FGIC rated D is currently in default on either full or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations.

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RAM Ratings (Lanka) Limited
No. 9 Arthur's Place
Colombo 4
Sri Lanka

Tel: (9411) 2553089 Fax: (9411) 2553090

E-mail: ram@ram.com.lk
Website: http://www.ram.com.lk

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