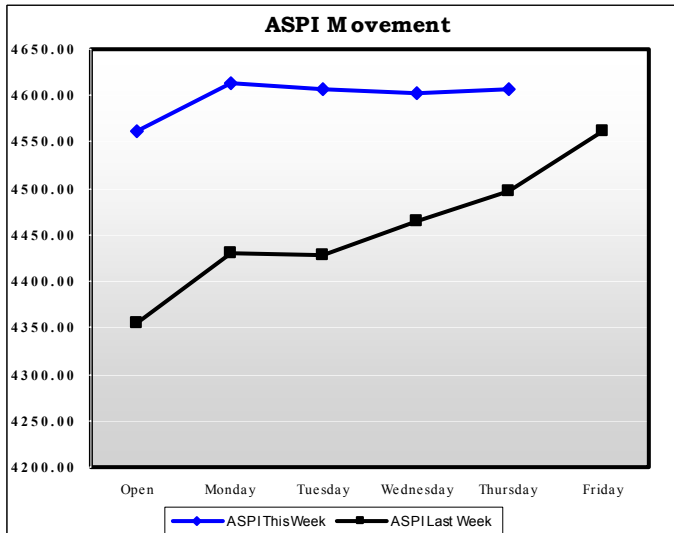


# The Market Roundup

For the week ended 17<sup>th</sup> June 2010

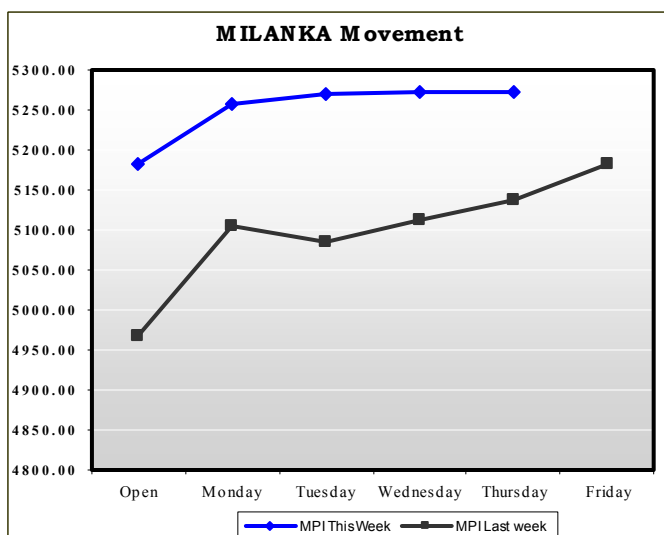


The Sri Lankan Stock Market continued to remain stable, although the Benchmark All share index slid on a negligible fraction during the mid week, as retailers claimed some of the profits from mid to Low cap counters. However overall activities remained healthy and retail participation was actively distributed across the board.

Market encountered few large negotiated deals taking place on counters such as DIAL, TAJ, PABC, DOCK etc Therefore turnovers and volumes remained large on a daily basis. WoW the ASPI gained 46.01 points (1.01%) to close at 4607.34 while the liquid MPI closed at 5271.47 edging up 89.31 points (1.72%).

DIAL that posted a profit after continuous losses was amongst the most actively traded stocks during the week. Investors anticipated the counter to generate further profits in the coming quarters with additional increased revenues expected from the North East Market plus reduction in CAPEX that would cut down the expenses. Over 80 mn shares changed hands during the week, supported by crossings between Rs 9.00 and Rs 9.25. Counter edged 3% closing the week at Rs 9.25.

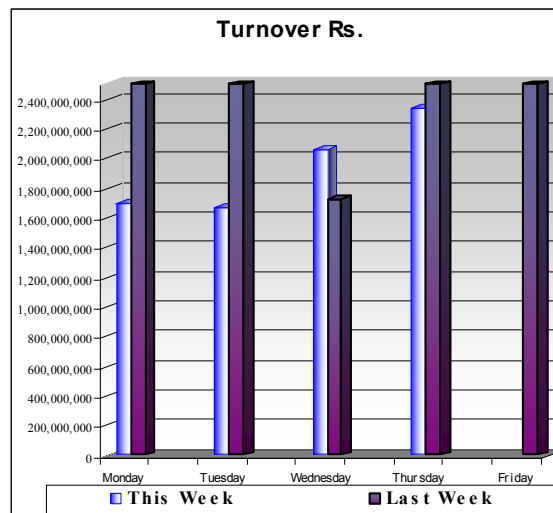
In addition DPL was trading on speculative grounds, which opt a liquidation initially as a result of piling up expenses, over taking its liquidity, as well as a possible offer from a prospective buyer to acquire Company. However the company finalized on Friday to continue its operations while keeping the CSE informed over any up coming deals. Counter closed the week at Rs 20.50.



In addition JKH, RICH was among the diversified counters that traded on a price appreciation while Grain elevators (GRAN) was actively traded by the retailers, based on fundamentals. Counters closed the week at Rs. 205.00, Rs 95.00 and Rs 34.00 respectively.

## Trading Snap Shot

Weeks Turnover		
	This Week	Last Week
Monday	1,699,902,098	2,619,826,621
Tuesday	1,669,579,949	2,662,518,358
Wednesday	2,066,041,635	1,720,845,116
Thursday	2,340,901,037	2,832,962,287
Friday		3,320,002,844
<b>Total</b>	<b>7,770,304,044</b>	<b>13,156,155,226</b>



## Market Summery

	This Week	Last Week	Net change	%
ASPI	4607.34	4561.33	46.01	1.01%
MPI	5271.47	5182.16	89.31	1.72%
<b>Total Turnover</b>	<b>7,776,424,719</b>	<b>13,152,376,226</b>	<b>(5,375,951,507)</b>	<b>-41%</b>
<b>Average Daily Turnover</b>	<b>1,944,106,180</b>	<b>2,630,475,245</b>	<b>(686,369,065)</b>	<b>-26%</b>
<b>Total Volume</b>	<b>308,922,363</b>	<b>477,883,269</b>	<b>(168,960,906)</b>	<b>-35%</b>
<b>Average Daily volume</b>	<b>77,230,591</b>	<b>95,576,654</b>	<b>(18,346,063)</b>	<b>-19%</b>

## Economic Indicators

Treasury Bill						
Types	Jan	Feb	Mar	Apr	May	Jun
3 Months	7.95	8.26	8.45	8.40	8.10	
6 Months	8.90	9.06	9.19	9.10	8.91	
12 Months	9.46	9.47	9.47	9.30	9.26	
Policy Rates (%)						
Central Bank Repurchase (Repo) Rate						7.50
Central Bank Reverse Repurchase (Reverse Repo) Rate						9.75
Bank Rate						15.00
Statutory Reserve Ratio (SRR)						7.00
Economic Indicators (%)						
Inflation (CCPI) May 2010 (Y on Y)						5.30
Commercial Banks Weighted Avg Lending Rates - 6 Months						10.78
Commercial Banks Weighted Avg Deposit Rates - 6 Months						7.42
Foreign Exchange Rates		Last Week		This Week		
<i>Currency</i>		<i>Buying</i>	<i>Selling</i>	<i>Buying</i>	<i>Selling</i>	
Dollar (USA)		113.00	114.59	112.78	114.38	
Pound (UK)		164.83	168.24	165.35	168.71	
Euro (EU)		136.89	140.20	137.77	141.05	
Yen (Japan)		1.21	1.24	1.23	1.26	



ASHA PHILLIP  
SECURITIES LIMITED  
Equity Research

Level 4 Millennium House 46/58 Nawam Mawatha ,Colombo 02  
Tel 94 11 2429100 : Fax 94 11 2429199

## Corporate update

Merchant Bank of  
Sri Lanka Limited 

A Subsidiary The Bank Of Ceylon

### The Merchant Bank of Sri Lanka - (MBSL) - Rs 30.00

Issued Capital	135,000,000
CDS Quantity	134,004,326
Main Share Holder – Bank Of Ceylon	97,392,136

Subsidiary – Merchant Credit of Sri Lanka

Associate – Lanka Securities (PVT) Limited

A public Quoted company with limited liability incorporated on 4<sup>th</sup> March 1982 listed in 1991 at the Colombo Stock Exchange. The MBSL is the pioneering Merchant Bank in Sri Lanka. The bank has a rich experience in its principle line of business as given below, and have been services extensively to a Local and International client base it has currently spread across the island with 6 branches located in main towns in Sri Lanka. In addition to the following mentioned services the bank also offers Real Estate facilities as well.

#### *Financial Products on offer....*

*Leasing*

*Trade Finance*

*Corporate Advisory Services*

*Capital Market Activities*

*Fund Management*

*Corporate Secretarial & Legal*

## **Investments during 2009**

State run Merchant Bank of Sri Lanka invested largely on the troubled Ceylinco Group Companies during this year by way of taking over or rather acquiring companies as well as undertaking the Management process.

### **Companies Acquired**

- ④ Ceylinco Savings Bank
- ④ Ceylinco Sussex College

### **Ceylinco Companies Managed By the MBSL:**

MBSL took over the management control of troubled TFC (The Finance Company Plc)

- ④ Merchant Bank of Sri Lanka PLC entered in to a Consultancy Agreement to manage Ceylinco Building Society, which is established under the National Housing Act, for a management fee of LKR 1mn payable on a monthly basis.
- ④ The company has also informed the CSE that "the Central Bank of Sri Lanka has mandated Merchant Bank of Sri Lanka PLC as the Managing Agent of the following two companies with effect from 1st of September, 2009.

M/s. Ceylinco Investment and Reality Limited  
M/s. Asian Finance Limited"

- ④ The Finance Company plc
- ④ F & G was taken with the intention of restoring it to a viable Venture

MBSL in October 2009 announced that they are injecting 5.0mn rupees to increase its stake in CICL to 46.35%.

## ***1Q – Financial Update.....***

During the 1<sup>st</sup> quarter of the fiscal year 2010 MBSL generated a net Profit after tax of Rs. 78.5 mn of which attributable to the Equity holders increased to Rs. 73.8mn from Rs. 29.7mn for the corresponding period a year ago. ***Reasons for the Profit Growth:***

- Ⓢ Interest Income increased by 49.5% to LKR 648mn.
- Ⓢ Additional (new) income from the Acquired insurance company (ABC Insurance- Rs 39.0mn).
- Ⓢ Management fee received on acting as the Managing representative.
- Ⓢ Share of profit Received from the Associate Company of Rs 13.8mn against a loss of Rs 0.943mn year ago.
- Ⓢ In addition from a Balance sheet point of view the organization has Rs 1.5bn worth invested in government Bills as at 31<sup>st</sup> March 2010 which has increased from Rs 489mn in March 2009 and Rs 1.2bn by the end of Dec 2009.

For the quarter ended MBSL generated an EPS of Rs 0.55 which is Rs 2.20 when annualized. In addition on a sector PER of 16 times the counter is undervalued in addition based on its prevailing Net assets it is Fairly Valued.

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