

Date: 20TH AUGUST 2007



**Corporate
Overview Update**

**Investment View
Take Profit**

**Share Price
Rs 75.00**

**Market Cap
Rs1,675,046,784.00**

**Shares Issued
22,333,957**

Take Profit – Asha Central Hospital

- We believe investors should aggressively take profit in Asha Central Hospitals given the sharp run up of its share price.
- We originally issued a Corporate Overview report on the counter with a Positive Strategic view, on the 26th of February 2007 when the counter was trading at Rs45 per share.
- News that negotiations were ongoing for the sale of a Controlling stake in the company led to the Share price rising by over 60% and it closed at Rs75 on Friday.
- The Six Months ended March 31st 2007 saw a rise in Operating profit of only 1%, with a 39% rise in Administrative Costs pushing down profitability.
- A sharp rise in Interest Expenses on account of borrowing for the new hospital project, and the end of the tax holiday led to profit after tax falling by 63% in the Six Months ended 31st March 2007.
- For the 12 months ended 31st March 2007, Net Profit fell 35% and EPS was Rs3.09.
- At a price of Rs75 the counter is trading at a historic PE multiple of 24 times, well above the overall market and some other Health Sector counters such as CHL.
- The valuation of the company will depend upon the value placed on the land the current hospital is situated on and the expectations of future cash flows from the new hospital project.
- The depressed current state of the real estate market in Colombo, and the negative impact on valuations of new projects on account of high interest rates suggest that investors should aggressively take profit in the counter.

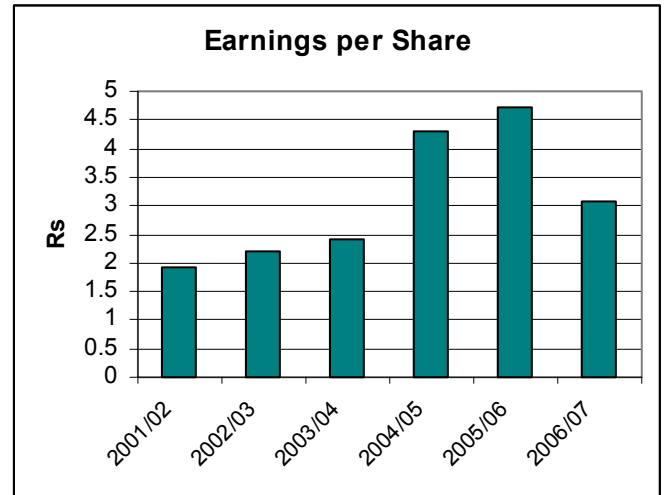
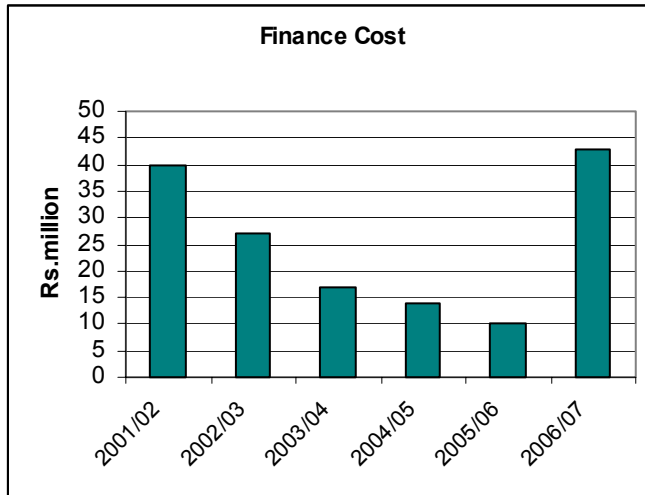
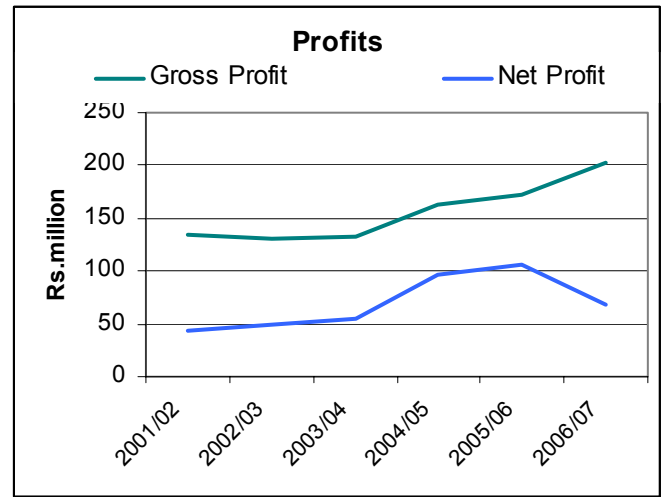
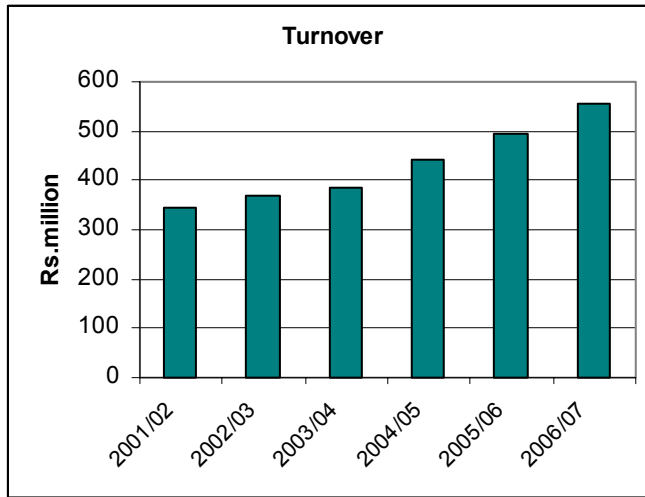


Performance Review for 12 months ended 31st March 2007

Revenue rose by 12%YoY, to Rs.555 million as cost of sales grew 9%YoY to reach Rs.352 million. Gross profits and Operating Profits rose by 18%YoY and 6%YoY respectively. Other Operating Income rose 21%YoY, to Rs.3 million, and Administrative costs rose by a significant 41%YoY to Rs.82 million. Finance cost jumped by 321%YoY, to Rs.43 million reflecting the interest expense of borrowings for the new hospital project. Taxes rose to Rs.11 million and the Net Profit for the year ended 31.03.2007 stood at Rs.69 million, a decline of 35%YoY. The EPS for the period was Rs.3.09 and the Net Asset Value per Share was Rs.43.44.

Performance Review for 6 months ended 31st March 2007

Performance for the six months ended 31st March 2007 was somewhat worse than that recorded for the full twelve months ending 31st March 2007. Sales Revenue grew by 11%YoY compared to the six months ended 31st March 2006, to reach Rs.286million. The Cost of Sales also rose, by 8%YoY, to reach Rs.180 million. Gross Profits were up 15%YoY, to Rs.106 million. However, other operating Income fell 48%YoY, to Rs.1.5 million, and Administrative expenses rose by 39%YoY to Rs.41 million. Operating Profits rose by a mere 1%YoY to Rs.66 million. Finance costs rose by 555%YoY, to reach Rs.38 million reflecting the interest cost of borrowings for the new hospital project. Taxation for the 6 months ended was Rs.6 million, and Net profit to reach a net profit of Rs.22 million, which is a fall of 63%.YoY



Financial Statement Highlights

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|-------------------------|---------|---------|---------|---------|---------|---------|
| | Rs.mn | Rs.mn | Rs.mn | Rs.mn | Rs.mn | Rs.mn |
| Turnover | 346 | 370 | 386 | 440 | 495 | 555 |
| Gross Profit | 134 | 130 | 133 | 163 | 172 | 203 |
| Operating Profit | 82 | 77 | 71 | 110 | 116 | 123 |
| Finance Cost | 40 | 27 | 17 | 14 | 10 | 43 |
| Net Profit | 43 | 49 | 54 | 96 | 106 | 69 |
| Fixed Assets | 450 | 453 | 470 | 478 | 1019 | 1031 |
| Shareholders' funds | 250 | 284 | 316 | 378 | 946 | 970 |
| Non Current Liabilities | 160 | 133 | 124 | 106 | 81 | 19 |
| Earnings per share (Rs) | 1.92 | 2.21 | 2.42 | 4.29 | 4.73 | 3.09 |



Company Profile

Asha Central Hospitals (Pvt.) Ltd was originally established in 1939 and was converted to a BOI company in 1998. It was listed on the 21st of February 2002. The hospital has 112 beds.

It is building a new 200 roomed Rs.2.8 billion hospital at Norris Canal Road. The new facility's location close to the major government healthcare centres including the National Hospital is expected to attract new doctors including specialists who have not been attached to the present facility at Horton Place.

According to management the new car park which will have 300 plus spaces will ease the acute parking difficulties at the present location which has turned away many patients and staff. The present land at Horton Place is expected to be sold off after the new hospital is erected. The new hospital is expecting to aggressively target Health Tourists which they have not done so far due to the lack of space at the present facility. The new hospital will also start heart bypass surgery, hip and knee replacement, eye care and ENT services.

Services

| | |
|---|---|
| 24 Hour O.P.D 24 Hour Hi –Tech Laboratory Service Ultra Modern Operating Theatre Complex Laparoscopic Surgery Ultra Violet Skin Treatment Special Paediatric Unit 24 Hour Outdoor Pharmacy Immunization Centre Channelled Consultation Physiotherapist | Cardiac Investigations E.C.G Stress E.C.G Echo Cardiogram 24 Hour Blood Pressure Monitoring Holter Monitoring Neurological Investigations Electroencephalogram (E.E.G) Electromyelogram (E.M.G) Endoscopic Investigations Video Gastroscopy Video Colonoscopy Video Bronchoscopy |
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