ASHA PHILLIP
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Equity Research
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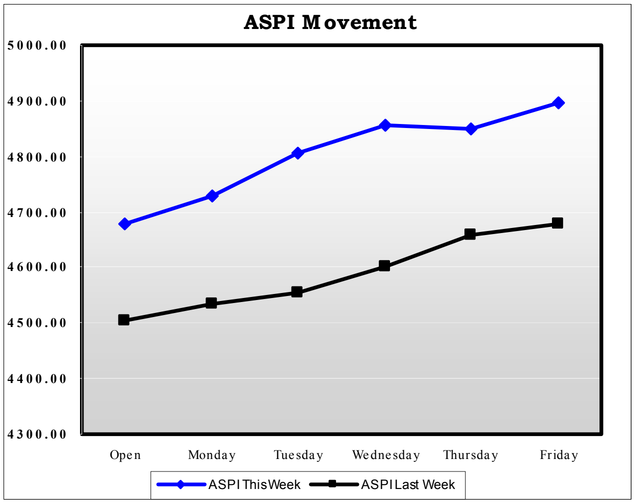
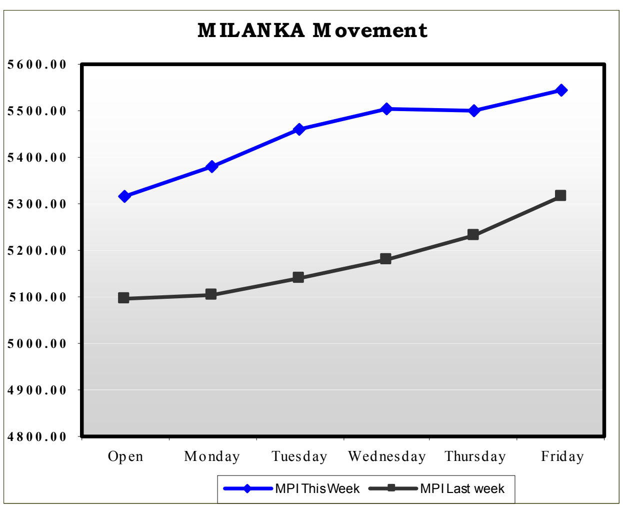
The Market Roundup

For the Week ended 23rd July 2010





Market continued to be active during the week as cooperates start retaliating towards high valued counters while retailers were more interested in low to mid values. Banking counters were the most prominently traded Blue chips. HNB encountered few negotiated large Off-The-Floor deals at prices of Rs 290, Rs 295 and Rs 300, while SAMP, NDB, NTB and DFCC were among the other banking counters that witnessed share crossings during the week.

In addition retailers were focused on hotel sector counters persuaded by frequent positive information being released on the country's tourism industry, which in turn targets higher future earnings. REFF was among the most sort after Hotel counters, while it further witnessed a change in owner ship during the week. Amaya leisure Plc its main share holder divested almost 44% of its interest to the market. The counter closed the week at Rs 4.10 reaching a week's high price of Rs 5.75. In addition KHL, subsidiary arm of the JKH and EDEN was among the frequently traded hotel shares.

Local tile and bath ware manufacturer RCL edged 7% to a high price of Rs 180, as a result of its impressive earnings of Rs 6.90 per share for the quarter ended 30th June 2010. In addition significant quantities of OSEA from the property segment traded during the week, closed flat at Rs 22.00. While CSD, CTLD and KDL were the other property sector counters that grabbed attention during the week.

Meanwhile speculative favorites were the mostly traded stocks during the week that included both voting and non voting share of BLUE, DPL TWOD and GREG.

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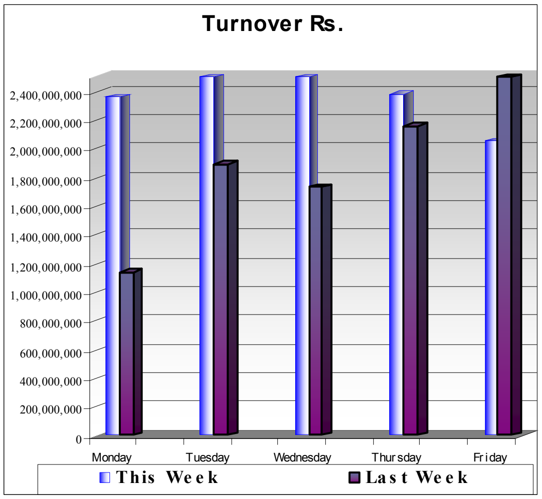

In addition GLAS and DIAL was amongst the fundamentals that were mostly traded, targeting potential earnings. Both counters closed the week at Rs 3.20 and Rs 10.25 respectivley.

The ASPI closed at 4895.51 up by 5.08% while the MPI closed at 5545.13 striking up 5.98% WOW. Total market turnover amounted to Rs13.4bn while weeks trading volume totaled to 597mn shares. Foreign participation resulted a Net Foreign Inflow of Rs.834Mn.

Corporate Announcements

Dividends

Company Name	Dividend per share	Dividend	XD Date	Payment Date
Bogawantalawa Tea Estates PLC	Rs.0.50	Final	28-06-2010	06-08-2010
Ceylon Tea Services PLC	Rs.17.50	Final	To be notified	

Right Issues

Company Name	Proportion	Issue Price	EGM & Prov. Allotment	XR from
Lanka Milk Foods (CWE) PLC	1 for 3	Rs.70.00	12/8/2010	13-08-2010

Share Split

Stock	Ratio	Dates
John Keells PLC	1 share for every 1 share held	To be notified

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Economic Indicators

Treasury Bill							
Types	Jan	Feb	Mar	Apr	May	Jun	Jul
3 Months	7.95	8.26	8.45	8.40	8.10	8.07	7.92
6 Months	8.90	9.06	9.19	9.10	8.91	8.93	8.70
12 Months	9.46	9.47	9.47	9.30	9.26	9.29	9.09

Policy Rates (%)	
Central Bank Repurchase (Repo) Rate	7.25
Central Bank Reverse Repurchase (Reverse Repo) Rate	9.50
Bank Rate	15.00
Statutory Reserve Ratio (SRR)	7.00

Economic Indicators (%)	
Inflation (CCPI) June 2010 (Y on Y)	4.80
Commercial Banks Weighted Avg Lending Rates - 6 Months	10.68
Commercial Banks Weighted Avg Deposit Rates - 6 Months	7.26

Foreign Exchange Rates	This Week		Last Week	
Currency	*Buying*	*Selling*	*Buying*	*Selling*
Dollar (USA)	112.00	113.63	112.01	113.64
Pound (UK)	170.63	174.25	172.28	175.92
Euro (EU)	143.67	147.21	143.95	147.49
Yen (Japan)	1.28	1.32	1.28	1.31

Commodity Prices

Commodity	This Week Price	Last Week Price	Change	%
Nymex Crude Future ($/bbl)	79.35	76.65	2.70	3.52%
COPPER FUTURE (USd/lb.)	320.05	301.90	18.15	6.01%
GOLD 100 OZ FUTR (USD/t oz.)	1,200.60	1,208.00	(7.40)	-0.61%
WHEAT FUTURE(CBT) (USd/bu.)	600.50	594.00	6.50	1.09%
SUGAR #11 (WORLD) (USd/lb.)	18.45	17.45	1.00	5.73%
Rubber Prices - Brown Crepe 1X (LKR)	342.00	345.00	(3.00)	-0.87%

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Market Summary

	This Week	Last Week	Net change	%
ASPI	4895.51	4658.71	236.80	5.08%
MPI	5545.13	5232.31	313.00	5.98%
Total Turnover	13,443,000,042	9,586,304,631	3,856,695,411	40%
Average Daily Turnover	2,688,600,008	1,917,260,926	771,339,082	40%
Total Volume	597,276,259	323,964,092	273,312,167	84%
Average Daily volume	119,455,252	64,792,818	54,662,433	84%
Total Foreign Buying	3,381,986,387	2,317,958,884		
Total Foreign Selling	2,547,726,721	1,163,188,258		
Net Foreign Inflow / (Outflow)	834,259,666	1,154,770,626		

Foreign Markets

Country	Foreign Markets	Last Week	This Week	Change	%
	Name of the index	Index	Index		
USA	INDU:IND DOW JONES INDUS. AVG	10,359.31	10,322.30	-37.01	-0.36%
China	SHSZ300:IND CSI 300 INDEX	2,616.13	2,793.08	176.95	6.76%
India	SENSEX:IND BSE SENSEX 30 INDEX	17,955.94	18,156.64	200.70	1.12%
Europe	SX5E:IND ESTX 50 € Pr	2,704.48	2,728.30	23.82	0.88%

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Hemas Holdings Plc

Issued Share Quantity 509,790,620
CDS Quantity 242,632,595
Share Price Rs. 36.00
Net assets as at Rs. 74.55

Well diversified conglomerate in Sri Lanka. Within this entity there are five key sectors that can be clearly identified.

FMCG: this segment consists of a broader portfolio of products ranging from house hold items, Food products to items with reputed trade names.

As at 31st March 2010.	
Revenue	Rs 5.2bn
Growth % YoY	13%
Profit	Rs 636mn
Growth % YoY	19%
Revenue % to the Segment	34%

Health Care: The company has approximately 16% market share with the Health care products which further supported by a large sales distribution network in Sri Lanka, servicing over 2000 pharmacists across the nation through 24 distribution channels. The health care segment is not limited to just supplying medical drugs but also has a Contract Research Organization (CRO) established by the Hemas group in collaboration with the Clinical Trials Unit (CTU), and also has a medical education unit.

As at 31st March 2010.	
Revenue	Rs 5.1bn
Growth % YoY	32%
Profit	Rs 69mn
Growth % YoY	350%
Revenue % to the Segment	33%

Leisure: Through its Serendib Leisure brand **Hemas** owns and manages a series of hotels and resorts in several strategic tourist locations within Sri Lanka.

- Hotel Serendib ranks amongst Sri Lanka's first beach resorts located in Bentota this hotel consists of 89 rooms on a 8 acre land.

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- Club Hotel Dolphin located in the west coast of Sri Lanka is situated within a 20 acre palm garden; the hotel features a charming collection of 50 sea-side cottages, 96 deluxe rooms and 2 suites

- Hotel Sigiriya is located in a heritage site which is the cultural triangle in Sri Lanka, with 79 rooms.

As at 31st March 2010.	
Revenue	Rs 976mn
Growth % YoY	5%
Profit	Rs 33.5mn
Growth % YoY	2600%
Revenue % to the Segment	6.4%

Further under this segment operates a separate entity, **DIETHELM TRAVEL SRI LANKA (DTSL)** one of Sri Lanka's premier DMC (Destination Management Company).

The **Transport** segment of Hemas comprise of Aviation Maritime and integrated logistics. The aviation segment provides airline representation and out bound travel business. The shipping segment includes the investment in Mercantile Shipping Company Plc.

As at 31st March 2010.	
Revenue	Rs 644mn
Growth % YoY	(2%)
Profit	Rs 181mn
Growth % YoY	11%
Revenue % to the Segment	4.4%

The **Power** segment comprises of its listed entity Hemas Power Plc that has many projects that contributes power to the national grid.

As at 31st March 2010.	
Revenue	Rs 2.8bn
Growth % YoY	(45%)
Profit	Rs 244mn
Growth % YoY	(0.5%)
Revenue % to the Segment	19%

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Financial Review

Comparison with peers				
Ratio Analysis	HHL		JKH	HAYL
	2009	2010	2010	2010
Net Profit '000	775,128	901,730	5,552,315	2,671,704
ROE	11.50	12.30	10.90	13.00
EPS	1.51	1.76	8.45	23.67
DPS	0.25	0.36	3.00	4.00
Dividend payout	16.50	20.40	38.50	17.00
Net Assets per Share	13.78	15.08	80.40	204.58
Market Capitalization '000		18,352,462	140,865,744	22,200,000
Market Price		36.00	227.00	296.00
PER (Times)		20.41	26.86	12.51
PBV (Times)		2.39	2.82	1.45

HHL maintains a moderate position among the peers in industry. PER of HHL is relatively lower than the PER of JKH as well as the sector PER of 29 times. ROE of HHL is relatively greater than JKH and it is well above the risk free rate of the economy.

Financial Forecasting

Amount in LKR	2009	2010	2011F	2012F
Revenue	15,342,278,078	15,221,417,759	17,504,630,423	21,005,556,507
Gross Profit	4,424,121,614	5,103,204,904	5,868,685,640	7,042,422,768
Profit from operations	1,327,101,377	1,544,094,406	1,775,708,567	2,130,850,280
Finance cost	(470,169,853)	(449,375,718)	(516,782,076)	(620,138,491)
PBT	856,931,524	1,094,718,688	1,258,926,491	1,510,711,789
PAT	719,077,792	934,643,946	1,074,840,538	1,289,808,645
EPS	7.57	8.82		
Adjust EPS	**1.51**	**1.76**	**2.11**	**2.53**

With investments already in place in the domestic leisure, power, transportation and healthcare the company is primed to reap significant benefits in current post conflict Sri Lanka. The healthy balance sheet of the group consist short term investments worth Rs.1.2Bn further facilitate the group to capitalize the available market opportunities.

The top line of HHL is expected to grow at 15% and 20% respectively in upcoming financial years. PAT for FY2011 is forecasted to be Rs1.074Bn that will generate an EPS of Rs.2.11. Accordingly HHL is trading at a leading PER of 17 times.

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