

July 25, 2011

CARE RATINGS ASSIGNS THE FIRST MALDIVES NATIONAL CURRENCY RATING TO WORKS CORPORATION LIMITED

CARE Ratings Maldives is very proud to announce the very first rating to a Maldivian entity: Works Corporation Limited (WCL). A rating of CARE MLD A- (pronounced Single A Minus) has been assigned to the loan facilities of WCL. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Maldives. Such instruments carry low credit risk. This rating is applicable only to loan facilities denominated in Maldivian Rufiya.

Ratings

Facilities/Instruments	Amount (MRf million)	Ratings ²	Remarks
Long-term Loan Facility	237.02	'CARE MLD A-' (Single A Minus)	Assigned
Total Facilities	237.02		

Rating Rationale

The rating derives strength from the parentage of Works Corporation Limited (WCL), being Government of Maldives (GoM) and the consequent implicit support from GoM alongwith a counter guarantee from the Ministry of Finance & Treasury (MoFT) for payment of contract value on successful completion of a few projects. A strong order-book position and secure profitability margins due to escalation clauses embedded in the contracts also add to the rating strengths. The rating is however constrained by the currently small size of operations, inherent project execution risk on all its projects, losses incurred in the past, dependence on imports for material procurement and long working capital cycle in the contractor financing projects. Ability of the company to successfully execute the projects without any material cost or time over-run by mobilising the required resources optimally, is the key rating sensitivity.

Company Profile

Works Corporation Ltd (WCL), formed in July 2009, is a 100% GoM-owned entity that was formed to undertake the key infrastructure works by GoM. WCL has the mandate to develop, arrange finance and execute various infrastructure projects including airports, harbours, reclamation, shore protection, hospitals, schools, sewerage solutions, housing development, roads and real estate. GoM has also provided a counter guarantee from MoFT towards payment of project value to WCL for three of its contractor financing projects awarded by Ministry of Housing, Transport and Environment (MoHE).

¹Complete definition of the ratings assigned are available at www.careratingsmaldives.com and in other CARE publications

In CY2009, the company incurred a net loss of MRf 2.90 mn on a total income of MRf 3.40 mn as it was in its nascent stage of operations in this year. As per CY2010 provisional financial results, WCL incurred a net loss of MRf 14.40 mn on a total income of MRf 17.60 mn. However, being in nascent stage of operations, the past financial statements of the company are not indicative of its financial position.

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