



JOHN KEELLS HOLDINGS

INTERIM UPDATE - 3QFY12

HEAVY WEIGHT UNVEILS ITS STELLAR PERFORMANCE WITH A 49% GROWTH IN PROFIT FOR QUARTER ENDED 31ST DECEMBER 2011



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JOHN KEELLS HOLDINGS PLC

INTERIM RESULTS UPDATE 3QFY12

Premier blue chip John Keells Holdings (JKH) showed its spectacular performance during the first nine months of FY12.

JKH was ranked No.1 among the Top 50 companies in Sri Lanka compiled by the popular Business magazine LMD.

Group revenue of LKR54.27 bn in the first nine months of FY12 was 28% above LKR42.50 bn recorded in the corresponding period of the previous year.

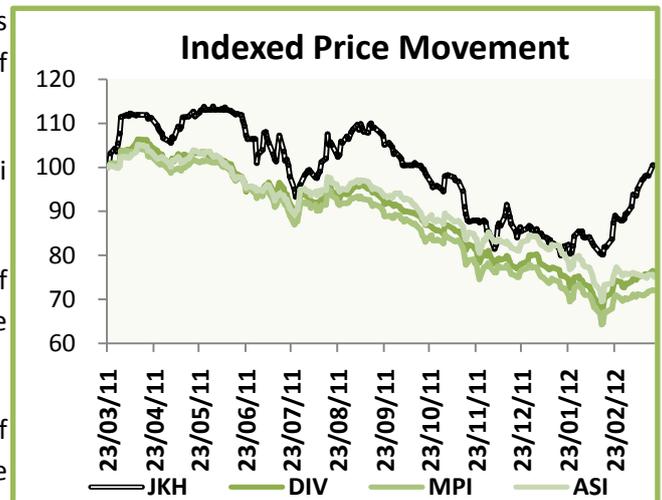
Group gross profit of LKR12.40 bn in the first nine months of FY12 was 33% above the LKR9.35 bn recorded in the corresponding previous year period.

The group PBT reported a 1% YoY in the first nine months of FY12. However the corresponding period includes the gains of LKR1.79 bn from the sale of stakes in Asian Hotels and Properties and John Keells Hotels PLC during FY11.

The 4Q trailing PE is 20.0x at the price of LKR195.00 during 3QFY12, whilst both Sector PE and Market PE are at 16.05x and 12.79x respectively.

JKH partnered with Sanken Lanka Ltd to build and manage a state of the art 25 storeys, 240 room business hotel in Colombo of which construction is in progress as planned.

Going forward, with the satisfactory results backed by strategic decision making JKH is expected to perform healthy towards medium to long term. Thus we revise the forward PE multiples to be 16.9x and 14.8x in FY13 and FY14 respectively solely on recurring earnings (excluding any possible capital gains).



Stock Data

As at 21.03.2012	
Average Daily Turnover (LKR mn)	188.2
(USD mn)	1.4
Market Capitalisation (LKR mn)	164,410.7
(USD mn)	1,265.2
12 month High/Low (LKR)	226.50/159.2
Price Movement-LKR195.00	
1M-LKR167.00	17.1%
3M-LKR170.00	14.7%
12M-LKR203.00	-2.0%

Major Shareholders (%)

Voting (as at 22nd March 2012)	
S. E. Captain	12.1%
Janus Overseas Fund	10.3%
Broga Hill Investments Ltd	8.8%
Paints & General Industries Ltd	4.5%
Melstacorp (Pvt) Ltd	3.3%

YE 31 Mar	FY09	FY10	FY11	FY12E	FY13E	FY14E
Net Profit (LKR mn)	4,732.3	5,201.5	8,245.6	8,412.8	9,730.2	11,110.8
+/- % YoY	-7.6%	9.9%	58.5%	2.0%	15.7%	14.2%
EPS (LKR)	5.6	6.2	9.8	10.0	11.5	13.2
+/- % YoY	-7.6%	9.9%	58.5%	2.0%	15.7%	14.2%
PE (X)	34.7	31.6	19.9	19.5	16.9	14.8
DPS (LKR.)	3.0	3.0	3.0	3.0	5.0	5.0
+/- % YoY	-40.0%	0.0%	0.0%	0.0%	66.7%	0.0%
DY (%)	1.5%	1.5%	1.5%	1.5%	2.6%	2.6%
BVPS (LKR.)	54.0	59.1	70.7	78.5	86.3	95.8
PBV (X)	3.6	3.3	2.8	2.5	2.3	2.0
ROE (%)	10.4%	10.4%	13.8%	12.7%	13.4%	13.8%

QUARTERLY RESULTS

QUARTERLY FINANCIAL PERFORMANCE

LKR. Mn	3QFY12	3QFY11	Variance %	CumFY12	CumFY11	Variance %
Turnover	21,137.2	15,615.6	35.4%	54,270.8	42,502.1	27.7%
COS	(15,685.0)	(11,500.4)	36.4%	(41,868.0)	(33,152.9)	26.3%
GP	5,452.2	4,115.2	32.5%	12,402.7	9,349.2	32.7%
Dividend Income	43.3	25.5	69.6%	83.9	48.6	72.5%
Other Operating Income	913.4	918.7	-0.6%	2,618.4	5,030.4	-47.9%
Distribution Cost	(756.8)	(690.0)	9.7%	(2,025.9)	(1,787.6)	13.3%
Admin Expenses	(2,201.0)	(1,982.7)	11.0%	(6,194.3)	(5,651.1)	9.6%
Other Operating Expenses	(625.4)	(388.4)	61.0%	(1,391.7)	(1,141.9)	21.9%
Finance Expenses	(169.3)	(176.6)	-4.1%	(493.3)	(633.4)	-22.1%
Share of Associates Results	732.0	534.7	36.9%	2,392.3	2,119.0	12.9%
Profit Before Tax	3,388.4	2,356.4	43.8%	7,392.1	7,333.3	0.8%
Income Tax	(361.7)	(329.4)	9.8%	(1,139.7)	(1,191.1)	-4.3%
PAT	3,026.8	2,027.1	49.3%	6,252.4	6,142.3	1.8%
Minority	(293.4)	(270.0)	8.7%	(574.1)	(447.3)	28.3%
Profit to Equity Holders	2,733.4	1,757.1	55.6%	5,678.4	5,694.9	-0.3%

SECTOR PERFORMANCE

Revenue LKR. Mn	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Transport	4,597.5	3,058.2	50.3%	12,321.4	9,133.1	34.9%
Leisure	4,197.1	3,556.5	18.0%	10,898.3	9,112.2	19.6%
Property	2,074.8	681.4	204.5%	2,679.4	1,936.7	38.4%
Consumer, Food & Retail	5,769.5	4,774.2	20.8%	16,380.3	13,629.5	20.2%
Financial Services	2,155.0	1,798.3	19.8%	5,818.5	4,681.7	24.3%
Information Technology	1,712.1	1,014.5	68.8%	4,311.0	2,108.8	104.4%
Others	631.4	732.5	-13.8%	1,861.4	2,161.2	-13.9%

Profit to Equity Holders LKR. Mn	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Transport	842.8	554.8	51.9%	2,216.6	1,793.8	23.6%
Leisure	756.6	523.3	44.6%	1,563.3	731.7	113.6%
Property	275.5	174.9	57.5%	309.5	390.9	-20.8%
Consumer, Food & Retail	372.8	47.7	681.3%	656.2	140.3	367.6%
Financial Services	531.7	338.9	56.9%	969.7	685.9	41.4%
Information Technology	48.4	(9.4)	616.5%	35.8	(5.3)	780.0%
Others	(94.4)	126.9	-174.4%	(72.8)	1,957.5	-103.7%

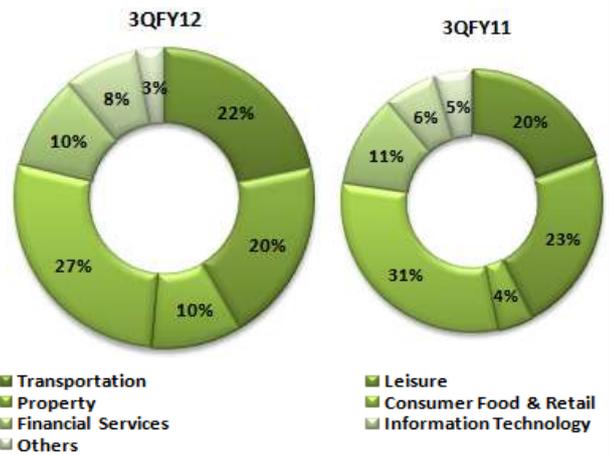
MARGIN ANALYSIS

Margin	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
GP Margin	19.7%	20.0%	24.7%	26.4%	20.0%	19.0%	26.4%	23.9%	20.5%	21.4%	25.8%
PBIT Margin	13.8%	11.3%	14.4%	24.6%	13.7%	26.2%	16.2%	19.2%	13.0%	13.1%	16.8%
PBT Margin	9.5%	8.1%	11.8%	22.8%	11.9%	24.7%	15.1%	18.3%	12.0%	12.2%	16.0%
PAT Margin	6.9%	5.4%	9.7%	21.6%	8.3%	21.8%	13.0%	16.2%	9.4%	10.0%	14.3%
NP Margin	6.5%	5.1%	8.9%	20.4%	7.8%	21.0%	11.3%	14.2%	8.7%	9.0%	12.9%

REVENUE EXPECTATIONS ACHIEVED.....

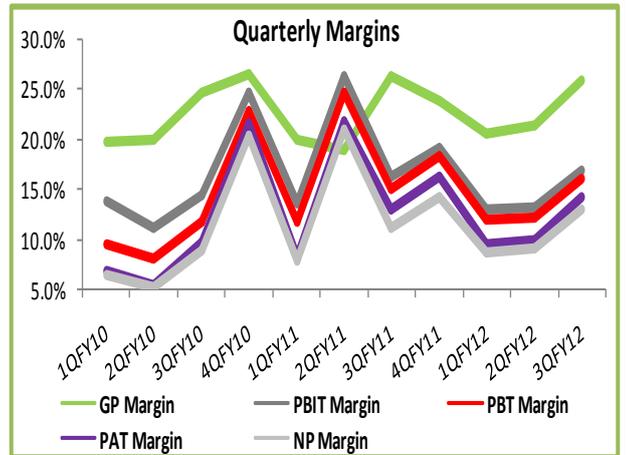
69% of the cumulative revenue was backed by Transportation, Leisure and Consumer Food & Retail (CF&R) sectors. The three sectors contributed LKR4.6 bn, LKR4.2 bn and LKR5.8 bn respectively to the quarter's top line. Value added products and services in the transport sector, improved occupancy levels with high average room rates in the leisure sector and heavy volumes, higher basket values, footfalls and better margins retail and consumer sector, collectively contributed to the healthy top line in the current quarter.

Sector Revenue Contribution

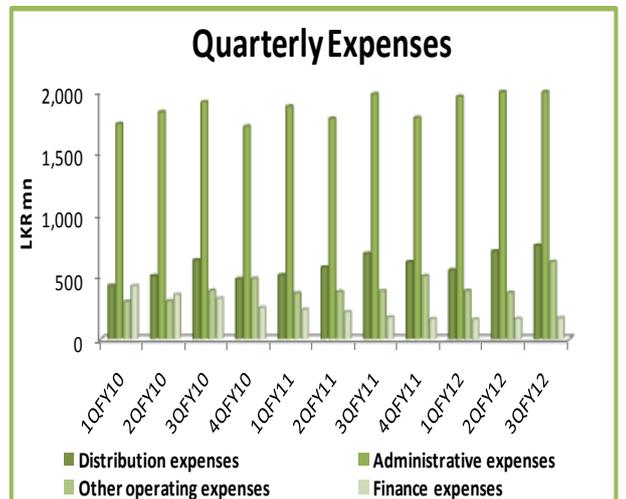


HALE AND HEARTY QUARTERLY MARGINS.....

The Gross Profit increased by circa 32% 3QFY12 compared to corresponding period in the previous year, nevertheless YoY Gross Profit Margin negatively changed from 26.4% in 3QFY11 to 25.8% in 3QFY12. All sectors were adversely hit by severe competition due to new players entering the corporate arena with the booming economy.



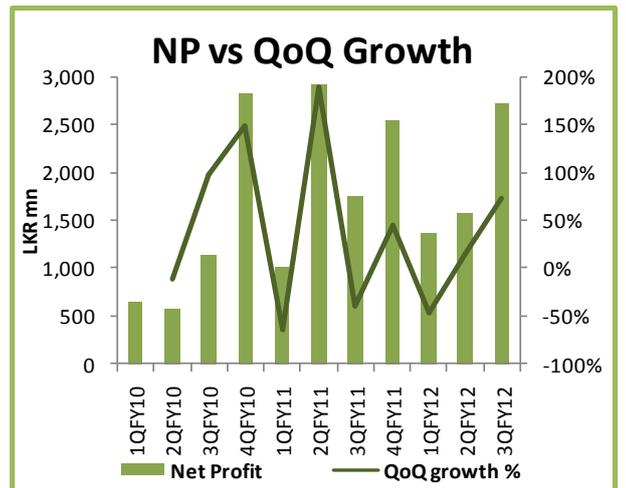
The group PBIT margin increased to 16.8% 3QFY12 from 16.2% 3QFY11. This was primarily due to the 37% promising growth in associate profit (primarily by SAGT) in the current quarter compared to the previous year's corresponding quarter.



All sectors saw an improvement in net profit except for the other sector where a net loss of LKR94.4 mn recorded compared to a profit of LKR126.9 mn in the corresponding quarter. Losses were made by Tea Smallholder Factories due to a crunch in global tea prices and rise in electricity and wage costs.

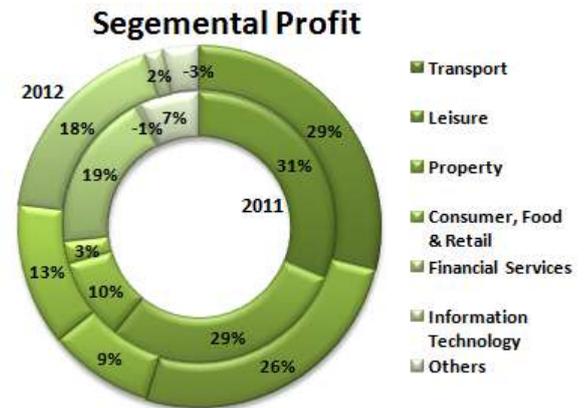
EXPENSE LEVELS IN LINE AMIDST REVENUE GROWTH.....

The overall administrative, distribution and other operating expenses of the group increased due to inflation and were in line with revenue growth. However, despite of increase in debt levels (YoY increase of circa 3.6% on interest bearing borrowings) the finance cost dipped circa 4% during the period under review. This was due to group strategy of retiring expensive debt and gaining access to cheaper source of debt finance.



SOLID PBT AND PAT.....

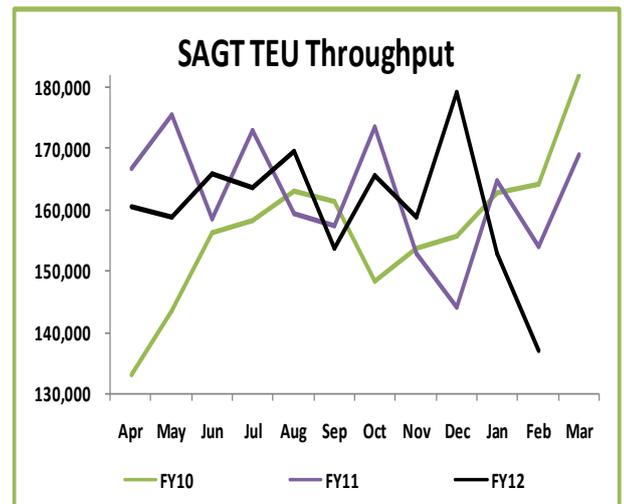
The group PBT of LKR3.4 bn 3QFY12 grew by 44% respectively compared to LKR2.4 bn 3QFY11. Also, group PAT grew 49% for the quarter compared to the corresponding quarter of the previous year. Leisure arm was the top contributor to both PBT and PAT followed by the transportation. Conversely in terms of profit to equityholders, as depicted by the chart, transportation sector takes lead due to its lower minority interest compared to that of leisure.



TRANSPORT SECTOR

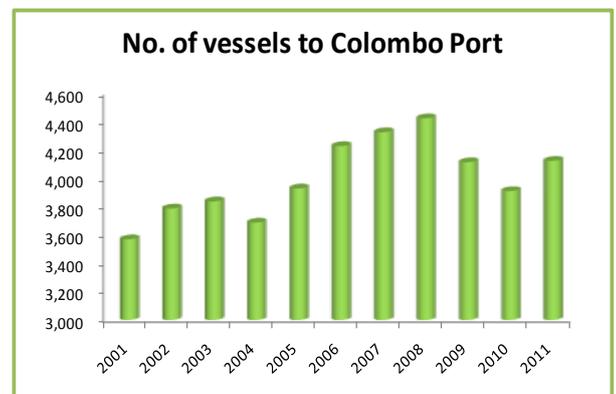
Businesses within this sector include operations of *South Asia Gateway Terminals (SAGT)* a 42.19% owned associate in the Queen Elizabeth Quay Port of Colombo, a marine bunkering business which is *Lanka Marine Services (LMS)* a 99.44% owned subsidiary and joint ventures comprising leading logistics, travels and airline services.

Transportation sector revenue witnessed a circa 50.3% hike YoY during 3QFY12 compared to 3QFY11; furthermore the net profit gained circa 51.9% mainly on the back of increased volumes in selected grades of products in *Lanka Marine Services* and increase in transshipment and domestic TEU volumes at *South Asia Gateway Terminal*.



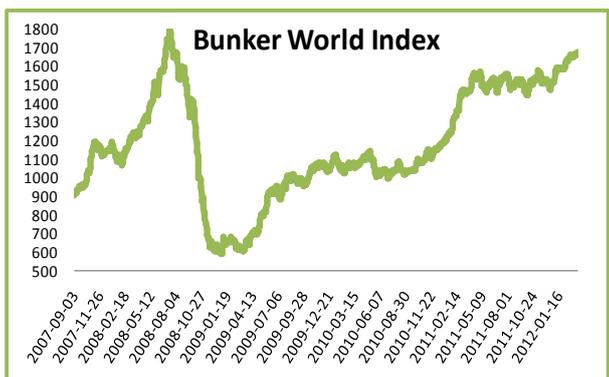
Source: SAGT Website

As shown by the adjoining graph, increase in number of vessels to Colombo port had brought in higher throughput to SAGT, nevertheless during January and February 2012 the volumes had dropped due to adverse marine operations which were affected by the global economic downturn.



Source: SLPA

Despite of escalating oil prices *LMS* was able to stabilize its margins as this was passed on to the clientele via increased prices. Currently *LMS* holds circa 45% of the domestic bunkering business.



Source: www.bunkerworld.com

Furthermore the sector confronted a healthy exchange translation gain due to rupee depreciation and change in product mix (*LMS*). Going forward the dollar dividend from SAGT expects to be translated into more rupees which could be used by JKH to pay tax exempted dividends to its shareholders.

On the whole we expect the sector to produce a top line of LKR19, 741 mn FY13 and LKR22, 414 mn FY14 respectively.

Transport	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Revenue LKR. Mn	4,597.5	3,058.2	50.3%	12,321.4	9,133.1	34.9%
Profit to Equity Holders LKR. Mn	842.8	554.8	51.9%	2,216.6	1,793.8	23.6%

LEISURE SECTOR

The hotels in the Leisure sector comprises of Sri Lankan City (2 hotels) and Resort hotels (7 hotels) and Maldivian archipelagos (3 hotels). Steady average room rates (ARR's) and healthy occupancy levels drove the leisure sector towards significant growth.

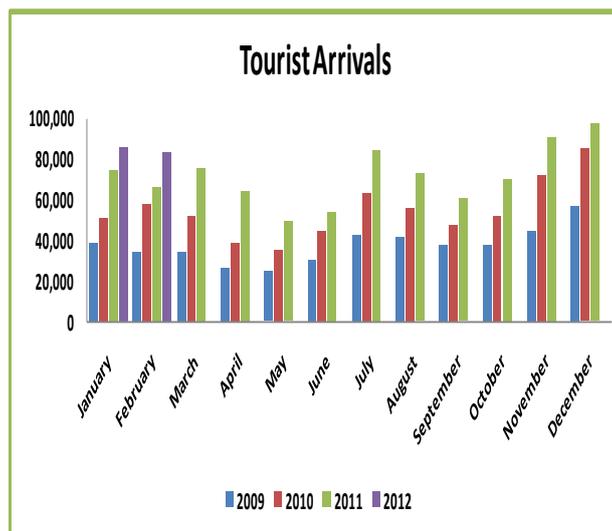
Sri Lanka's five year strategic plan road map till 2016 has identified key emerging markets as India, China, Middle East, Russia and Japan. With tourist arrivals to the country hitting a record high of above 855,000 in 2011, the hotel sector recorded an average occupancy rate circa 70% and during peak seasons, occupancy levels exceeded 90%. Increased demand has enabled hotel operators to elevate their room rates, leading to stronger revenues and broader margins for most establishments.

Maldives' tourism industry, a key revenue contributor to the country's GDP (circa 30%) is mainly benefiting from European market (circa 58%) and Asia & Pacific region (37.3%). The archipelago is maintaining a sustainable occupancy rate throughout the past with a steady growth of 5% annually to 83.8% in 2011. In line with it, it is hoping to record a surge in tourist arrivals amid the support of better economic conditions and high disposable income globally.

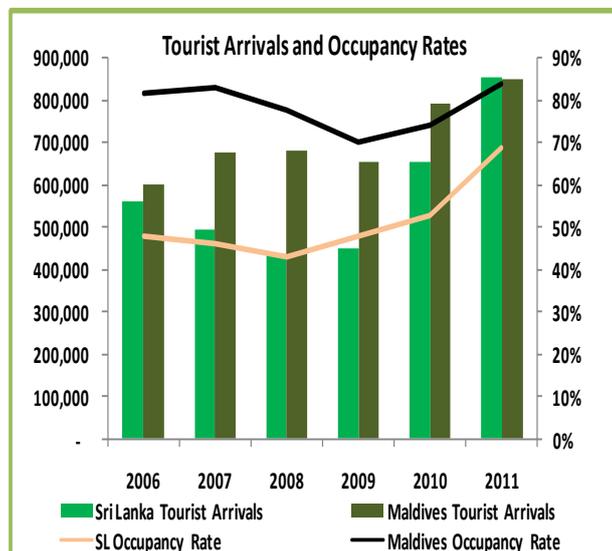
China continues its remarkable performance, remaining at the top rank as the market leader to the Maldives with a healthy 21.9% shares by the end of September 2011. China has been posting robust growth rates over the first three quarters of the year with 56.9%, 64.2% and 63.3% respectively. The market share has increased from 16.2% at the end of first quarter to 20.2% during the second quarter and during the third quarter the market share was registered to be 29.9%.

JKH partnered with Sanken Lanka Ltd to build and manage a state of art 25 storeys, 240 room business hotel in Colombo for which the construction is progressing as planned. Furthermore Chaaya Tranz, Hikkaduwa (150 rooms) and Chaaya Wild, Yala (68 rooms) were re-opened on schedule in November 2011 adding. The positive hit on earnings will be revealed during 4QFY12.

Leisure sector revenue witnessed an 18% hike YoY; however the net profit escalated by 44% YoY 2QFY12 mainly due to heavy tourist influx which is a growth of 23.3% in tourist



Source: SLTDA



Source: SLTDA and Maldives Tourism Year Book 2011

Type	Occupancy	ARR Range
City Hotels	65%-70%	USD125 - USD130
Resort Hotels	80%-85%	USD90 - USD100
Maldivian Hotels	85%-90%	USD275 - USD300

Room Capacity	Current	After Expansion
2-City Hotels		
Cinnamon Grand	501	501
Cinnamon Lakeside	340	340
Sri Lankan Resorts	798	998
3-Maldivian Resorts	340	340
TOTAL	1,979	2,179

Source: Company, Asia Wealth Research

arrivals between the corresponding quarters 3QFY11 and 3QFY12.

The improvement in the performance was primarily due to the better results achieved by both City Hotels and Maldivian Resorts. Hence over the next half with high occupancy levels, refurbished rooms and opening a 200 room Chaaya Bey, Beruwala in August 2012 the sector is expected to show progressive growth throughout. Thus we believe the sector to produce a top line of LKR18, 324 mn FY13 and LKR20, 775mn FY14 respectively.

Leisure	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Revenue LKR. Mn	4,197.1	3,556.5	18.0%	10,898.3	9,112.2	19.6%
Profit to Equity Holders LKR. Mn	756.6	523.3	44.6%	1,563.3	731.7	113.6%

CONSUMER FOODS AND RETAIL SECTOR

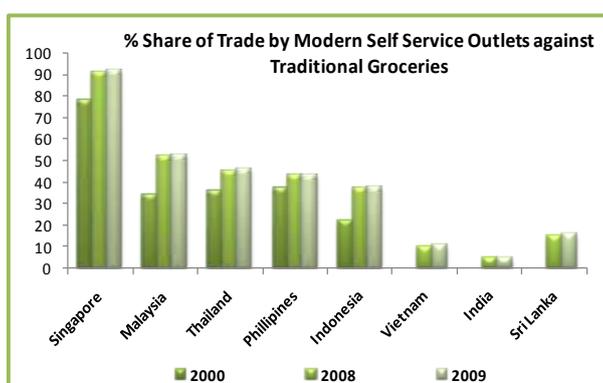
The Consumer Foods and Retail cluster includes *Ceylon Cold Stores (CCS)* and *Keells Food Products (KFP)*. The volumes in the Beverage, Frozen Confectionary and Convenience Foods sections increased due to high demand with increasing GDP and per capita income and penetrating to new markets in the North and the East. This helped to maintain dominance in these clusters.

When compared to other South Asian countries such as Singapore, Malaysia and Thailand, the culture of self service outlets is not that developed in Sri Lanka due to the low per capita income possessed by the country. Nevertheless growth persistent growth in mean household income to support the rising expenditure on food and drink show positive signs of change in the consumer perception towards supermarkets.

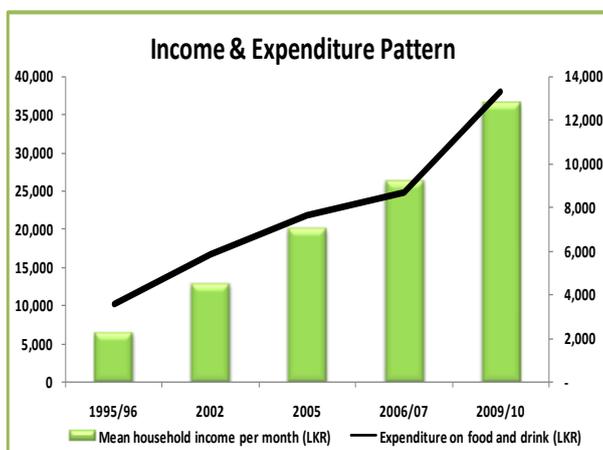
Currently JKH possesses 48 super markets which include 5 franchise outlets. The increase in banner names and number of Keells outlets has been a major up heel to cater to domestic demand which expects to generate healthy future revenues

The sector with an LKR5.77 bn top line and a net profit of LKR372.8 mn contributed approximately 27% and 13.6% to the group respectively. The net profit in 3QFY12 was 681.3% above 3QFY11.

The soft drinks and ice creams businesses mainly contributed to this growth with higher volumes and improved margins making the group's market leadership in this sector robust.



Source: Retail and Shopper Trends Asia Pacific 2010, Nielsen



Source: Dept. of Census & Statistics

	2009	2010
No. of supermarkets	510	958
No. of banner names and numbers		
Cargills	138	142
Sathosa Retail	105	190
Keells	40	61
Arpico	10	13
Co-op city	263	365
Laugfs	22	31

Source: Retail and Shopper Trends Asia Pacific 2010, Nielsen

Also the retail business saw higher basket values, footfalls and improved margins.

With the launch of KZone in Moratuwa (50,000 sq.ft) and the introduction of “Keko” – a brand and a departmental store, selling household and clothing items, the sector has moved on to the mall concept, furthermore it plans to develop recently acquired 6.5 acre land in Kapuwaththa, Ja-Ela. Also it has plans in the pipeline to open new retail stores in FY12, in strategic areas.

Hence we expect the sector to produce a top line of LKR24, 833 mn FY13 and LKR27, 316 mn FY14 respectively.

Consumer, Food & Retail	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Revenue LKR. Mn	5,769.5	4,774.2	20.8%	16,380.3	13,629.5	20.2%
Profit to Equity Holders LKR. Mn	372.8	47.7	681.3%	656.2	140.3	367.6%

PROPERTY SECTOR

JKH possesses a significant land bank in prime areas of Colombo, and is one of the largest private sector proprietors of real estate in Colombo. The group owns 33.9 acres of prime property in Colombo which can be either developed as commercial or residential property.

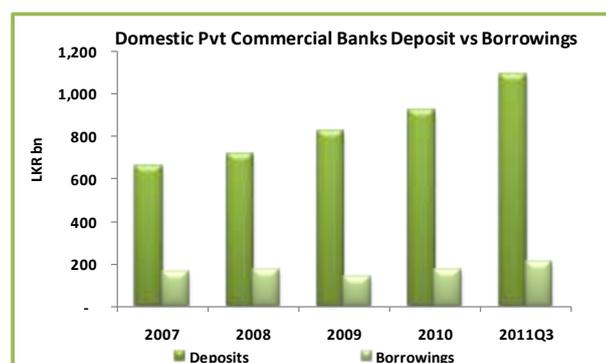
The property cluster contributed LKR2, 074.8 mn to the group’s revenue with an equity holder profit of LKR275.5 mn to the group during 3QFY12. The revenue recognition of the Emperor was on schedule and the apartments were handed over to the clients in November 2011. The residual circa 15% of the total revenue is to be recognized during 4QFY12.

The construction of LKR9.0 bn “OnThree20” project is progressing as planned. The project comprises of 475 residential apartments ranging from \$120,000 to \$400,000. The project initiated in April 2011 and is expected to complete by the end of 2014. The piling stage has been completed (15% of the project) and 60% of the apartments have already been pre-sold.

With the booming real estate prices in the country we expect the property sector to perform favourably with the prime land bank and upcoming property development projects down the pipeline.

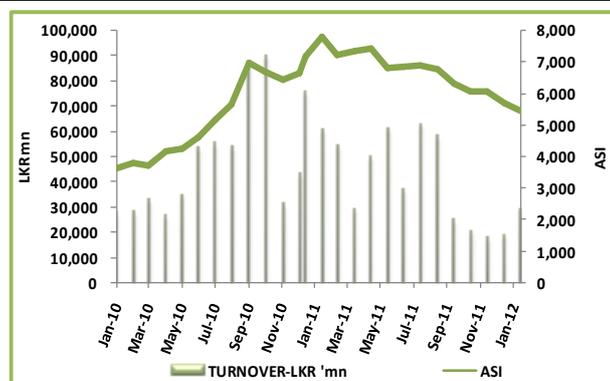
FINANCIAL SERVICES SECTOR

The segment of financial services mainly comprises of commercial banking (*Nations Trust Bank PLC*), insurance (*Union Assurance PLC*) and stock broking (*John Keells Stock Brokers*). The sector contributed with an LKR2.17 bn top line and a profit to equity holders of LKR531.7 mn to the total Group revenue and net profit respectively. The earnings attributable to equity holders in 3QFY12 were 56.9% above that of 3QFY11.



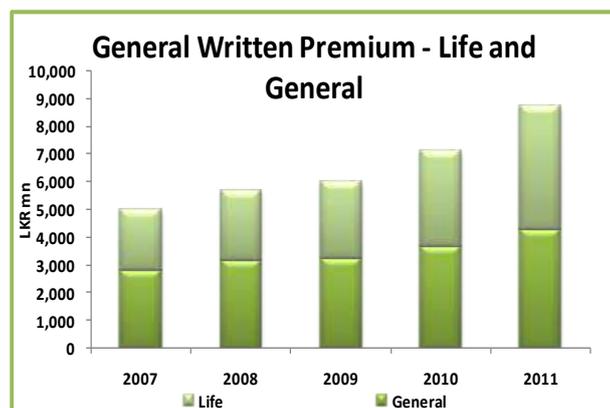
Source: CBSL Statistics

JKH's associate *Nations Trust Bank PLC (NTB 29.90%)* showed a marginal 6.75% YoY dip in associate earnings to LKR125.2 mn in 3QFY12 compared to corresponding period of the previous year. Nevertheless the private sector banking industry was driven by increased confidence and expanding economic activities. However Central Bank asked banks to limit credit growth to 18% in 2012 from over 34% in 2011 which may curtail growth of *NTB*.



Source: Asia Research

Union Assurance PLC (UAL) a 95.60% subsidiary recorded a 10% growth to LKR2.6 bn in Gross Written Premium (GWP) for the current quarter driven by both life and general segments. The net profit for the quarter ended 31st December 2011 was LKR514.0 mn, a growth of circa 39% compared to 31st December 2011.



Source: Union Assurance Annual Report 2011

The performance of *John Keells Stock Brokers* was continued to be impacted by the lower market turnover witnessed in the CSE during third quarter. Overall we believe the sector to produce a top line of LKR8, 787.5 mn FY13 and LKR10, 105.6 mn FY14 respectively.

Financial Services	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Revenue LKR. Mn	2,155.0	1,798.3	19.8%	5,818.5	4,681.7	24.3%
Profit to Equity Holders LKR. Mn	531.7	338.9	56.9%	969.7	685.9	41.4%

IT SECTOR AND OTHER SECTOR

The BPO business has acquired a number of new high profile customers, while the Office Automation division continued to display strong performance, bolstered by higher volumes in the mobile phone business (Samsung) and computer and office accessories (Toshiba)

Other sector comprises of Plantation services with Tea Smallholder Factories PLC being amongst the top manufactures of orthodox low grown tea in Sri Lanka. Shortage in quality leaf supply due to adverse weather conditions led to a higher cost of input. Also crisis in global tea market prices led to low revenue inflow in the current period compared to the comparative period of the last year.

The IT sector with an LKR1.71 bn top line and a net profit of LKR48.4 mn positively contributed to the total Group revenue and Net profit in 3QFY12. The net profit in 3QFY12 was 616.5% above that of 3QFY11.

Information Technology	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Revenue LKR. Mn	1,712.1	1,014.5	68.8%	4,311.0	2,108.8	104.4%
Profit to Equity Holders LKR. Mn	48.4	(9.4)	616.5%	35.8	(5.3)	780.0%

Others	3QFY12	3QFY11	YoY Change	CumFY12	CumFY11	YoY Change
Revenue LKR. Mn	631.4	732.5	-13.8%	1,861.4	2,161.2	-13.9%
Profit to Equity Holders LKR. Mn	(94.4)	126.9	-174.4%	(72.8)	1,957.5	-103.7%

CONTEMPORARY ECONOMIC IMPLICATIONS

- ✓ Devaluation of the Sri Lankan rupee will be favourable to the tourist sector as more rupees can be obtained for the dollar. This in turn will boost the earnings of both JKH's city and resort hotels in Sri Lanka. Furthermore dollar dividends from Maldivian resorts and SAGT can bring more rupees to the group at the point of conversion.
- ✓ The rise in the oil prices will have a negative impact on all sectors as the energy cost creates a multiplier impact on the final commodity and service. The hit will majorly be on the transport sector where the cost of bunkering services will increase. Nevertheless due to high bargaining power possessed by LMS the hike in oil prices will be transferred to customers in order to maintain the margins.
- ✓ On the contrary, imported food products in the retail sector will be expensive, thereby hindering demand from the domestic consumers thus curbing future earnings. Nevertheless, this will not have a significant impact on the price in-elastic import goods.
- ✓ The IFC loan to JKH will be adversely affected. This is due to the fact that the devaluation will result in a major rupee outflow in terms of both debt repayment and finance cost. This will adversely affect the overall group bottom line. However appropriate hedging techniques can be used to countervail the negativity.
- ✓ The ownership restriction (15% ceiling for corporate holdings) imposed by Central Bank of Sri Lanka in commercial banks, may compel JKH to reduce its stake to comply with the guidelines in April 2012. This may reduce the associate profit consolidated into JKH in the future. However the reduction in stake may result in a one-off capital gain to the group.

QUICK PERFORMANCE REVIEW

Ratio Analysis	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Profitability								
Revenue Growth	11.5%	27.2%	-1.9%	17.0%	26.1%	23.5%	12.8%	12.4%
Gross Profit margin	29.3%	26.7%	23.9%	23.1%	22.6%	24.0%	25.0%	26.0%
PBIT Margin	18.6%	19.6%	19.5%	16.5%	18.9%	15.3%	15.4%	15.5%
PBT Margin	14.6%	15.7%	15.3%	13.6%	17.6%	14.4%	14.9%	15.1%
Net Profit Margin	10.8%	12.2%	11.5%	10.8%	13.6%	11.3%	11.5%	11.7%
Liquidity								
Current Ratio	1.9	1.7	2.1	2.1	1.8	1.7	2.0	2.1
Quick Ratio	1.6	1.4	1.9	1.9	1.6	1.6	1.8	1.9
Efficiency								
Interest Cover	4.6	5.1	4.7	5.8	14.4	17.5	28.7	44.7
Inventory(days)	53.4	47.5	26.4	22.7	24.5	24.5	20.0	20.0
Receivables(days)	73.2	59.0	80.3	75.6	72.8	72.8	65.0	70.0
Payables(days)	91.0	77.5	76.1	87.7	96.4	98.3	75.0	70.0
Gearing								
Debt to Equity	39.1%	33.8%	47.4%	35.0%	24.5%	17.5%	12.7%	10.4%
Debt to Debt + Equity	28.1%	25.2%	32.2%	25.9%	19.7%	14.9%	11.3%	9.4%
Investor ratios								
EPS (Rs)	4.2	6.1	5.6	6.2	9.8	10.0	11.5	13.2
P/E	46.5	32.1	34.7	31.6	19.9	19.5	16.9	14.8
BVPS	46.5	51.5	54.0	59.1	70.7	78.5	86.3	95.8
P/BV	4.2	3.8	3.6	3.3	2.8	2.5	2.3	2.0
ROE%	9.0%	11.8%	10.4%	10.4%	13.8%	12.7%	13.4%	13.8%
ROA(%)	5.4%	7.2%	5.1%	5.3%	7.5%	7.1%	7.8%	8.2%
Asset Turnover(X)	0.50	0.59	0.45	0.49	0.55	0.63	0.68	0.70
Equity Multiplier(X)	1.68	1.63	2.02	1.98	1.85	1.80	1.71	1.68

Note 1: The ratios calculated above are based on assumptions and formulae of Asia Research which may differ to those in the JKH quarterly report.

Note 2: The prime reason for the dip in profitability ratios in FY12 is due to hefty capital gains which arose during FY11.

VALUATION

Current Status.....

Share is valued at 20.0x based on four quarter trailing earnings. The four quarter trailing PE is at 20.0x (based on a Share Price of LKR195.00 and an EPS of LKR9.76) when compared to the Sector PE of 16.05x and Market PE of 12.79x.

Based on a 52 week price movement the share hit its lowest price of LKR159.20 whilst the highest price for the same period is LKR226.50.

Future Prospects.....

✓ P/E and PBV Based Valuation

We forecast FY13E earnings to reach LKR9, 730.2 mn. With the transport, leisure and consumer food & retail sectors positively progressing we expect the earnings to grow by 15.7% YoY in FY13E to LKR9, 730.2 mn and a YoY growth of 14.2% FY14E to LKR11, 110.8 mn.

At a price of LKR195.00, with forecast EPS's of LKR11.5 and LKR13.2 we derived at forward PE's of 16.9x and 14.8x for FY13E and FY14E respectively.

Similarly, at a price of LKR195.00, with forecast book values per share of LKR86.3 and LKR95.8 we derived a forward P/BV's of 2.3x and 2.0x for FY13E and FY14E respectively.

JKH: LKR195.00	FY11	FY12E	FY13E	FY14E
EPS (LKR)	9.8	10.0	11.5	13.2
P/E	19.9	19.5	16.9	14.8
BVPS	70.7	78.5	86.3	95.8
PBV	2.8	2.5	2.3	2.0
Sector P/E	16.2			
Sector PBV	2.4			
Market P/E	12.8			
Market PBV	2.0			

✓ Price Assimilation Based Valuation

Based on an analysis of a historic 52 week price movement, we derived a price volatility of 10.5% on a mean of LKR196.40 and a price standard deviation of LKR20.61. Furthermore, if it is assumed that the same upside momentum is witnessed pushing the price to LKR215.50 (from the current level of LKR195.00), the forward PE multiples would be 18.7x in FY13E and 16.3x in FY13E.

Moving forward, based on the highest price of LKR226.50, the forward PE multiples would be 19.6x in FY13E and 17.2x in FY14E.

*Proceeding with the influx of tourist arrivals, and hike and strategic diversification into lucrative areas in the economy and backed by cum3QFY12 results, heavy weight JKH is recommended to be a **growth stock** in medium to long term.*

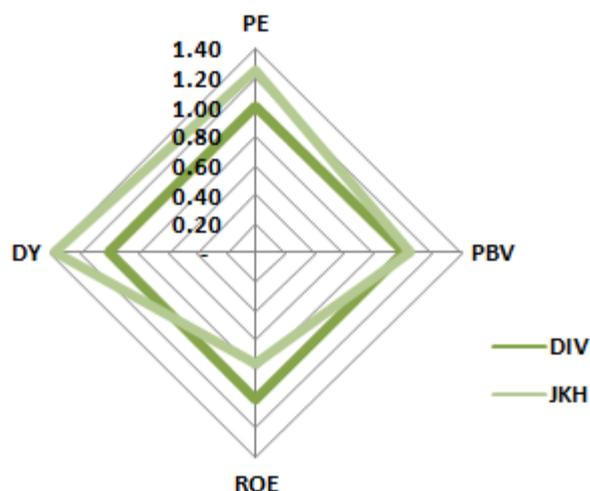
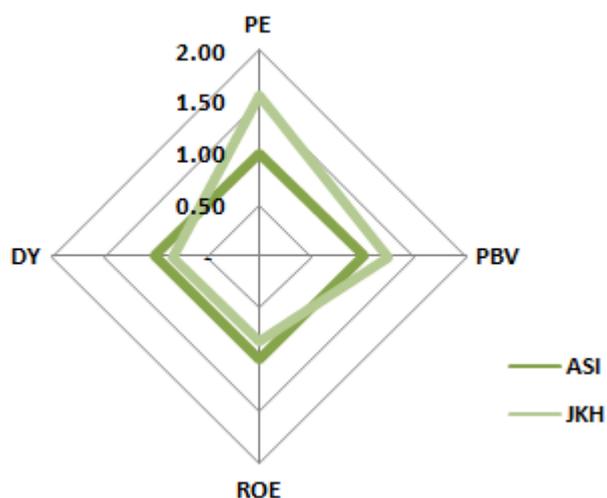
Assimilation of Price Movements*	FY12E	FY13E	FY14E
LKR	215.5	226.52	215.53
PE	21.6	22.7	18.7
PBV	2.7	2.9	2.5

***Price band LKR215.50 is based on an upside growth of 10.5.0% derived via the 12 month standard deviation of the market price.**

****Price band LKR226.50 is the highest traded price over the past 12 month period.**

JKH VS INDICES

		Market Performance	Sector Performance
<i>As at 21.03.2012</i>	<i>JKH</i>	<i>ASI</i>	<i>DIV</i>
PE	20.0	12.8	16.1
PBV	2.5	2.0	2.4
ROE	12.8%	15.7%	16.8%
DY (%)	1.5%	1.8%	1.1%



**The radar charts used, benchmarks the JKH performance against the relevant index in terms of PE, PBV, ROE and Dividend Yield.*

JKH VS PEERS

Company	Mkt Cap Mn	Shares Mn	Price (LKR)	4Q Net Profit	Trailing EPS	Trailing PE	BVPS	PBV	Trailing ROE	DPS (FY12)
JOHN KEELLS HOLDINGS	164,434.8	843.3	195.0	8,229.0	9.8	20.0	76.5	2.5	12.8%	2.0
CARSON CUMBERBATCH	92,301.8	196.4	470.0	6,126.5	31.2	15.1	126.1	3.7	24.7%	n/a
AITKEN SPENCE	46,892.5	406.0	115.5	2,863.6	7.1	16.4	56.9	2.0	12.4%	n/a
CEYLON THEATRES	28,380.1	183.1	155.0	1,036.9	5.7	27.4	66.5	2.3	8.5%	0.7
HAYLEYS	27,150.0	75.0	362.0	2,485.6	33.1	10.9	231.5	1.6	14.3%	n/a
RICHARD PIERIS	13,570.1	1,938.6	7.0	2,195.0	1.1	6.2	3.0	2.3	37.2%	0.4
HEMAS HOLDINGS	13,397.6	515.3	26.0	1,147.8	2.2	11.7	18.5	1.4	12.0%	0.1
EXPOLANKA HOLDINGS	12,902.4	1,954.9	6.6	1,708.5	0.9	7.6	3.7	1.8	23.4%	0.3
FINLAYS COLOMBO	10,500.0	35.0	300.0	221.6	6.3	47.4	150.1	2.0	4.2%	3.5
SOFTLOGIC HOLDINGS	9,971.2	779.0	12.8	1,397.0	1.8	7.1	9.6	1.3	18.7%	0.1
COLOMBO FORT LAND	6,480.0	180.0	36.0	1,034.1	5.7	6.3	27.5	1.3	20.9%	n/a
SUNSHINE HOLDINGS	2,666.7	133.3	20.0	417.1	3.1	6.4	18.5	1.1	16.9%	n/a

FINANCIAL SUMMARY

INCOME STATEMENT									
For the year ended 31st March (LKR '000)	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E
Revenue	29,462,674	32,855,021	41,805,343	41,022,520	47,980,004	60,500,068	74,733,915	84,305,734	94,736,817
Gross Profit	8,676,382	9,618,847	11,160,045	9,810,956	11,065,997	13,643,086	17,936,140	21,076,433	24,631,572
EBIT	4,835,800	6,109,275	8,197,497	7,986,379	7,907,711	11,425,035	11,417,074	12,990,750	14,644,658
Finance Cost	525,339	1,314,490	1,618,255	1,695,139	1,370,156	796,074	650,612	452,677	327,588
PBT	4,310,461	4,794,785	6,579,242	6,291,240	6,537,555	10,628,961	10,766,462	12,538,074	14,317,070
Tax	818,841	851,563	1,054,742	1,326,590	985,240	1,565,801	1,519,560	1,843,097	2,104,609
Profit to Equity Holders	3,050,140	3,534,674	5,118,934	4,732,304	5,201,491	8,245,585	8,412,752	9,730,198	11,110,791

BALANCE SHEET									
For the year ended 31st March (LKR '000)	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E
Fixed Assets	28,047,423	38,187,141	47,509,691	63,421,600	64,092,457	76,063,773	80,803,386	86,048,873	91,805,322
Cash & Cash Equivalents	4,130,956	17,765,082	12,646,617	17,400,079	22,314,120	18,993,662	19,451,509	20,148,705	22,185,462
Other Current Assets	7,347,049	9,994,226	10,793,293	11,318,384	12,251,732	15,234,297	18,739,585	18,492,970	22,023,589
Total Assets	39,525,428	65,946,449	70,949,601	92,140,063	98,658,309	110,291,732	118,994,480	124,690,548	136,014,373
Long Term Debt	2,043,865	6,451,133	7,809,452	14,739,141	10,539,450	8,352,587	5,757,703	3,433,750	2,174,287
Other Long Term Liabilities	2,569,883	1,678,193	1,914,806	13,060,510	15,007,769	15,295,138	16,704,079	19,354,982	21,866,182
Short Term Liabilities	8,476,815	14,881,611	13,873,647	13,873,647	16,849,307	19,449,074	21,869,082	19,755,040	20,726,098
Total Equity	26,434,865	42,935,512	48,166,775	50,466,765	56,261,783	67,194,933	74,663,616	82,146,777	91,247,806
Total Liabilities & Equity	39,525,428	65,946,449	71,764,680	92,140,063	98,658,309	110,291,732	118,994,480	124,690,548	136,014,373

(LKR '000)	FY10				FY11				FY12		
	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Revenue	10,067.3	11,234.2	12,753.9	13,924.6	12,919.5	13,967.1	15,615.6	17,997.9	15,692.2	17,441.3	21,137.2
Cost of sales	8,080.2	8,988.8	9,597.8	10,247.1	10,335.4	11,317.1	11,500.4	13,704.1	12,476.3	13,706.8	15,685.0
Gross profit	1,987.1	2,245.3	3,156.1	3,677.5	2,584.1	2,650.0	4,115.2	4,293.9	3,215.9	3,734.5	5,452.2
Dividend income	0.3	1.3	29.8	12.5	7.5	15.7	25.5	14.0	8.9	31.8	43.3
Other operating income	1,228.4	988.5	1,006.4	1,797.5	1,054.1	3,057.6	918.7	1,084.5	861.3	843.7	913.4
Distribution expenses	432.0	510.4	638.2	486.1	516.7	580.9	690.0	623.3	558.7	710.5	756.8
Administrative expenses	1,742.0	1,837.5	1,918.8	1,720.0	1,883.2	1,785.3	1,982.7	1,790.9	1,962.9	2,030.4	2,201.0
Other operating expenses	303.3	307.6	392.9	490.1	371.3	382.2	388.4	509.4	390.5	375.8	625.4
Finance expenses	428.9	359.3	327.8	254.2	238.0	218.8	176.6	162.7	159.5	164.5	169.3
Change in fair value of investment property	-	-	-	-	-	-	-	467.8	-	-	-
Share of results of associates	649.7	684.4	588.7	633.0	894.9	689.4	534.7	521.9	868.3	792.0	732.0
Profit before tax	959.4	904.6	1,503.4	3,170.1	1,531.4	3,445.5	2,356.4	3,295.6	1,882.8	2,120.9	3,388.4
Tax expense	267.2	298.6	261.4	158.0	454.5	407.2	329.4	374.7	402.7	375.3	361.7
PAT	692.2	606.0	1,242.0	3,012.1	1,076.9	3,038.3	2,027.1	2,920.9	1,480.1	1,745.6	3,026.8
Minority interest	41.8	30.6	102.6	175.9	66.4	111.0	270.0	370.2	112.5	168.2	293.4
Net Profit	650.4	575.5	1,139.4	2,836.2	1,010.5	2,927.3	1,757.1	2,550.7	1,367.6	1,577.3	2,733.4

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