



## Media Release

### **RAM Ratings Lanka Puts Ratings of Asian Finance Ltd on Watch with a Developing Outlook**

RAM Ratings Lanka has placed the long-term rating of Asian Finance Limited ("AFL" or "the Company"), on Rating Watch, with a developing outlook. Currently, AFL's carries long- and short-term ratings of BB+/NP.

AFL is a Central Bank regulated finance company, which is a part of the Ceylinco Group ("the Group"). Previously, the Company benefited from the group franchise, however, since the crash of Golden Key Credit Card Company, public confidence in Ceylinco related finance companies have waned significantly, resulting in sharp decline in deposit renewals. In order to stem the exodus, the management has been seeking new investors to restore public confidence and liquidity. On the 16 March 2009, the Central Bank announced that AFL will engage Lanka Puthra Development Bank ("LDB") as its "Managing Agent".

The Rating Watch (with a developing outlook) highlights potential changes in the Company's credit profile. RAM Ratings Lanka notes that AFL intends to prune its overheads. However, concerns hinges on how successful the Company will be in instilling public confidence in the immediate term. In addition, it is unclear at this juncture the mechanisms AFL will use to improve its current liquidity position and the resultant long term impact on its balance sheet profile.

The Rating Watch will be resolved once the role and plan of LDB is made known together with AFL's current financial position and performance.

RAM Ratings Lanka lowered AFL, by one notch, to BB+ in July 2008 owing to its substantial exposure to real estate business amid a weakening macro-economic backdrop.

RAM Rating Lanka's Rating Watch highlights a possible change in rating. It focuses on identifiable events such as mergers, acquisitions, regulatory changes and operational developments that place a rated debt under special surveillance by RAM Rating Lanka. In a broader sense, it covers any event that may result in changes in the risk factors relating to the repayment of principal and interest.

Issues will appear on RAM Rating Lanka's Rating Watch when some of the above events are expected to or have occurred. Appearance on RAM Rating Lanka's Rating Watch, however, does not inevitably mean that the existing rating will be changed. It only means that a rating is under evaluation by RAM Ratings Lanka and a final affirmation is expected to be announced. A "positive" outlook indicates that a rating may be raised while a "negative" outlook indicates that a rating may be lowered. A "developing" outlook refers to those unusual situations in which future events are so unclear that the rating may potentially be raised or lowered.