

Date: 23rd FEBRUARY 2007

**ASIRI
HOSPITALS
LIMITED**

**Strategic View
Positive**

**Analyst
Imran Furkan**

**Share Price
Rs 80**

**Market Cap
Rs. 3,794,189,056**

**Shares Issued
47,427,362**

**52 Week High
Rs.98.75**

Corporate Overview-ASIR

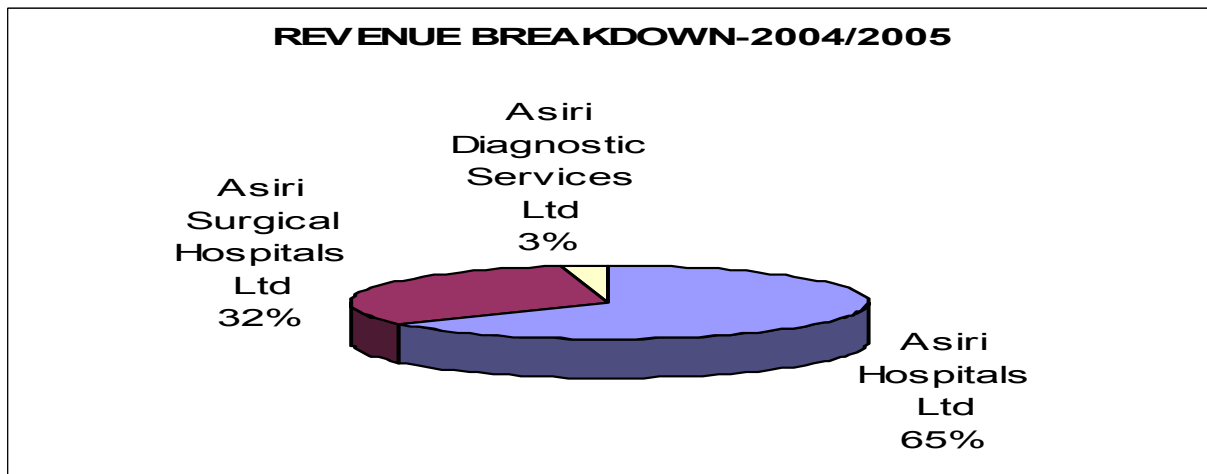
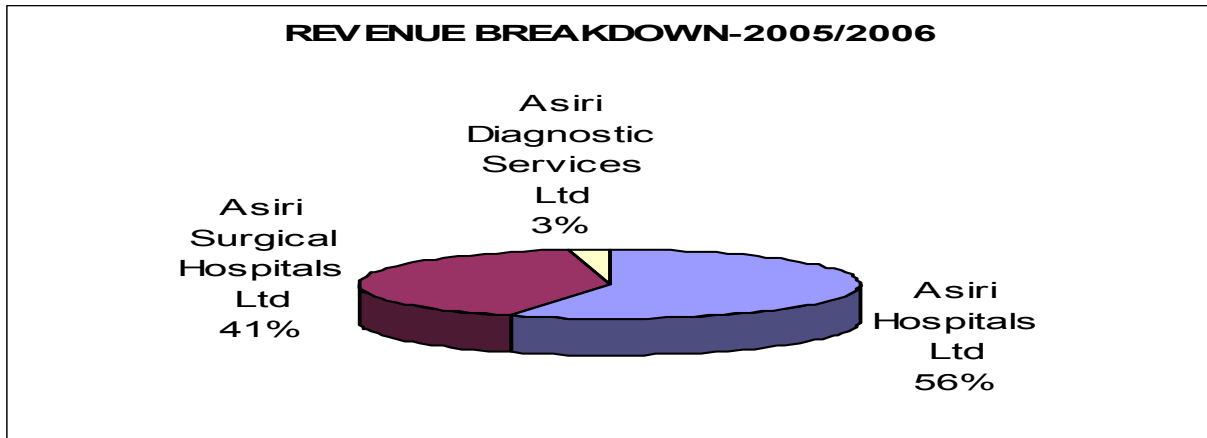
- According to management both Asiri Hospital and its subsidiary Asiri Surgical Hospital are operating at near 100% capacity
- The 50 bed hospital it took on lease and fully refurbished in Matara will be opened by 15th April 2007
- Asiri Surgical will be launching its second phase of development costing Rs.250 million in the coming months and is expected to finish within one year
- Two new diagnostic labs have been opened in Negombo and Ragama with the company hoping to open another lab in Kurunegala once suitable land is procured
- Negotiations are ongoing to procure a suitable land for its project in Kandy which is expected to cost Rs.1.5 billion and employ 300 people
- The company according to management performs 7,000 Laboratory tests a day and is one of the leaders in the field
- The refurbishment of the Out- Patient area of the main Asiri Hospital is completed. The 2nd floor of the OPD building is being converted into a well designed modern laboratory. This is expected to be completed in March 2007
- The reduction of VAT on imported medical equipment by 10% will help the group with the last financial year's new medical equipment additions alone reaching Rs.243 Million

Asiri Hospitals Ltd

The Asiri Hospital was established in 1980 and was quoted on the 1st of June 1986. Asiri Hospital is a fully equipped 120 bedded General Hospital with an Intensive Care Unit, three operating theatres with video endoscopy facilities, etc. In addition, the hospital also offers services such as CT scanning, MRI scanning, Stress E.C.G., E.E.G., Echo Cardiography etc.

The 14 storey Asiri Medical Service (AMS) which was subsequently renamed Asiri Surgical Hospital presently has 100 beds and cost the group around Rs.1.0bn. The building is believed to have cost around Rs.600mn, while the balance was spent to acquire modern equipment including a 16-slice CT scanner. The group has a 28.72% direct ownership and individual directors also have their own stakes in Asiri Surgical Hospital Ltd.

Asiri Diagnostics Services (Pvt) Ltd operates from Kandy, where it carries out lab tests. The group owns 65.64% of the company.



Performance for the six months ended 30.9.2006

Revenue grew 25.8% to reach Rs.776,963,979. Cost of services only rose by 19.8% and was at Rs.240,150,247. Direct expenses were up 22.1% and amounted to Rs.173,876,710. Gross operating profit grew by 32.2% to reach Rs.362,937,022. Administrative expenses grew by only 7.8% and reached Rs.154,649,620. Distribution costs were up by 62.8% and totaled Rs.3,595,539. Profit from operating activities was up by 58.9% and reached Rs.204,691,863. Finance costs jumped 98.4% and totaled Rs.35,168,462. Net profit from ordinary activities rose 52.6% and reached Rs.169,523,401. Other operating income stood at Rs.6,642,958, having declined by 42.4% over the same six months period of last year. Net profit were up 43.7% to reach Rs.176,166,359. Income tax expenses rose 56.6% and totaled Rs.24,848,357. Net profit after tax reached Rs.151,318,002 having grown by 41.7% over the same period of last year. Net profit attributable to the group for the period totaled Rs.86,973,816. Annualized Earnings per Share reached Rs.3.63. Net Assets per share as at 30.9.2006 stood at Rs.23.24.

Future Expansion Plans

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- Negotiations are ongoing to procure a suitable land for its project in Kandy which is expected to cost Rs.1.5 billion and employ 300 people
- The refurbishment of the Out- Patient area at the main Asiri Hospital is completed. The 2nd floor of the OPD building is being converted into well designed modern laboratory. This is expected to be completed in March 2007

Key Risk Factors

- The risk factor for the Asiri Hospitals Ltd is the tug of war over ownership between the Softlogic-and some existing directors against Sri Lanka Insurance and connected parties that could if reignited lead to confusion among stakeholders and postpone some of the future expansion plans as the management engages in fending off takeover attempts
- The other risk factor involves the severe lack of land for expansion. Its Hospital project in Kandy is being delayed due to the lack of suitable land and this has also frustrated any further expansion plans in Colombo itself

Financial Statement Highlights

INCOME STATEMENT	2005/2006	2004/2005
FOR YEAR ENDED 31 MARCH	Rs.000	Rs.000
Revenue	1,291,754	1,073,373
Cost of Services	-716,806	-596,823
Gross Profit	574,948	476,550
Other Operating Income	2,541	168,998
	577,489	645,548
Administration Expenses	-283,838	-241,696
Distribution Cost	-5,551	-4,546
Other Operating Expenses	-1,583	-
Profit from Operating Activities	286,517	399,306
Finance Cost	-43,857	-58,100
Net Profit from Operating Activities	242,660	341,206
Increase in Value of Shares	566	9
Net Profit before Tax	143,226	341,215
Taxation	-33,127	-33,457
Profit after Taxation	210,099	307,758
Minority Interest	-85,171	-50,127
Profit attributable to the Group	124,928	257,631
Basic Earnings per Share	2.63	6.03
Dividend per Share	1.75	0.90

BALANCE SHEET	2005/2006	2004/2005
AS AT 31ST MARCH		
ASSETS		
NON CURRENT ASSETS		
Property, Plant & Equipment	2,077,347	1,792,944
Investment in Subsidiaries	-	-
Other Long-term Investments	933	428
	<u>2,078,340</u>	<u>1,793,372</u>



CURRENT ASSETS

Inventories	101,034	76,812
Trade & Other Receivables	51,143	52,557
Loan to Employees Share Trust	60,000	60,000
Amount due from Related Parties	-	-
Bank & Cash balances	7,108	3,872
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	219,285	193,241
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Total Assets	2,297,625	1,986,613
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EQUITY & LIABILITIES

CAPITAL RESERVES

Share Capital	474,274	474,274
Capital Reserves	285,198	285,198
Accumulated Profit	363,469	321,539
Shareholders Funds	1,122,941	1,081,011
Minority Interest	335,965	297,266
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	1,458,906	1,378,277
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NON CURRENT LIABILITIES

Interest Bearing Loans & Borrowings	97,874	172,890
Non Interest Bearing Long-term Liabilities	75,086	83,253
Deferred Taxation	112,542	117,264
Retiring Benefit Obligations	26,241	21,973
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	311,743	395,380
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CURRENT LIABILITIES

Trade & Other Payable	64,546	47,890
Interest Bearing Loans & Borrowings	75,016	105,221
Non Interest Bearing Loans & Borrowings	7,196	7,173
Income Tax Liabilities	15,516	276
Dividend Payable	2,908	1,985
Bank Overdraft	361,794	50,411
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	526,976	212,956
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Total Equity & Liabilities	2,297,625	1,986,613
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