



ICRA LANKA'S GRADING OF IPO

ICRA Lanka's Grading of Initial Public Offerings (IPOs) is a service aimed at facilitating assessment of equity issues offered to the public. The Grade assigned to any individual IPO is a symbolic representation of ICRA Lanka's assessment of the 'fundamentals' of the issuer concerned on a relative grading scale.

IPO Grades are assigned on a five-point point scale, where IPO Grade 5 indicates the highest grading and IPO Grade 1 indicates the lowest grading, i.e. a higher score indicates stronger fundamentals. An ICRA Lanka IPO Grade does not comment on the valuation or pricing of the issue that has been Graded, nor does it seek to indicate the likely returns to shareholders from subscribing to the IPO. The emphasis of the IPO Grading exercise is on evaluating the prospects of the industry in which the company operates, the company's competitive strengths that would allow it to address the risks inherent in the business(es) and effectively capitalise on the opportunities available as well as the company's financial position.

In case the IPO proceeds are planned to be used to set up projects, either greenfield or brownfield, ICRA Lanka evaluates the risks inherent in such projects, the capacity of the company's management to execute the same, and the likely benefits accruing from the successful completion of the projects in terms of profitability and returns to shareholders. Due weightage is given to the issuer company's management strengths and weaknesses and issues, if any, from the corporate governance perspective.

ICRA Lanka's five point IPO Grading Scale is as follows:

IPO Grade 5 Strong fundamentals

IPO Grade 4 Above-average fundamentals

IPO Grade 3 Average fundamentals

IPO Grade 2 Below-average fundamentals

IPO Grade 1 Poor fundamentals