



## Media Release

### **RAM Ratings Lanka assigns BBB+/P2 ratings to Vidullanka PLC**

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

Vidullanka is an independent power producer (“IPP”) focusing on renewable energy and is listed on the Colombo stock exchange. The Company also has a subsidiary, Vidul Construction Limited (“VCL”), which specialises in the construction of mini hydro-power projects. Vidullanka currently owns 2 mini hydro-power projects and is a working partner in another project; VCL also manages 2 other power projects. Vidullanka’s fourth power plant, which is a joint venture, will be commissioned by March 2010. Vidullanka’s first power plant began operations in 2001 (capacity: 3.2 MW) while the second began in 2007 (capacity: 2 MW). Both plants supply power to the national grid, under two 15-year power purchase agreements (“PPAs”).

Vidullanka’s ratings are supported by its sound project economics and the management’s prudent financial strategy. The Company’s credit profile has been improving consistently over the past 3 years, as it has been retiring debts through internally generated funds. Meanwhile, Vidullanka’s robust revenue has been supported by rising tariff rates and its expanding power generating capacity. RAM Ratings Lanka notes that Vidullanka has repaid the bulk of its debts via share issues. Moreover, the Company has been retiring its debts in the last 3 years, supported by its strengthening revenue base. Consequently, its gearing level had eased to a comfortable 19.95% of its capital as at end-September 2009 (RAM Ratings Lanka’s conservative calculation of gearing stands at 24.93%). Concurrently, its debt service coverage ratio stood at a robust 7.09 times.

Going forward, the management intends to broaden its revenue base within the renewable-energy sector via joint-venture investments. While these are positives over the longer term, Vidullanka’s credit metrics are expected to moderate in the interim, until these new ventures come on-stream.

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