

Financial Performance

15 November 2018



**Asha Phillip
Securities Ltd**

Sri Lanka

Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

HATTON NATIONAL BANK PLC (HNB.N)				Sector:			BANKS		
	Q3 FY 18	Q3 FY 17	Change	9M FY 18	9M FY 17	Change	FY 2017	FY 2016	Change
Interest income	29,564	26,930	10%	84,677	77,132	10%	103,908	81,534	27%
Interest expenses	15,880	15,008	6%	46,006	43,244	6%	58,447	42,445	38%
Net interest income	13,684	11,922	15%	38,671	33,888	14%	45,461	39,089	16%
Fee & commission	2,580	2,336	10%	7,479	6,850	9%	9,228	7,906	17%
Other income	874	1,460	-40%	3,551	2,499	42%	3,746	2,782	35%
Impairment charge	1,824	974	87%	4,173	2,906	44%	3,926	508	673%
Personnel expenses	3,047	2,546	20%	8,860	8,203	8%	10,916	10,416	5%
Other expenses	3,137	2,691	17%	9,075	7,982	14%	12,408	10,785	15%
Taxation	2,486	1,726	44%	6,996	4,960	41%	6,362	6,834	-7%
Profit for the period	4,928	4,275	15%	14,482	11,805	23%	16,741	15,665	7%
Equity holders	4,771	4,071	17%	13,880	11,311	23%	15,947	14,756	8%
Earnings per share	9.68	8.26	17%	28.17	22.96	23%	32.37	29.95	8%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE	PBV	Sector PBV	
217.50	266.39	37.58	5.8	37.57	5.8	5.90	0.8	0.8	
Total Assets (Mn)	1,090,283	Equity (Mn)		131,236	No. of. Shares in Issue (Mn)		492.7		
ROA - FY 19	1.70%	ROE - FY 19		14.10%	Asset / Equity ratio		8.31		

Segmental Analysis 9M FY 18	Rev FY 18	Rev FY 17	Change	Asset	Change	Result FY18	Result FY17	Change
Banking	83,041	73,847	12%	987,535	8%	17,250	13,466	28%
Leasing/Hire purchase	4,685	4,113	14%	48,012	14%	3,057	2,768	10%
Property	751	735	2%	10,258	-1%	479	584	-18%
Insurance	7,064	6,032	17%	20,657	17%	1,057	360	193%
Others (HNB Finance Ltd.)	5,730	5,277	9%	27,223	9%	1,080	1,215	-11%

Hatton National Bank PLC

Finance & Remittance businesses contributed to more than 50% of the fee and commission income. Net losses from trading which reflecting principally the revaluation of forex swaps, reduced significantly by 55% to Rs 1.2 Bn from a higher depreciated rupee and low volumes of swaps compared to the previous year. Other operating income too witnessed a sizable growth of 23% to Rs 3.4 Bn as a result of exchange gains on position revaluations and higher exchange income from forex transactions.

Bank's Gross NPA ratio as at the end of the third quarter increased to 3.1% from 2.9% reported in June, albeit remaining below industry norms. The sustained pursuit of the Bank's initiatives in centralization and digitalization has yielded a continuous improvement in HNB's Cost to Income ratio, which improved to 36.9% for the nine months ending September 2018, exceeding that recorded during the corresponding period of 2017 by 360 bps.

Total advances grew to Rs 717.8 Bn, supported by a nine month growth of 10.7% in the deposit base to Rs 776.3 Bn. The Bank remains strongly capitalized with Tier I Capital at 13.02% and Total Capital ratio at 15.62%, 415 bps and 275 bps above the respective regulatory requirements. All Group companies were profitable during the period. Group assets reported a nine month growth of 8.2% to Rs 1.1 Trillion.

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Sri Lanka

Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

HEMAS HOLDINGS PLC (HHL.N)				Sector:			CAPITAL GOODS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Revenue	16,514.0	11,446.9	44%	13,505	11,131	21%	50,860	43,404	17%
Cost of Sales	11,127.0	7,246.7	54%	8,836	7,160	23%	32,206	26,663	21%
Gross Profit	5,387.0	4,200.1	28%	4,670	3,971	18%	18,654	16,742	11%
Other Income	197.7	70.7	180%	107	97	11%	414	432	-4%
Selling & Distribution	1,472.7	1,040.8	41%	1,407	989	42%	5,608	4,749	18%
Admin Expenses	2,524.5	2,091.3	21%	2,397	2,140	12%	9,099	7,517	21%
Net Finance Cost	155.1	(71.1)	318%	102	(101)	201%	(147)	(303)	51%
Taxation	355.8	367.5	-3%	251	289	-13%	1,442	1,333	8%
Profit for the period	999.7	802.5	25%	542	677	-20%	2,951	3,754	-21%
Equity holders	926.7	726.0	28%	554	694	-20%	2,687	3,491	-23%
Earnings per share	1.61	1.26	28%	0.96	1.21	-20%	4.67	6.07	-23%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE	PBV	Sector PBV	
87.00	47.53	4.78	18.2	5.15	16.9	10.3	1.8	0.8	
Total Assets (Mn)	62,524	Equity (Mn)		27,327	No. of Shares in Issue (Mn)			574.95	
ROA - FY 19	4.74%	ROE - FY 19		10.84%	Asset / Equity ratio			2.29	

Hemas Group operating profit stood at Rs.2.4Bn, a growth of 22.5% over the previous financial year. The lower growth in earnings is due to increased net interest expense post utilisation of cash reserves to acquire Atlas in Jan 2018. Excluding the first six months performance of Atlas, HHL recorded consolidated revenue and operating profit growth of 16.1% and 2.3% correspondingly.

During the period under review, our consumer business recorded revenue of Rs.12.2Bn, indicating a YoY growth of 57.7%. Revenue growth in the consumer sector excluding Atlas stood at 8.2%.

Atlas performance has been on track in Q2 with revenues up by 12.4% over the same period last year.

Consolidated healthcare sector revenue for the first six months stood at Rs.13.4Bn, a YoY increase of 27.3% while operating profit and earnings indicated a decline of 8.3% and 12.6%. Impact of price regulation and significant currency depreciation continues to compress margins. Hemas Hospitals achieved an overall occupancy of 57%. The key driver of growth is the continued enhancement in surgical capability.

Our pharmaceutical manufacturing business, Morison posted revenue of Rs.1.7Bn and operating profit of Rs.162.7Mn for the six months.

Hemas Leisure, Travel and Aviation (LTA) interests achieved revenues of Rs.1.8Bn, reflecting a growth of 16.7% for the six months. Serendib Hotels reported a 10.2% growth in revenue due to an increase in average room rates and average occupancies across the group reaching 69% against 64% reported last year. However, overall, profitability declining by 12.5%, owing to ongoing soft refurbishment coupled with exchange losses attributed to forex loan financing at Anantara.

Hemas Logistics and Maritime recorded a revenue growth of 10.9% over last year with revenues of Rs.1.4Bn. Profitability of the maritime sector increased. The new logistics park facility is now up and running with newly secured customers moving in August. However, with the hike in fuel prices there was pressure on operating margins.

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Financial Performance

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Sri Lanka

Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

DISTILLERIES COMPANY OF SRI LANKA PLC (DIST.N)						Sector: FOOD, BEVERAGE & TOBACCO			
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Gross Revenue	19,882.6	22,336.3	-11%	19,197	21,343	-10%	90,387	90,273	0%
Net Revenue	6,675.6	7,010.3	-5%	6,428	6,690	-4%	29,183	27,019	8%
Cost of Sales	4,186.1	5,068.1	-17%	4,212	5,262	-20%	19,760	15,986	24%
Gross Profit	2,489.6	1,942.3	28%	2,216	1,428	55%	9,423	11,033	-15%
Distribution Exp	152.0	126.4	20%	147	120	23%	694	547	27%
Admin Expenses	285.9	305.5	-6%	220	223	-1%	1,166	1,374	-15%
Net Finance cost	29.1	149.3	-81%	55	131	-58%	585	1,282	-54%
Taxation	849.6	553.3	54%	761	427	78%	2,975	3,089	-4%
Profit for the period	1,202.6	923.4	30%	1,064	579	84%	4,349	4,975	-13%
Earnings per share	0.26	0.20	30%	0.23	0.13	84%	0.95	1.08	-13%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE		PBV	Sector PBV
16.90	1.64	1.11	15.2	0.99	17.1	15.3		10.3	2.5
Total Assets (Mn)	20,584	Equity (Mn)		7,564	No.of. Shares in Issue (Mn)		4600.00		
ROA - FY 19	22.02%	ROE - FY 19		59.93%	Asset / Equity ratio		2.72		

MELSTACORP PLC (MELS.N)						Sector: FOOD, BEVERAGE & TOBACCO			
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Net Revenue	23,149.2	10,818.1	114%	20,799	10,282	102%	44,730	40,193	11%
Cost of Sales	15,067.6	7,606.3	98%	13,274	7,580	75%	30,345	24,857	22%
Gross Profit	8,081.6	3,211.9	152%	7,525	2,702	179%	14,385	15,337	-6%
Other Income	173.5	503.8	-66%	265	279	-5%	3,034	1,186	156%
Distribution Exp	899.3	384.9	134%	770	415	85%	1,916	1,897	1%
Admin Expenses	4,172.6	1,186.9	252%	4,621	988	368%	4,804	4,505	7%
Operating Expenses	11.2	35.4	-68%	24	70	-66%	2,191	368	494%
Net Finance cost	203.0	201.5	1%	413	40	942%	632	389	63%
Taxation	1,385.0	789.8	75%	1,134	593	91%	3,892	3,891	0%
Profit for the period	1,697.7	1,878.7	-10%	922	1,036	-11%	6,250	6,800	-8%
Equity holders	1,481.8	1,785.8	-17%	789	1,141	-31%	6,577	7,336	-10%
Earnings per share	1.27	1.53	-17%	0.68	0.98	-31%	5.64	6.29	-10%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE		PBV	Sector PBV
52.00	64.59	5.08	10.2	3.90	13.3	15.3		0.8	2.5
Total Assets (Mn)	209,678	Equity (Mn)		75,276	No.of. Shares in Issue (Mn)		1165.40		
ROA - FY 19	2.17%	ROE - FY 19		6.03%	Asset / Equity ratio		2.79		

Segmental Analysis 1H FY 18/19	Rev FY 19	Rev FY 18	Change	Profit FY19	Profit FY18	Change
Beverages	42,004	47,216	-11%	4,209	2,934	43%
Plantations	2,422	1,752	38%	(57)	306	-118%
Telecommunications	1,599	1,462	9%	(845)	(777)	-9%
Financial services	1,553	1,779	-13%	192	245	-22%
Diversified	24,031	997	2311%	1,430	666	115%

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HAYLEYS PLC (HAYL.N)				Sector:			CAPITAL GOODS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Revenue	52,443.9	33,262.7	58%	50,601	29,159	74%	163,249	111,383	47%
Cost of sales	40,585.2	26,510.1	53%	38,780	23,268	67%	126,832	85,462	48%
Gross profit	11,578.4	6,752.6	71%	11,520	5,891	96%	35,848	25,921	38%
Other income	11,578.4	6,752.6	71%	218	107	105%	909	1,024	-11%
Selling & distribution	(610.0)	(117.5)	-419%	2,910	1,082	169%	7,268	3,419	113%
Admin expenses	2,874.5	785.0	266%	5,577	3,691	51%	17,928	13,579	32%
Operating expenses	5,628.6	4,074.3	38%	88	34	157%	157	273	-42%
Net Finance costs	2,633.5	1,073.2	145%	2,379	876	172%	5,932	3,112	91%
Taxation	487.8	323.8	51%	538	346	55%	2,491	1,977	26%
Profit for the period	509.0	657.3	-23%	260	61	323%	3,272	5,048	-35%
Equity holders	(143.4)	168.3	-185%	(261)	(150)	-75%	1,024	2,784	-63%
Earnings per share	(1.91)	2.24	-185%	(3.48)	(2.00)	-75%	13.65	37.12	-63%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE		PBV	Sector PBV
190.00	517.95	8.01	23.7	-10.79	-17.6	10.3		0.4	0.8
Total Assets (Mn)	224,120	Equity (Mn)		38,846	No.of. Shares in Issue (Mn)		75.00		
ROA - FY 19	-0.36%	ROE - FY 19		-2.08%	Asset / Equity ratio		5.77		

Segmental Analysis 1H FY 18/19	Rev FY 19	Rev FY 18	Change	Result FY19	Result FY18	Change
Eco Solutions	3,406	2,124	60%	193	70	176%
Hand Protection	8,426	8,020	5%	521	98	430%
Purification Products	8,986	7,116	26%	614	358	71%
Textiles	5,124	4,372	17%	178	65	174%
Construction Materials	2,284	2,022	13%	294	226	30%
Agriculture	5,834	5,502	6%	462	234	98%
Plantations	6,478	6,533	-1%	29	216	-87%
Transportation & Logistics	22,698	16,359	39%	1,382	1,086	27%
Consumer & Retail	31,510	2,737	1051%	2,394	11	22532%
Industry Inputs	2,095	1,869	12%	6	137	-96%
Power & Energy	930	874	6%	610	547	12%
Leisure	2,900	2,615	11%	137	37	272%
Others	2,374	2,279	4%	702	758	-7%

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RICHARD PIERIS AND COMPANY PLC (RICH.N)						Sector:	CAPITAL GOODS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Revenue	13,388.4	13,015.9	3%	13,403	12,945	4%	52,973	49,149	8%
Cost of sales	10,110.2	9,643.9	5%	10,267	9,642	6%	39,716	36,373	9%
Gross profit	3,278.1	3,372.0	-3%	3,136	3,303	-5%	13,257	12,776	4%
Other income	326.7	262.0	25%	312	270	15%	1,285	1,072	20%
Selling & distribution	762.8	745.5	2%	747	812	-8%	3,196	2,888	11%
Admin expenses	1,609.8	1,527.8	5%	1,583	1,435	10%	5,903	5,614	5%
Operating expenses	34.9	12.0	191%	13	21	-36%	62	55	11%
Net Finance costs	403.8	153.7		289	156	85%	759	572	33%
Taxation	393.3	218.7	80%	238	411	-42%	1,550	1,237	25%
Profit for the period	407.9	979.5	-58%	574	751	-24%	3,082	3,564	-14%
Equity holders	329.8	868.2	-62%	534	615	-13%	2,687	3,170	-15%
Earnings per share	0.16	0.43	-62%	0.26	0.30	-13%	1.32	1.56	-15%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE		PBV	Sector PBV
10.10	6.92	1.02	9.9	0.85	11.9	10.3		1.5	0.8
Total Assets (Mn)	61,089	Equity (Mn)		14,090	No.of. Shares in Issue (Mn)		2035.04		
ROA - FY 19	2.83%	ROE - FY 19		12.27%	Asset / Equity ratio		4.34		

Segmental Analysis 1H FY 18/19	Rev FY 19	Rev FY 18	Change	Result FY19	Result FY18	Change
Rubber	2,739	2,357	16%	544	425	28%
Tyre	2,189	2,309	-5%	164	212	-23%
Plastic and furniture	3,684	3,794	-3%	191	312	-39%
Retail	13,572	12,844	6%	972	833	17%
Financial services	1,953	1,567	25%	185	138	34%
Other services	1,341	1,157	16%	715	431	66%
Plantations	4,757	5,371	-11%	342	859	-60%

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AITKEN SPENCE PLC (SPEN.N)				Sector:			CAPITAL GOODS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Net revenue	12,268.6	12,148.0	1%	10,441	11,510	-9%	52,153	45,377	15%
Raw materials used	2,416.8	2,956.3	-18%	1,922	3,443	-44%	11,963	11,816	1%
Employee benefits	2,051.4	1,929.4	6%	2,130	2,025	5%	8,044	7,474	8%
operating exp-direct	4,270.8	3,610.2	18%	3,299	2,982	11%	15,748	11,872	33%
Operating exp-indirect	1,942.8	1,963.5	-1%	1,722	1,621	6%	7,270	6,383	14%
Net finance expense	265.7	257.5	3%	285	290	-2%	990	895	11%
Income tax expenses	365.9	284.0	29%	214	191	12%	1,248	1,201	4%
Profit for the period	605.4	839.1	-28%	266	487	-46%	5,150	4,045	27%
Equity holders	483.6	583.9	-17%	211	355	-41%	3,560	2,890	23%
Earnings per share	1.19	1.44	-17%	0.52	0.87	-41%	8.77	7.12	23%
CMP (LKR)	NAV (LKR)	Trail EPS	Trail P/E	FWD EPS	FWD P/E	Sector PE		PBV	Sector PBV
45.50	112.30	8.17	5.6	3.42	13.3	10.3		0.4	0.8
Total Assets (Mn)	108,790	Equity (Mn)		45,593	No.of. Shares in Issue (Mn)		406.00		
ROA - FY 19	1.28%	ROE - FY 19		3.05%	Asset / Equity ratio		2.39		

Segmental Analysis 1H FY 18/19	Rev Fy 19	Rev Fy 18	Change	Profit Fy19	Profit Fy18	Change
Tourism sector	10,992	10,122	9%	(632)	(38)	-1560%
Maritime & logistics sector	4,443	4,111	8%	711	569	25%
Strategic investments	6,449	8,923	-28%	650	692	-6%
Services sector	1,092	756	44%	142	103	38%

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