



CREDIT RATING RATIONALE

CORPORATE RATINGS – SRI LANKA

A wholly owned subsidiary of RAM Holdings Berhad

NAWALOKA HOSPITALS PLC – Initial Rating

Corporate Credit Ratings:

Long-term: A [Assigned]

Short-term: P2 [Assigned]

Rating Outlook:

Stable

Strengths:

- Strong competitive position
- Sturdy financial profile

Weakness:

- Geographical-concentration risk

Principal Activities:

Operation of private hospitals

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Summary

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 long-term rating has a stable outlook.

The ratings are underpinned by the following strengths:

- Strong competitive position

With a 405-bed capacity, Nawaloka is currently the largest private hospital in Sri Lanka. As the first private hospital to be incorporated in the country, the Company benefits from its established name and strong reputation in the local healthcare industry. Its 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 stated-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 growth potential of the local private healthcare industry. Increased health awareness among the public and higher disposable incomes are anticipated to boost demand for quality healthcare over the medium to long term.

- Sturdy financial profile

Historically, Nawaloka’s financial profile had been hampered by its heavy debt burden and persistent losses arising from an associate stake in Galadari Hotels PLC (“Galadari”). As the Company has now disposed of its stake in Galadari (in May 2010), RAM Ratings Lanka anticipates Nawaloka’s financial profile to improve significantly. The sale proceeds had been utilised to settle a portion of the Company’s borrowings; Nawaloka’s gearing ratio is estimated to have improved to 0.25 times, from 0.85 as at the end of FYE 31 March 2010 (“FY Mar 2010”). Furthermore, the Company’s liquidity position has also strengthened subsequent to the receipt of LKR 1.36 billion arising from the disposal.

The strengths above are, however, moderated by the following weakness:

- Geographical-concentration risk

RAM Ratings Lanka notes that the lack of a branch network may expose Nawaloka to geographical-concentration risk. As such, the Company may be vulnerable to new entrants in the same vicinity, which could erode its 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.

Outlook

The ratings can be revised upwards if the Company demonstrates a sustainable, improved financial performance concurrent with reduced geographical-concentration risk. On the other hand, the ratings may come under pressure if there is significant erosion of Nawaloka's competitive position.

Company Background

Nawaloka was incorporated in 1985, as the first private medical hospital in the country; it was subsequently listed on the Colombo Stock Exchange ("CSE") in 2004. The Company is effectively controlled by the Nawaloka Group ("the Group"), which holds an approximate 65%-stake. The Group has diversified business interests, including construction, trading, and healthcare. Nawaloka remains the flagship company within the Group.

Nawaloka had initially been established as a 100-bed hospital; over the years, it has aggressively expanded its capacity and is currently the largest private hospital in Sri Lanka, with 405 beds. The new wing of the hospital became operational in November 2008; this has added another 14 operating theatres and separate out-patient consultation units, at a cost of LKR 1.5 billion. The Company's operations are supported by a 2,000-strong workforce, including nearly 360 visiting doctors.

Over the years, Nawaloka has gained a reputation as a high-tech healthcare facility; it has been a frontrunner in the introduction of advanced medical technology to the industry. In 2006, the Company made inroads into the medical laboratory market, in collaboration with Metropolis Health Services (India) Private Limited. Nawaloka had also been the first healthcare institution in the country to be accredited the ISO 9001:2000 certification.

Nawaloka had previously held an associate stake of 24.03% in Galadari, a 500-room 5-star hotel in Colombo. However, the hotel had persistently incurred losses, having been affected by the unfavourable economic environment and internal military conflict, which had hampered the local tourism industry. These losses had impinged on Nawaloka's overall profitability in recent years. In May 2010, Nawaloka managed to dispose of this stake, resulting in the receipt of LKR 1.36 billion and an estimated capital gain of LKR 990 million. As such, the Company's financial position is expected to strengthen significantly in the future.

Corporate Governance

Nawaloka's board is led by its founder, Deshamanya HK Dharmadasa. The board comprises 10 members, including 5 non-executive directors and 2 independent directors; the latter is in compliance with the listing rules of the Colombo Stock Exchange.

The board convenes monthly and reviews the Company's financial and operational performance against its budgets. Furthermore, key performance indicators such as the number of admissions, surgeries and scans are also reported to the board. The board convened 12 times in FY Mar 2009.

First private hospital in Sri Lanka

Industry and Business Assessment

The Sri Lankan healthcare industry is poised to record a moderate growth of around 10% this year, in view of the country's increasingly larger ageing population, the public's sedentary lifestyle and greater health awareness. Government allocations, amounting to LKR 71.40 billion under the 2009 budget, is also anticipated to support the industry - albeit more skewed to the public sector. Nonetheless, the adverse macroeconomic conditions had hampered demand for relatively expensive private healthcare in 2009. Given the shorter waiting times and better service quality in comparison to government hospitals, however, demand for private healthcare is envisaged to gather momentum in line with rising wealth levels and the improving macroeconomic landscape.

Largest private healthcare facility in Sri Lanka

The Sri Lankan healthcare industry is dominated by the public sector, which provides free health services; this accounts for 88% of the country's overall bed capacity. Although there are currently 220 registered private healthcare providers, the market is dominated by a few large players that are primarily concentrated in the urban areas. As such, the private sector accounts for 5%-10% of the industry's in-patients. Due to the shorter waiting times and lower doctor-patient ratios in the private sector, however, it accounts for a much larger 53% of the industry's outpatients (*Central Bank Annual Report, 2009*). Nawaloka is at present the largest private hospital in Colombo (in terms of bed count); the other players are the Asiri Group of hospitals, Colombo Hospitals PLC and Lanka Hospitals PLC. We note that the Asiri Group is expanding its capacity, after which it will become the largest private hospital in Colombo.

Strong competitive position

Nawaloka's competitive position remains strong, cemented by its established name, long operating history and strategic location. Over the years, the Company has gained a reputation as an all-inclusive provider of a variety of medical services. The Sri Lankan private healthcare sector is characterised by a consultant-centric system; as such, patients tend to choose hospitals according to the doctors/consultants visiting the institution. In this regard, Nawaloka's competitive position has also been fortified by its visiting consultants, who are generally perceived to be among the best in the industry.

Good location, but exposed to geographical-concentration risk

The Company benefits from its strategic location in Colombo, which is easily accessible by residents from several highly populated areas within the city. That said, the lack of a branch network may render Nawaloka vulnerable to new players in the same vicinity; this could affect the Company's competitive position. As it is, a competitor has already augmented its capacity within close proximity of Nawaloka's location; RAM Ratings Lanka views this with concern. That said, we note that Nawaloka has taken steps to enhance its branding through franchise operations and emphasis on corporate clients. On a separate note, the Company benefits from its close proximity to the state-owned Colombo general hospital; this has enabled it to attract a larger number of visiting consultants/doctors.

Dip in outpatient volumes

The Company's admission and outpatient volumes had been consistently increasing until FY Mar 2008, underscored by its strong reputation and track record (refer to Chart 1). Nevertheless, outpatient volumes dipped 3.97% y-o-y in FY Mar 2009, having been affected by weaker economic fundamentals and keener price competition among the players. Despite this, Nawaloka's revenue rose by a moderate 11.94% y-o-y to LKR 2.51 billion in fiscal 2009, underpinned by robust pharmaceutical sales. Pharmaceutical sales continued posting

significant growth in FY Mar 2010, expanding its revenue by a further 14.81%, which –compared favourably against its peers’ achievements (refer to Chart 2).

Chart 1: Trends in patient volumes (FY Mar 2005-FY Mar 2009)

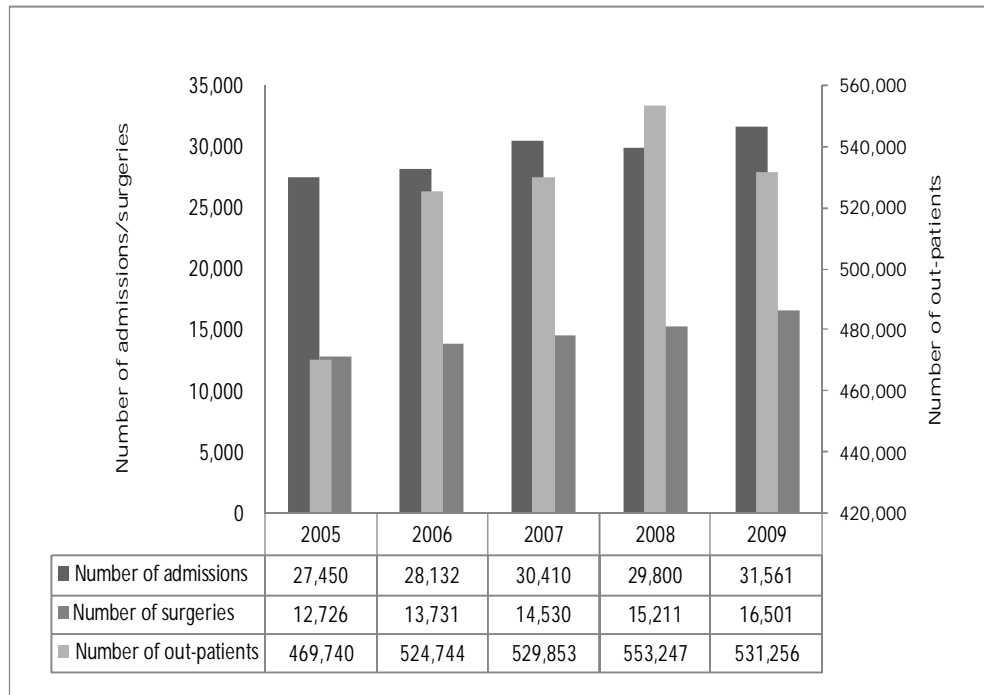
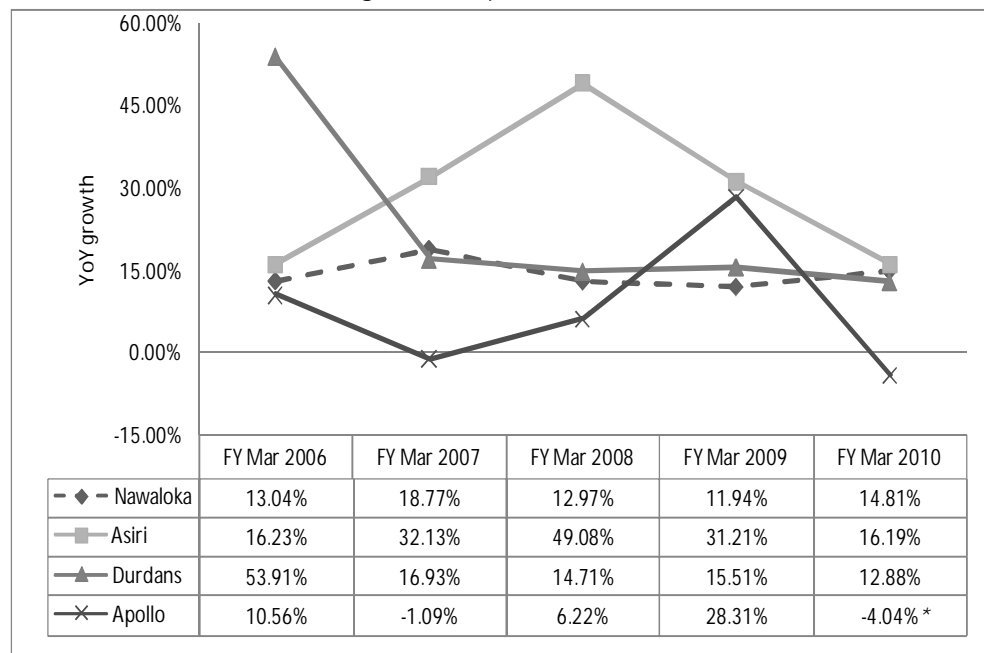


Chart 2: Nawaloka’s revenue growth vs peers’ (FY Mar 2005-FY Mar 2010)



Source: Company annual reports

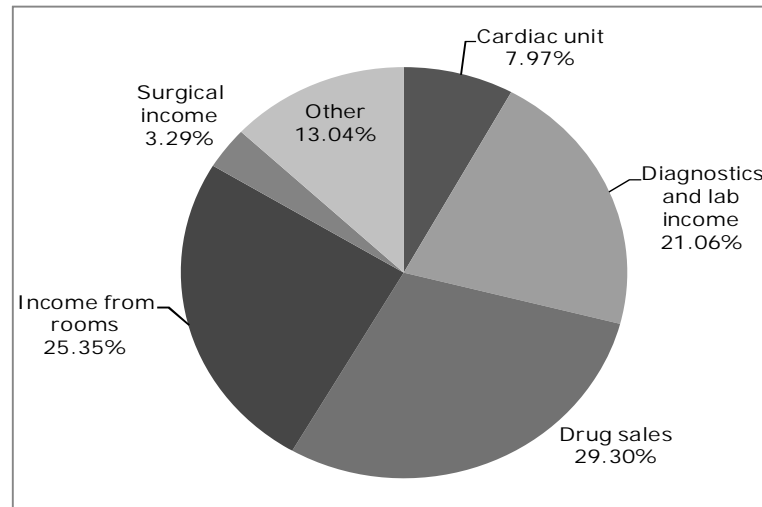
*Annualised

Pharmacy sales - largest revenue spinner

RAM Ratings Lanka notes that Nawaloka’s largest revenue spinner is pharmacy sales, followed by income from rooms and diagnostics, and laboratory income (refer to Chart 3). Although the Company’s room charges are generally in line with those of its peers, its occupancy levels are higher due to the large number of visiting consultants/doctors. However, we note that Nawaloka accounts for a relatively small 15% of the laboratory market; its counterpart, Asiri, enjoys leadership in this sphere with an approximate 40%-share.

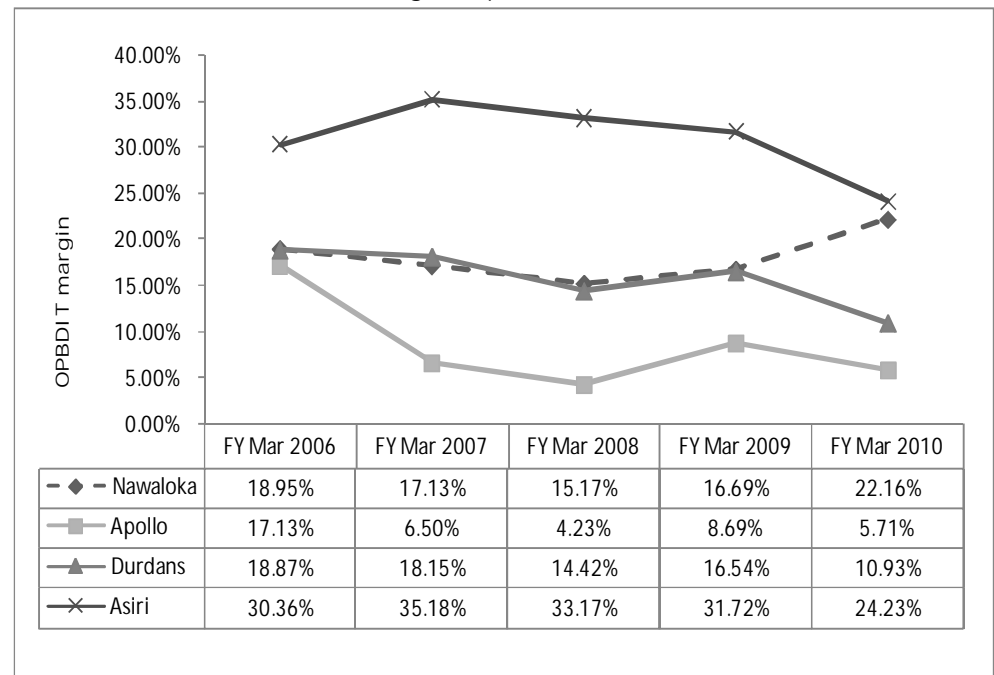
Able to pass on cost increases to customers

Chart 3: Nawaloka's revenue composition



Meanwhile, the Company's operating profit before depreciation interest and tax ("OPBDIT") jumped 52.49% y-o-y to LKR 639.29 million in FY Mar 2010, driven by its revenue growth and slower cost increases. As such, Nawaloka's overheads had expanded by a relatively slower 11.36% during the reviewed period (FY Mar 2009: +26.73%). That said, persistent increases in the costs of medical supplies and staff expenses are expected to exert pressure on the Company's performance, although margins are anticipated to remain stable given Nawaloka's ability to pass on these cost hikes to its customers. As such, the Company had been able to maintain its OPBDIT margin at around 16% during the 4 years up to FY Mar 2009; however, this improved to 22.16% in FY Mar 2010, supported by its more robust top-line growth (refer to Chart 4)

Chart 4: Nawaloka's OPBDIT margin vs peers' (FY Mar 2005-FY Mar 2010)



Source: Company annual reports

Looking ahead, Nawaloka intends to construct a multi-storey car park in FY Mar 2011, at a cost of LKR 150 million. The management also plans to set up a network of polyclinics offering outpatient and pharmaceutical services within the next few years; these will be primarily established in outstation and rural areas.

Nawaloka aims to finance these investments via borrowings; given the Company's improved financial profile after the disposal of Galadari this, however, this is not expected to significantly affect Nawaloka's debt profile.

Financial Assessment

Table 1: Key financial indicators

LKR million	FY Mar 2008	FY Mar 2009	FY Mar 2010
Revenue	2,244.46	2,512.35	2884.45
OPBDIT	340.54	419.22	639.29
Pre-tax profit	(59.19)	(75.36)	218.94
Profit after tax	(71.89)	(108.50)	97.41
<i>Profitability (%)</i>			
OPBIT margin	8.98%	10.93%	15.88%
Return on Capital employed	4.60%	3.68%	13.61%
<i>Capitalisation (times):excl. revaluation</i>			
Gearing ratio	1.01	1.54	1.38
Net gearing ratio	1.00	1.52	1.37
Debt/Capital ratio	0.50	0.61	0.58
<i>Debt coverage (times)</i>			
Interest coverage ratio	1.96	2.01	2.46
OCF interest coverage	1.5	2.51	2.57
OCF debt coverage	0.22	0.32	0.41
FFO debt coverage ratio	0.33	0.26	0.37

OCF = operating cashflow

FFO = funds from operations

Sturdy revenue growth

Nawaloka's revenue had expanded at a compound annual growth rate ("CAGR") of 14.59% during the 5-year period to end-March 2010, driven by sturdy demand for healthcare and capacity enhancement. Income from pharmaceutical sales and room rentals has been recording robust growth in recent years; these remain the Company's largest revenue spinners. Looking ahead, the uptrend in revenue is expected to be maintained, underscored by rising demand for quality healthcare.

Stable margins due to ability to pass on cost increases

The Company's OBPDIT spiked up 52.49% y-o-y to LKR 639.29 million in FY Mar 2010, supported by solid revenue growth. Despite persistently rising pharmaceutical costs in previous years, Nawaloka had been able to maintain healthy margins due to its ability to pass on cost increases to its customers. We note that the rates charged by private healthcare institutions are not regulated, thereby allowing pricing flexibility. As such, Nawaloka's OBPDIT margin remained at a healthy 22.16% in fiscal 2010.

Lighter debt burden

Despite its robust OPBDIT growth, the Company had previously been unable to carry this through to its bottom line due to its heavy debt burden and the losses arising from its associate. As Nawaloka has relied on borrowings to finance its more recent expansion, its debt level had climbed up consistently, from LKR 294.76 million as at end-FY Mar 2005 to LKR 1.66 billion by end-FY Mar 2009. Following the disposal of Galadari in May 2010, however, Nawaloka has settled LKR 890.0 million of borrowings; its debt load is estimated to have reduced to

LKR 726.0 million. This is estimated to translate into a gearing ratio of 0.25 times (end-FY Mar 2010: 0.85 times), which is lower than most of its peers' (refer to Table 2). Going forward, the Company's hefty interest expenses, which had previously hampered its performance, are expected to recede in line with its lower debt level.

Table 2: Nawaloka's gearing ratios vs peers (FY Mar 2005-FY Mar 2010)

	FY Mar 2006	FY Mar 2007	FY Mar 2008	FY Mar 2009	FY Mar 2010
Nawaloka	0.56	0.73	1.01	1.54	0.25*
Apollo	1.06	1.38	0.31	0.09	0.06
Durdans	0.53	0.44	0.57	0.51	0.78
Asiri	0.37	0.35	1.47	1.31	1.09

*estimated

Improved interest coverage

Historically, the Company's heavy debt-servicing obligations had pressured its cashflow. As such, Nawaloka had posted deficits in its cashflow; the shortfall in its net cashflow came up to LKR 275.13 million in FY Mar 2010. However, Nawaloka's liquidity position has strengthened significantly subsequent to the disposal of its stake in Galadari. The disposal had brought in LKR 1.36 billion, which had subsequently been used to settle some of its debts; the balance of the cash proceeds is estimated at LKR 467.31 million. Meanwhile, the Company's interest coverage is also seen to have improved significantly, from 2.46 times as at end-FY Mar 2010 to approximately 8 times.

Financial position strengthened after disposal

In previous years, Nawaloka's profits had been drained by the persistent losses of Galadari. The hotel had been affected by the unfavourable economic environment and internal military conflict, which had hampered the country's tourism industry. Galadari's losses amounted to LKR 151.18 million in FY Mar 2009, had constrained Nawaloka's overall performance; the Company's pre-tax loss deepened to LKR 75.36 million (FY Mar 2008: LKR 59.19 million loss). RAM Ratings Lanka views the disposal of Galadari in a positive light as Nawaloka's financial position is now expected to strengthen significantly after the former's disposal. In this regard, Galadari had been reclassified as an investment held for sale in FY Mar 2010 and; Nawaloka's pre tax profit jumped up to LKR 218.94 million in FY Mar 2010. Meanwhile, the LKR 990 million capital gain on the disposal is expected to boost the Company's bottom line in FY Mar 2011.

Financial Flexibility and Liquidity

Improved liquidity position

In the past few years, Nawaloka had relied extensively on borrowings to finance its expansion plans. As such, the Company's debt level had risen to LKR 1.62 billion as at end-Mar 2010. Following the settlement of a large portion of these borrowings, however, its debt load is estimated to have reduced to LKR 726 million, translating into a gearing ratio of 0.25 times. RAM Ratings Lanka also derives comfort from the remaining cash (LKR 467.31 million) from the Galadari disposal and Nawaloka's LKR 385.0 million of unutilised funding lines.

Management Assessment

Nawaloka's management team is led by its general manager, Professor LG Chandrasena; he has over 20 years' experience in hospital and healthcare administration. The Company's management team consists of individuals with extensive experience in the healthcare industry, thus enabling it to position itself as a leader in private healthcare. Over the years, Nawaloka has retained its dominance in the industry. Given the Company's recent capacity expansion and well-established track record, we believe that Nawaloka is well poised to chart robust growth, in line with the increasing demand for quality healthcare.

Corporate Information

Date of Incorporation:	1985			
Commencement of Business:	1985			
Major Shareholders:	Nawaloka Construction Company	23.51%		
	HKJ Dharmadasa	21.96%		
	Jayantha Dharmadasa	10.72%		
	Nawaloka Construction Company Ltd	6.67%		
	Alchemy Heavy Metals	7.83%		
	UH Dharmadasa	2.36%		
Directors:	Deshamanya HKJ Dharmadasa	Non-executive Chairman		
	Mr J Dharmadasa	Deputy Chairman/CEO		
	Mr U Dharmadasa	Non-Executive Director		
	Deshabandu Tilak de Zoysa	Independent Director		
	Prof Lal Chandrasena	Director/General manager		
	Mr TK Bandaranayake	Independent Director		
	Mr UH Dharmadasa	Executive Director		
	Mr AG Dharmadasa	Executive Director		
	Ms AG Dharmadasa	Executive Director		
Auditor:	KPMG Ford, Rhodes, Thornton & Co.			
Listing:	2004			
Key Management:	Mr Jayantha Dharmadasa	CEO		
	Professor Lal Chandrasena	General Manager		
	Mr Jayantha Perera	Chief Financial Officer		
	Mr Amal Gajamange	Head of Marketing		
	Ms Maya Wickremage	Financial Controller		
Major Subsidiaries and Associates:	New Nawaloka Medical Center	100.0%		
	Ruhunu Hospitals (pvt) Ltd	36.15%		
	Galadari Hotels (Lanka) PLC	24.03%		
Capital History:	Year	Remarks	Amount	Cumulative amount
			(LKR million)	(LKR million)
	2005	B/F stated capital	450.0	450.0
	2006	Share issue	254.8	704.8
	2007	Capitalisation of reserve	502.6	1,207.4

Financial Summary- Company

BALANCE SHEET (LKR million)	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Property, Plant & Equipment	1,338.07	1,453.88	1,838.81	3,181.95	3,422.99
Investment in Subsidiaries & Associates	817.68	661.42	488.07	334.27	2.47
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	395.53
Goodwill & Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Non-Current Assets	2,155.75	2,115.30	2,326.88	3,516.22	3,820.99
Inventory	69.98	76.54	79.64	108.86	132.47
Trade Receivables	177.32	312.32	213.60	182.79	227.49
Other Current Assets	173.98	156.37	283.68	295.82	167.95
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	9.48	8.82	9.87	26.37	7.41
Total Current Assets	430.77	554.04	586.79	613.83	535.32
Total Assets	2,586.51	2,669.34	2,913.67	4,130.05	4,356.31
Equity Share Capital	704.75	1,207.39	1,207.39	1,207.39	1,207.39
Equity-Like Hybrid Capital	0.00	0.00	0.00	0.00	0.00
Reserves	639.78	137.14	137.14	889.43	732.34
Retained Profits/(Accumulated Losses)	174.45	61.03	(34.86)	(133.81)	(36.40)
Minority Interests	0.00	0.00	0.00	0.00	0.00
Total Shareholders' Funds & Minority Interests	1,518.98	1,405.56	1,309.67	1,963.00	1,903.33
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	663.28	277.33	415.97	563.90	757.55
Trade Payables	161.30	218.97	312.90	407.71	474.83
Taxation	29.75	7.16	10.54	19.96	18.09
Dividends Payable	0.22	0.54	1.70	0.84	0.84
Other Current Liabilities	0.97	0.20	0.26	0.23	7.72
Total Current Liabilities	855.51	504.20	741.38	992.64	1,259.03
Long-Term Deferred Liabilities	94.90	115.90	98.65	80.65	334.56
Debt-Like Hybrid Capital	0.00	0.00	0.00	0.00	0.00
Long-Term Private Debt Securities (Sinking Fund)	0.00	0.00	0.00	0.00	0.00
Other Long-Term Debts	117.11	643.68	763.97	1,093.76	859.40
Total Non-Current Liabilities	212.02	759.59	862.62	1,174.41	1,193.96
Total Liabilities	1,067.53	1,263.78	1,604.00	2,167.05	2,452.98
Shareholders' Funds & Minority Interests + Total Liabilities	2,586.51	2,669.34	2,913.67	4,130.05	4,356.31

Financial Summary- Company

INCOME STATEMENT (LKR million)	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Revenue	1,672.74	1,986.71	2,244.46	2,512.35	2,884.45
Operating Profit/(Loss) Before Depreciation, Interest & Tax	316.97	340.27	340.54	419.22	639.29
Depreciation & Amortisation	(112.54)	(126.68)	(139.00)	(144.68)	(181.14)
Operating Profit/(Loss) Before Interest & Tax	204.44	213.58	201.54	274.54	458.15
Finance Costs	(77.36)	(142.39)	(173.79)	(208.72)	(260.13)
Debt-Related Foreign Exchange Gain/(Loss)	0.00	0.00	0.00	0.00	0.00
Operating Profit/(Loss) Before Tax	127.07	71.19	27.76	65.82	198.02
Other Income	14.45	9.98	51.38	10.34	19.81
Non-Recurring Items	0.00	0.00	0.00	0.00	0.00
Share of Associated Companies'/Joint Ventures' Profits/(Losses)	(25.56)	(156.26)	(138.33)	(151.53)	1.10
Pre-Tax Profit/(Loss)	115.97	(75.10)	(59.19)	(75.36)	218.94
Taxation	(62.81)	(38.30)	(12.70)	(33.14)	(121.52)
Net Profit/(Loss)	53.16	(113.40)	(71.89)	(108.50)	97.41
Minority Interests	0.00	0.00	0.00	0.00	0.00
Dividends	(35.24)	(35.24)	(49.33)	0.00	0.00
Post-Distribution Profit/(Loss)	17.93	(148.64)	(121.22)	(108.50)	97.41

Financial Summary- Company

CASHFLOW STATEMENT (LKR million)	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Pre-Tax Profit/(Loss)	115.97	(75.12)	(59.19)	(75.36)	218.94
Adjustments	225.75	451.23	481.97	550.17	406.66
Operating Profit/(Loss) Before Working Capital Changes	341.72	376.11	422.78	474.80	625.59
Tax Paid	(24.66)	(62.06)	(35.71)	(36.74)	(34.89)
Funds from Operations	317.05	314.05	387.07	438.06	590.71
Changes in Working Capital	(34.57)	(66.72)	(120.53)	95.07	85.15
Other Income/(Expenses)	(4.25)	(3.72)	(6.43)	(9.73)	(7.87)
Net Cashflow from Operating Activities	278.23	243.60	260.12	523.40	667.99
Capital Expenditure	(1,074.15)	(242.50)	(102.01)	(743.13)	(422.21)
Free Operating Cashflow	(795.92)	1.10	158.10	(219.73)	245.78
Other Investing Outflows	0.00	0.00	0.00	0.00	0.00
Investing Inflows	9.23	0.00	2.12	2.23	1.10
Pre-Financing Cashflow	(786.70)	1.10	160.23	(217.50)	246.88
Interest Payments	(77.36)	(142.39)	(173.79)	(208.72)	(260.13)
Net Changes in Borrowings	489.52	62.20	(45.19)	456.29	(261.88)
Dividend Payments	(35.24)	0.00	(49.33)	0.00	0.00
Others	419.01	(0.00)	(0.00)	0.00	0.00
Net Increase/(Decrease) in Cash & Cash Equivalentents	9.23	(79.09)	(108.09)	30.07	(275.13)
Opening Cash Balance	(78.03)	(68.80)	(147.89)	(255.96)	(225.88)
Closing Cash Balance	(68.80)	(147.89)	(255.98)	(225.88)	(501.01)

Financial Ratios – Company

KEY RATIOS	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
PROFITABILITY (%):						
OPBDIT Margin	12.07%	18.95%	17.13%	15.17%	16.69%	22.16%
<i>Adjusted OPBDIT Margin</i>	12.07%	18.95%	17.13%	15.17%	16.69%	22.16%
OPBIT Margin	12.07%	12.22%	10.75%	8.98%	10.93%	15.88%
<i>Adjusted OPBIT Margin</i>	12.07%	12.22%	10.75%	8.98%	10.93%	15.88%
Pre-Tax Profit Margin	9.24%	6.93%	(3.78%)	(2.64%)	(3.00%)	7.59%
Net Profit Margin	7.67%	3.18%	(5.71%)	(3.20%)	(4.32%)	3.38%
After-Tax Return on Equity	10.48%	3.50%	(8.07%)	(5.49%)	(5.53%)	5.12%
Return on Capital Employed	13.98%	8.41%	2.89%	4.60%	3.68%	13.61%
<i>Adjusted Return on Capital Employed</i>	13.98%	8.41%	2.89%	4.60%	3.68%	13.61%
CAPITALISATION (TIMES):						
Gearing Ratio	0.27	0.51	0.66	0.90	0.84	0.85
<i>Adjusted Gearing Ratio</i>	0.27	0.51	0.66	0.90	0.84	0.85
Net Gearing Ratio	0.27	0.51	0.65	0.89	0.83	0.85
<i>Adjusted Net Gearing Ratio</i>	0.27	0.51	0.65	0.89	0.83	0.85
Debt-Capital Ratio	0.21	0.34	0.40	0.47	0.46	0.46
<i>Adjusted Debt-Capital Ratio</i>	0.21	0.34	0.40	0.47	0.46	0.46
DEBT COVERAGE (TIMES):						
Interest Coverage Ratio	3.20	4.10	2.39	1.96	2.01	2.46
<i>Adjusted Interest Coverage Ratio</i>	3.20	4.10	2.39	1.96	2.01	2.46
Operating Cashflow Interest Coverage Ratio	3.76	3.60	1.71	1.50	2.51	2.57
<i>Adjusted Operating Cashflow Interest Coverage Ratio</i>	3.76	3.60	1.71	1.50	2.51	2.57
OPBDIT Debt Coverage Ratio	0.61	0.41	0.37	0.29	0.25	0.40
<i>Adjusted OPBDIT Debt Coverage Ratio</i>	0.61	0.41	0.37	0.29	0.25	0.40
Funds from Operations Debt Coverage Ratio	1.02	0.41	0.34	0.33	0.26	0.37
<i>Adjusted Funds from Operations Debt Coverage Ratio</i>	1.02	0.41	0.34	0.33	0.26	0.37
Operating Cashflow Debt Coverage Ratio	0.67	0.36	0.26	0.22	0.32	0.41
<i>Adjusted Operating Cashflow Debt Coverage Ratio</i>	0.67	0.36	0.26	0.22	0.32	0.41
Free Operating Cashflow Debt Coverage Ratio	0.32	(1.02)	0.00	0.13	(0.13)	0.15
<i>Adjusted Free Operating Cashflow Debt Coverage Ratio</i>	0.32	(1.02)	0.00	0.13	(0.13)	0.15
LIQUIDITY (TIMES):						
Current Ratio	1.19	0.50	1.10	0.79	0.62	0.43
Quick Ratio	0.97	0.42	0.95	0.68	0.51	0.32
CASH CYCLE (DAYS)						
Receivables Cycle	46.83	38.69	57.38	34.74	26.56	28.79
Payables Cycle	58.78	63.90	73.44	92.84	113.93	120.17
Inventory Cycle	28.30	27.72	25.67	23.63	30.42	33.53
Operating Cash Cycle	16.35	2.52	9.61	(34.47)	(56.95)	(57.86)

Adjusted ratios take into consideration non-cancellable operating leases and/or other off-balance sheet liabilities, where applicable.

OPBDIT = Operating Profit Before Depreciation, Interest & Tax

OPBIT = Operating Profit Before Interest & Tax

Financial Ratios – Company

KEY FINANCIAL RATIOS	FORMULAE
PROFITABILITY (%):	
OPBDIT Margin	OPBDIT / Revenue
<i>Adjusted OPBDIT Margin</i>	<i>Operating Lease-Adjusted OPBDIT / Revenue</i>
OPBIT Margin	OPBIT / Revenue
<i>Adjusted OPBIT Margin</i>	<i>Operating Lease-Adjusted OPBIT / Revenue</i>
Pre-Tax Profit Margin	Pre-Tax Profit / Revenue
Net Profit Margin	Net Profit / Revenue
After-Tax Return on Equity	Net Profit / (Shareholders' Funds + Minority Interests)
Return on Capital Employed	(Pre-Tax Profit + Finance Costs* + Debt-Related Foreign Exchange Loss/(Gain)) / (Total On-Balance Sheet Debts + Shareholders' Funds + Minority Interests)
<i>Adjusted Return on Capital Employed</i>	<i>(Pre-Tax Profit + Operating Lease-Adjusted Finance Costs* + Debt-Related Foreign Exchange Loss/(Gain)) / (Total Adjusted Debts + Shareholders' Funds + Minority Interests)</i>
CAPITALISATION (TIMES):	
Gearing Ratio	Total On-Balance Sheet Debts / (Shareholders' Funds + Minority Interests)
<i>Adjusted Gearing Ratio</i>	<i>Total Adjusted Debts / (Shareholders' Funds + Minority Interests)</i>
Net Gearing Ratio	(Total On-Balance Sheet Debts - Cash & Bank Balances) / (Shareholders' Funds + Minority Interests)
<i>Adjusted Net Gearing Ratio</i>	<i>(Total Adjusted Debts - Cash & Bank Balances) / (Shareholders' Funds + Minority Interests)</i>
Debt-Capital Ratio	Total On-Balance Sheet Debts / (Shareholders' Funds + Minority Interests + Total On-Balance Sheet Debt)
<i>Adjusted Debt-Capital Ratio</i>	<i>Total Adjusted Debts / (Shareholders' Funds + Minority Interests + Total Adjusted Debt)</i>
DEBT COVERAGE (TIMES):	
Interest Coverage Ratio	OPBDIT / (Finance Costs* + Preference Share Dividends + Interest Capitalised + Realised Debt-Related Foreign Exchange Loss/(Gain))
<i>Adjusted Interest Coverage Ratio</i>	<i>Operating Lease-Adjusted OPBDIT / (Operating Lease-Adjusted Finance Costs* + Preference Share Dividends + Interest Capitalised + Realised Debt-Related Foreign Exchange Loss/(Gain))</i>
Operating Cashflow Interest Coverage Ratio	Net Operating Cashflow / (Interest Paid* + Preference Share Dividends Paid + Realised Debt-Related Foreign Exchange Loss/(Gain))
<i>Adjusted Operating Cashflow Interest Coverage Ratio</i>	<i>Operating Lease-Adjusted Net Operating Cashflow / (Operating Lease-Adjusted Interest Paid* + Preference Share Dividends Paid + Realised Debt-Related Foreign Exchange Loss/(Gain))</i>
OPBDIT Debt Coverage Ratio	OPBDIT / Total On-Balance Sheet Debts
<i>Adjusted OPBDIT Debt Coverage Ratio</i>	<i>Operating Lease-Adjusted OPBDIT / Total Adjusted Debts</i>
Funds from Operations Debt Coverage Ratio	Funds from Operations / Total On-Balance Sheet Debts
<i>Adjusted Funds from Operations Debt Coverage Ratio</i>	<i>Operating Lease-Adjusted Funds from Operations / Total Adjusted Debts</i>
Operating Cashflow Debt Coverage Ratio	Net Operating Cashflow / Total On-Balance Sheet Debts
<i>Adjusted Operating Cashflow Debt Coverage Ratio</i>	<i>Operating Lease-Adjusted Net Operating Cashflow / Total Adjusted Debts</i>
Free Operating Cashflow Debt Coverage Ratio	Free Operating Cashflow / Total On-Balance Sheet Debts
<i>Adjusted Free Operating Cashflow Debt Coverage Ratio</i>	<i>Operating Lease-Adjusted Free Operating Cashflow / Total Adjusted Debts</i>
LIQUIDITY (TIMES):	
Current Ratio	(Current Assets - Amounts Due from Related Parties) / (Current Liabilities - Amounts Due to Related Parties)
Quick Ratio	(Current Assets - Amounts Due from Related Parties - Inventory) / (Current Liabilities - Amounts Due to Related Parties)
CASH CYCLE (DAYS)	
Receivables Cycle	Trade Receivables / Revenue x 365
Payables Cycle	Trade Payables / Cost of Sales x 365
Inventory Cycle	Total Inventory / Cost of Sales x 365
Operating Cash Cycle	Receivables Cycle - Payables Cycle + Inventory Cycle

Adjusted ratios take into consideration non-cancellable operating leases and/or off-balance sheet liabilities, where applicable.

** Include on-going, non-discretionary payments on hybrid securities, if any.*

OPBDIT = Operating Profit Before Depreciation, Interest & Tax

OPBIT = Operating Profit Before Interest & Tax

CREDIT RATING DEFINITIONS (Corporate Credit Ratings)

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 subscripts 1, 2 or 3 in each rating category from AA to C. The subscript 1 indicates that the entity ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the entity 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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