



RATINGS

CREDIT RATING RATIONALE

CORPORATE CREDIT RATING – SRI LANKA

A wholly owned subsidiary of RAM Holdings Berhad

VIDULLANKA PLC - Initial Rating

Ratings:

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

Rating Outlook:

Stable

Strength:

- Easing gearing levels

Weaknesses:

- Low capacity utilisation
- Dependent on weather conditions

Principal Activity:

Independent power producer

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Summary

RAM Ratings Lanka has assigned respective long- and short-term corporate credit ratings of BBB+ and P2 to Vidullanka PLC ("Vidullanka" or "the Company"); the long-term rating has a stable outlook.

The ratings are supported by the following factor:

- **Sound credit profile**

The management's prudent financial strategies have helped Vidullanka's gearing level to remain at a comfortable 19.95% of its shareholders' funds. Concurrently, the Company's debt service coverage ratios ("DSCRs") have also been improving. As at end-October 2009, its adjusted DSCR stood at 7.41 times.

On the other hand, the positive above is moderated by the following:

- **Counterparty risk from sole purchaser**

The Ceylon Electricity Board ("CEB") is the sole purchaser of the electricity generated by Vidullanka, thus leading to counterparty risk. Although we note that the CEB - a systemically important utility - has been prompt in its payments thus far, the entity is also in a woeful financial position.

- **Operations rely on weather conditions**

Under its power purchase agreement ("PPA"), Vidullanka does not receive fixed capacity payments for remaining available to generate electricity for sale to the CEB. Vidullanka's cashflow depends on its actual electrical output, which in turn relies on favourable weather conditions. In addition, the plant's capacity utilisation is still generally below RAM Ratings Lanka's conservative estimate of 60%.

- **Transmission risk**

Even though the CEB is obligated to purchase and accept all the electrical energy produced and delivered by Vidullanka (by virtue of the PPA), the utility giant reserves the right to reject the plants' output should its transmission and distribution system experience an emergency situation or require maintenance. Meanwhile, the Company's plants remain vulnerable to external outages, which heightens its transmission risk.

- **Investments in JV projects**

The management intends to diversify Vidullanka's revenue base within the renewable-energy sector, by embarking on joint-venture ("JV") projects. These will be nurtured by Vidullanka, thus moderating the Company's gearing levels.

Company Background

Incorporated in 1997, Vidullanka is an independent power producer (“IPP”) approved by the Board of Investment. The Company’s shares were listed on the Colombo Stock Exchange in 2005. In 2009, its listing was transferred from the Dirisavia (or secondary) board to the main board.

As an IPP focusing on renewable energy, Vidullanka has two 15-year PPAs with the CEB. The Company has 2 mini hydro projects. The first one is a 3.2-MW plant, which was connected to the national grid in 2001. The second facility was linked to the national grid in 2007; this one has a 2-MW capacity. Both plants are operated independently of each other.

In September 2007, the Company established a fully owned subsidiary, Vidul Constructions Ltd (“VCL”), which specialises in the construction of mini hydro-power projects. VCL, which also manages 2 other projects (refer to Table 1), is currently engaged in the construction of the Ganthuna Udagama mini hydro project (“Ganthuna”); this is expected to be commissioned in March 2010.

Table 1: Vidullanka’s power projects

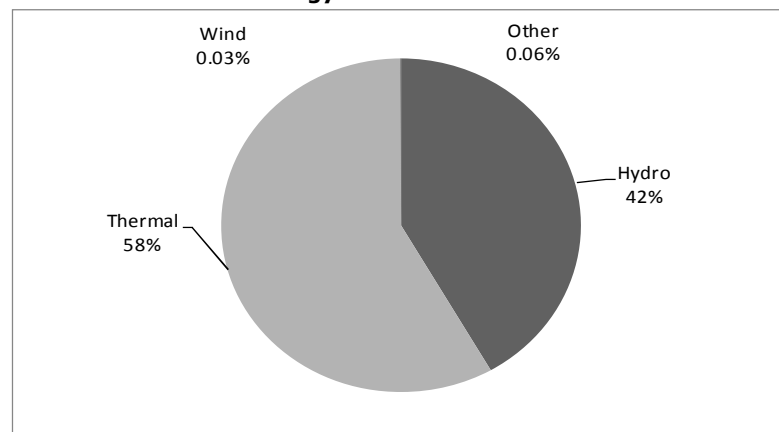
Plant	Capacity	Ownership
Bamabarabatuoya Mini Hydro	3.2 MW	100%
Batatota Mini Hydro	2 MW	100%
Sheen Mini Hydro	560 Kwh	Management contract with VCL
Ganthuna Udagama Mini Hydro	1.2 MW	JV project

All the projects above are based on “run off river” mini hydro systems that do not require the construction of a dam. Instead, water is diverted downwards from an elevation, thus creating pressure that spins the turbines, producing electrical energy.

Industry Overview

Sri Lanka’s electricity requirements typically increase 7% to 8% annually, on average. However, demand may rise further with the end of the country’s 3-decade-long armed conflict. Currently, the nation’s energy requirements are met by a combination of hydro and thermal power (refer to Chart 1).

Chart 1: Sri Lanka’s energy sources



Source: Central Bank’s 2008 annual report

Although hydro power has traditionally been the country’s main energy source, increasing demand for electricity has necessitated the diversification of its energy sources. In addition, the national energy policy concedes that the only viable means by which the country can fulfil its medium-term energy requirement is via imported fossil fuels. In the longer term, however, Sri Lanka aims to expand into non-conventional renewable energy and also explore the possibility of developing indigenous petroleum resources.

Meanwhile, the CEB has been encouraging the private sector to assist it in meeting the growing demand for electricity. In this context, the nation’s first IPP was commissioned in 1996; there are at present numerous players in this industry. Nonetheless, most of the IPPs depend on fossil fuels.

The Sri Lanka Electricity Act No. 20 of 2009 was passed recently, giving the Public Utilities Commission of Sri Lanka greater powers in moulding the country’s electricity-management framework. In this regard, RAM Ratings Lanka believes that industry-wide restructuring is on the cards, which would in turn affect the IPPs.

Business Assessment

Vidullanka’s operations rely very much on weather conditions. Although the Company depends on the CEB to absorb the electrical output generated by its plants, we note that the latter is likely to favour hydro-generated electricity over that powered by fossil fuels. This is because fossil fuels are more expensive than hydro-electricity (refer to Table 2).

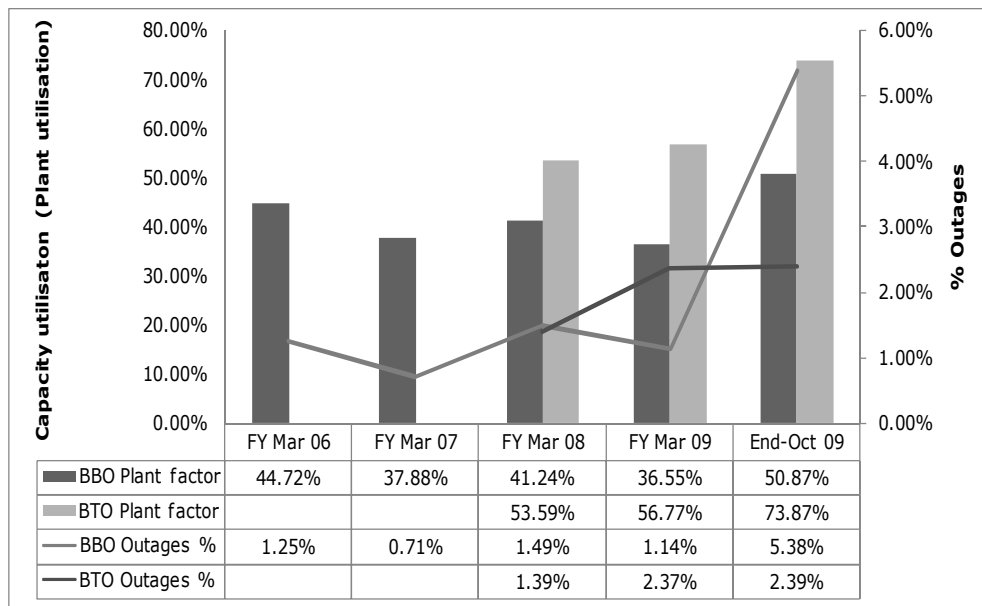
Table 2: Tariffs for fossil fuels and small renewable-energy IPPs in 2008

Name of Power Plant & Fuel	Tariff (LKR/KWh)
Aggrekko-Chunnakam - Diesel	34.68
Asia Power - Furnace Oil	20.40
Lakdhanavi - Furnace Oil	20.01
Barge Mounted - Furnace Oil	19.56
ACE-Matara - Furnace Oil	20.12
ACE-Horana - Furnace Oil	19.58
ACE-Embilipitiya - Furnace Oil	19.17
AES-KPS - Diesel	25.37
Heladhanavi - Furnace Oil	17.18
Private - Thermal total	21.39
Private - Hydro total	9.12
Total (Thermal + Hydro)	20.09

Source: CEB Statistical Digest 2008

The capacity utilisation for Bamabarabatuoya Mini Hydro (“BBO”) (Vidullanka’s first plant) has - more often than not - been less than 50% (refer to Chart 2). This level is lower than RAM Ratings Lanka’s conservative estimate of 60%. On the other hand, the utilisation level of Company’s smaller plant, Batatota Mini Hydro (“BTO”), has been improving. On a related note, outages at the plants can be mostly attributed to external causes rather than internal, which heightens the Company’s transmission risk.

Chart 2: Operational statistics of BBO



CEB obliged to purchase all electricity generated by Vidullanka

The PPA stipulates that Vidullanka is a “must-run facility”; the CEB is obliged to accept and purchase all electrical energy produced and delivered by the IPP. That said, the PPA also stipulates that the CEB may reject the IPP’s output under the following circumstances:

- 1) The CEB, at its sole discretion during emergencies and under prudent utility practices, deems it necessary to interrupt, reduce or refuse to purchase all or a portion of the energy output.
- 2) If the IPP does not operate the plants in a manner consistent with prudent utility practices.
- 3) If the quality of the energy produced is inconsistent with the standards agreed upon.

Revenue linked to power generation

The price at which the CEB will purchase the energy output is determined annually. With the tariff set, the IPP’s revenue depends on its power generation; this again relies on the flow of the river, which is ultimately dependent on the rain fall in the catchment area.

The calculation of the price is based on the “avoided cost” principle (avoided costs reflect the costs the utility would incur to provide the same electrical generation). Nonetheless, the PPA also stipulates that the tariff in a given year must not be less than 90% of the first year’s (refer Table 3).

Table 3: Tariffs applicable to small IPPs

Plant	Dry season rate (per kWh in LKR)	Wet season rate (per kWh in LKR)
BBO (rate in 2000)	3.11	2.76
BTO (rate in 2006)	6.73	5.82
Rate in 2009	11.17	10.59

Moderate counterparty risk

The PPA requires Vidullanka to supply energy exclusively to the CEB, unless the IPP has prior written approval to the contrary. As mentioned earlier, the CEB is

in turn obligated to purchase this output. In this regard, Vidullanka’s payment risk is directly correlated to the CEB’s financial standing.

We note that the CEB is one of the largest loss-making utilities in Sri Lanka. The government’s attempts to instil financial discipline have been hampered by numerous political issues. Moreover, international donor agencies have insisted on reforming the utility giant’s financial profile as it contributes to the nation’s overall fiscal deficit. All said, the CEB has been prompt in paying Vidullanka for its electrical output. RAM Ratings Lanka also notes that the PPA states that late payment is not excused by *force majeure*.

Force majeure risk

Single-purpose companies like Vidullanka, which depends on 2 primary plants, are more vulnerable to *force majeure* risk than those with more diversified operations. Although the Company is expanding its operations via JVs and operation and maintenance (“O&M”) contracts, these ventures are still in their infancy. Meanwhile, the PPA stipulates that neither Vidullanka nor the CEB would be in breach of its obligations as a result of *force majeure* events. Such events, defined as those beyond the Company’s control, include severe weather conditions, strikes, wars, riots, fires and other natural disasters, expropriation, changes in law and other *force majeure* events affecting its counterparties. If *force majeure* prevents Vidullanka from performing its obligations under the PPA, the Company is entitled to a time extension of up to 3 years. Furthermore, in the event of a *force majeure*, the other party is required to provide 90 days’ notice to the non-performing party.

Vidullanka has insurance policies to mitigate its financial strain in the event of *force majeure* (refer to Table 4). RAM Ratings Lanka notes, however, that these insurance policies are underwritten by a related party. While the Company has been able to make claims on its insurance policies, we have concerns regarding the insurer’s financial strength.

Table 4: Main insurance policies and sums insured

Insurance cover	Sum insured for BBO (LKR million)	Sum insured for BTO (LKR million)
Fire <i>takaful</i>	359.15	225.81
Machinery breakdown <i>takaful</i>	173.97	78.69
Business interruption	116.33	93.26

Relatively undemanding requirements under PPA

The PPA stipulates that the IPP’s output will be purchased by the CEB, so long as it maintains its status as a small power producer and the output conforms to the quality agreed upon. Apart from this, there is no minimum output requirement. Vidullanka must furnish a non-binding annual forecast of its electricity generation to the CEB by 1 December each year. In addition, the Company is required to notify the CEB a month in advance of any scheduled outage; the estimate of the projected length of the outage is also non-binding. Meanwhile, unscheduled outages must be brought to the CEB’s attention as soon as possible; the estimate of the length of the outage is non-binding.

O&M risk

Vidullanka manages O&M risk via an in-house technical team that is supervised by the Company’s general manager; (“GM”), Mr Suraweera. The GM is a civil

engineer by profession, he had been responsible for the design of Vidullanka's BTO plant. On a related note, the maintenance of the plants is carried out during low-flow periods, hence there is no scheduled maintenance.

Financial Assessment

Vidullanka's financial performance has been improving on the back of increasing tariffs and more electricity generation. Energy tariffs have been rising as alternate sources have become more expensive, especially in light of lofty international oil prices. Even though oil prices had retraced sharply in the latter part of 2008, reliance on indigenous energy sources has been encouraged in a bid to control the country's foreign-currency reserves. In addition, Vidullanka has enhanced its generation capacity via its second plant, which commenced operations in March 2007. These factors have helped augment the Company's revenue, which rose 16.95% year-on-year ("y-o-y") to LKR 185.67 million in FYE 31 March 2009 ("FY Mar 2009") (refer to Table 5). In the first 7 months of fiscal 2010, its revenue advanced 59.25% y-o-y to LKR 172.77 million. In line with this, the Company's profit performance also showed progress as its return OPBDIT margins widened from 68.09% to 74.42% over the same period.

Table 5: Key financial indicators of Vidullanka

	FY Mar 2008	FY Mar 2009	FY Mar 2010 (7 months)
Absolute (LKR million)			
Revenue	158.76	185.67	172.77
OPBDIT	117.09	126.41	128.57
Pre-tax profit	101.53	107.93	116.81
Cash & Bank balances	1.37	18.89	7.16
Total Debts	194.42	157.69	128.74
Profitability (%)			
OPBDIT	73.76%	68.09%	74.42%
Return on capital employed	15.72%	16.74%	27.27%
Capitalisation (times)			
Debt-capital ratio	41.59%	29.68%	21.12%
Debt-service coverage (times)	3.47	3.79	7.41

Vidullanka's better profit showing is also due to its prudent gearing levels, which are in turn underpinned by its sound financial strategy. The Company repaid LKR 175.85 million of debts in FY Mar 2004 via an initial public offering. Its capital expenditure is now financed by a combination of debt and retained earnings. In recent years, the Company has been retiring its loans through accumulated profits. The Company's gearing ratio stood at 0.21 times as at end-October 2009. Looking ahead, RAM Ratings Lanka opines that Vidullanka's future capital expenditure will not be significant.

Nonetheless, Vidullanka's other JV project, i.e. Ganthuna, will require further capital infusion. The Company's new ventures are likely to be partially funded by debt. As at end-October 2009, these companies owed Vidullanka LKR 82.90 million.

Management Assessment

The management team of Vidullanka is led by Mr Riyaz Sangani, its managing director (“MD”). Mr Sangani is an associate member of the Institute of Chartered Management Accountants (UK) and a graduate of Colombo University, with a Masters in business administration from the University of Sri Jayawardenapura. He is assisted by the general manager, Mr PHM Suraweera.

Having established 2 mini hydro plants, Vidullanka intends to embark on JV projects. With this in mind, the Company has established VCL, to construct and/or manage hydro-powered and other renewable-energy plants.

Corporate Information

Date of Incorporation: 1997

Commencement of Business: 2000

Major Shareholders:

Belmont Agents Limited	17.42%
Wembley Spirit Limited	13.24%
Dr Hirugnanasambandar Senthil Verl	12.76%
Growth Lanka (Pvt) Ltd	7.03%
Mr Ren Lanka Mather	5.54%
Lanka Equities (Pvt) Ltd	5.53%
Amana Investments Ltd	4.53%
ABC International Limited	4.42%
Ms Yumna Kunimoto	4.40%
Mr Suhayb Muhammed Sangagni	3.24%
Equity Investments Limited	4.00%

Directors:

Mr Osman Kassim	Chairman
Mr Riyaz M Sangani	Managing Director
Mr Shahid M Sangani	Director
Mr Rajan Mather	Director
Dr AAM Haroon	Director
Mr Hilal R Peiris	Director
Mr Zulficar Ghouse	Director
Dr T Senthiverl	Director

Auditor: Messers Ernst & Young Chartered Accountants

Listing: Colombo Stock Exchange

Key Management:

Mr Riyaz M Sangani	Managing Director
PHM Suraweera	General Manager
Mr Sandun Thalagala	Finance Manager

Major Subsidiaries and Associates:

Vidul Construction Ltd
Gurugoda Hydro (Pvt) Ltd

Capital History:

Year	Remarks	Amount (LKR million)	Cumulative Total (LKR million)
2003	Paid up capital	100.50	
	Issue of shares	138.00	238.50
2005	Issue of shares	59.62	298.12
2006	Issue of shares	29.81	327.93
2007	Conversion of share premium to stated capital	30.18	358.11
	Issue of shares	39.35	397.47

Financial Summary - Company

Unaudited

BALANCE SHEET (LKR million)	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	30-Oct-09
Property, Plant and Equipment	344.09	551.76	574.28	578.85	574.48
Investment in Associates/Subsidiaries	1.00	4.00	25.00	32.41	32.41
Investment Property	0.00	0.00	0.00	0.00	0.00
Land & Development Expenditure (Non-current)	0.00	0.00	0.00	0.00	0.00
Deferred Expenditure	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	345.09	555.76	599.28	611.26	606.90
Land & Development Expenditure (Current)	0.00	0.00	0.00	0.00	0.00
Property Held For Sale	0.00	0.00	0.00	0.00	0.00
Construction Work-In-Progress	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00
Trade Receivables	11.23	2.55	19.70	13.44	33.52
Other Current Assets	11.14	20.49	36.91	70.15	88.02
Amounts due from Holding/Related Companies	0.00	0.00	0.00	0.00	0.00
Cash and Bank Balances	2.23	1.37	18.89	7.16	18.68
Total Current Assets	24.60	24.42	75.50	90.75	140.22
TOTAL ASSETS	369.69	580.18	674.78	702.01	747.11
Stated Capital	298.50	358.13	397.48	397.48	397.48
Irredeemable Hybrid Capital	0.00	0.00	0.00	0.00	0.00
Reserves	0.00	0.00	0.00	0.00	0.00
Less : Preliminary & Pre-operation Expenditure	0.00	0.00	0.00	0.00	0.00
Retained Profit / (Loss)	12.94	39.39	70.00	133.88	212.03
Minority Interest (MI)	0.00	0.00	0.00	0.00	0.00
TOTAL SHAREHOLDERS' FUNDS + MI	311.44	397.52	467.48	531.36	609.51
Short Term Private Debt Securities	0.00	0.00	0.00	0.00	0.00
Amounts due to Holding/Related Companies	0.00	0.00	0.00	0.00	0.00
Other Short Term Loans	6.27	95.04	115.97	93.32	100.69
Trade Payables	0.00	0.00	0.00	0.00	0.00
Provision for Taxation	0.00	0.00	0.00	0.00	0.00
Provision for Dividend	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities	6.38	22.22	11.28	11.43	8.86
Total Current Liabilities	12.65	117.25	127.25	104.75	109.55
Long Term Deferred Liabilities	0.49	0.95	1.59	1.53	0.00
Redeemable 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
Less : Sinking Fund	0.00	0.00	0.00	0.00	0.00
Other Long Term Loans	45.10	64.46	78.45	64.37	28.05
Total Non-Current Liabilities	45.60	65.41	80.05	65.90	28.05
TOTAL LIABILITIES	58.25	182.66	207.30	170.65	137.61
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS + MI	369.68	580.18	674.78	702.01	747.11

Financial Summary - Company

	<i>Unaudited</i>				
INCOME STATEMENT (LKR million)	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	30-Oct-09
	7 months				
Turnover	69.23	57.38	158.76	185.67	172.77
Operating Profit/(Loss) Before Depn., Interest and Tax	49.35	35.94	117.09	126.41	128.57
Less : Depreciation and Amortisation	7.54	9.07	15.57	18.48	11.77
Operating Profit/(Loss) Before Interest and Tax	41.80	26.87	101.53	107.93	116.81
Less : Interest and Finances Charges	0.00	1.12	33.79	33.35	17.35
Less : Foreign Exchange Loss/Profit	0.00	0.00	0.00	0.00	0.00
Operating Profit/(Loss) Before Tax	41.80	25.75	67.74	74.58	99.46
Non-operating Income	0.50	0.77	2.55	7.42	0.63
Prior Year Adjustments	0.00	0.00	0.00	0.00	0.00
Extraordinary/Exceptional Items	0.00	0.00	0.00	0.00	0.00
Share in Results of Associated Companies	0.00	0.00	0.00	0.00	0.00
Adjusted Profit/(Loss) Before Tax	42.30	26.51	70.29	82.00	100.09
Less : Tax	0.10	0.06	0.33	0.09	0.03
Adjusted Profit/(Loss) After Tax	42.20	26.45	69.97	81.91	100.06
Less : Minority Interests	0.00	0.00	0.00	0.00	0.00
Less : Dividends	29.81	0.00	0.00	18.04	21.64
Retained Profit/(Loss) For The Year	12.39	26.45	69.97	63.88	78.41
CASH FLOW STATEMENT (LKR million)					
	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	30-Oct-09
Cash Flow From Operating Activities	37.72	50.92	41.80	72.49	63.50
Cash Flow From Investing Activities	(14.36)	(149.45)	(49.21)	(24.73)	(5.29)
Cash Flow From Financing Activities	(31.15)	97.69	24.93	(59.50)	(44.58)
Net Increase / (Decrease) in Cash During The Year	(7.79)	(0.85)	17.52	(11.73)	13.62
Cash Balance at Beginning of the Year	10.02	2.23	1.37	18.89	7.16
Cash Balance at End of the Year	2.23	1.37	18.89	7.16	20.78

Financial Ratios - Company

KEY RATIOS	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	30-Oct-09
Profitability (%)					
Profit Margin Before Depreciation, Interest and	71.27%	62.63%	73.76%	68.09%	74.42%
Profit Margin Before Interest and Tax	60.38%	46.82%	63.95%	58.13%	67.61%
Pre-tax Return on Sales	60.38%	44.87%	42.67%	40.17%	57.57%
After Tax Return on Equity	13.55%	6.65%	14.97%	15.42% ^c	28.14%
Return on Capital Employed	11.66%	4.96%	15.72%	16.74% ^c	27.27%
Capitalisation (times)					
Gearing Ratio	0.16	0.40	0.42	0.30	0.21
Gearing Ratio (adj. for Deferred Revenue)	0.16	0.40	0.42	0.30	0.21
Net Gearing Ratio	0.16	0.40	0.38	0.28	0.18
Long Term Gearing Ratio	0.14	0.16	0.17	0.12	0.05
Short Term Gearing Ratio	0.02	0.24	0.25	0.18	0.17
Debt Service Coverage (times)					
Interest & Finance Charges Coverage Ratio	27.21	2.62	3.47	3.79	7.41
Adjusted Interest Coverage Ratio	27.49	2.68	3.54	4.01	7.45
Operating Cash Flow Interest Coverage Ratio	1.09	n.a.	n.a.	4.02	n.a.
Operating Cash Flow Debt Coverage Ratio	0.73	0.32	0.21	0.46 ^c	0.85
Free Cash Flow Debt Coverage Ratio	(0.47)	(0.70)	(0.06)	0.26	0.78
Liquidity					
Current Ratio (times)	1.94	0.21	0.59	0.87	1.28
Quick Ratio (times)	1.94	0.21	0.59	0.87	1.28
Days Receivables (days)	59.20	16.22	45.29	26.42	41.31
Days Payables (days)	0.00	0.00	0.00	0.00	0.00
Inventory Turnover (days)	0.00	0.00	0.00	0.00 ^c	0.00

Notes :

* annualised

n.a. = not available / not applicable

n.m. = not meaningful

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 deprec., 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 (Corporate Credit Rating)

A Corporate Credit Rating ("CCR") is RAM Ratings' current opinion on the overall capacity of an entity to meet its financial obligations. The opinion is not specific to any particular financial obligation, as it does not take into account the expressed terms and conditions of any specific financial obligation.

Long-Term Ratings

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

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 corporate 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	An entity rated P1 has a strong capacity to meet its short-term financial obligations. This is the highest short-term CCR assigned by RAM Ratings.
P2	An entity rated P2 has an adequate capacity to meet its short-term financial obligations. The entity is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
P3	An entity rated P3 has a moderate capacity to meet its short-term financial obligations. The entity 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	An entity rated NP has a doubtful capacity to meet its short-term financial obligations. The entity faces major uncertainties that could compromise its capacity for payment of financial obligations.
D	An entity rated D is currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the entity that could jeopardise the payment of financial obligations.

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