

Date: 27 FEBRUARY 2007

Asiri Surgical Hospital

Strategic View
Positive

Analyst
Imran Furkan

Share Price
Rs 11.50

Market Cap
Rs. 4,051,507,200

Shares Issued
352,304,980

52 Week High
Rs.13.75



Corporate Overview-AMSL

- According to management Asiri Surgical Hospital is operating at near 100% capacity
- 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
- 50 new rooms together with 3 new operating theatres would be added
- The hospital hopes to commission the first ever radiation treatment unit in the private health care sector of Sri Lanka in the near future
- The reduction of VAT on imported medical equipment by 10% will help the company with the last financial year's new medical equipment additions alone reaching Rs122 Million and more expected this year as the new wing is added
- Net profit for 6M of the current financial year grew 94%



Asiri Surgical Hospitals Ltd

Asiri Medical Services Limited (AMS) was incorporated as a public limited company on the 28th March 2000. This project was ceremonially opened on the 27th October 2003. It was listed on the CSE on 12th November 2004.

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 cost of the building is believed to be around Rs.600mn, while the balance was spent to acquire modern equipment including a 16-slice CT scanner. The surgical and oncology units of the Asiri Main Hospital now function at the Asiri Surgical Hospital. The group has a 28.72% direct ownership and individual directors also have their own stakes in Asiri Surgical Hospital Ltd.

Performance for the six months ended 30.9.2006

Revenue grew 30.1% to reach Rs.330,335,976. Cost of services only rose by 25.2% and was at Rs.95,838,680. Direct expenses were up 11.6% and amounted to Rs.53,724,934. Gross operating profit grew by 39.9% to reach Rs.180,772,363. Administrative expenses declined by 2.4% and reached Rs.69,537,337. Distribution costs were down by 10.5% and totaled Rs.333,183. Profit from operating activities was up by 92.5% and reached Rs.110,415,008. Finance costs jumped 43.1% and totaled Rs.486,835. Net profit from ordinary activities rose 92.8% and reached Rs.110,415,008. Other operating income stood at Rs.796,497, having grown by 240.8% over the same six months period of last year. Net profit before tax was up 93.4% to reach Rs.111,211,504. Income tax expenses rose 68.79% and totaled Rs.726,169. Net profit after tax reached Rs.110,485,335 having grown by 94% over the same period of last year. Annualized Earnings per Share reached Rs.0.62. Net Assets per share as at 30.9.2006 stood at Rs.2.64.

Future Expansion Plans

- Asiri Surgical is expected to launch its second phase of development costing Rs.250 million in the coming months and the project is expected to finish within one year. Plans are for 50 new rooms together with 3 new operating theatres to be added
- The hospital hopes to commission the first ever radiation treatment unit in the private health care sector of Sri Lanka in the near future

Key Risk Factors

- We believe the key risk factor for the Asiri Surgical Hospital is the dispute over ownership. The Parent Asiri Hospitals Group only has a 28.72% direct ownership and individual directors also have their own stakes in Asiri Surgical Hospital Ltd. If these individual ownerships were to change hands then the Asiri Group could theoretically lose majority control. Also the ongoing dispute over ownership over the parent company itself could have a negative impact on the decision making and future expansion plans of the Asiri Surgical Hospital
- The other risk factor involves the severe lack of land for expansion. When phase two is done adding 50 new rooms further expansion will not be possible on the present site due to lack of land according to the management

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
AS AT 31ST MARCH
2005/2006
2004/2005
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
	<u>219,285</u>	<u>193,241</u>
Total Assets	<u>2,297,625</u>	<u>1,986,613</u>

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
	<u>1,458,906</u>	<u>1,378,277</u>

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
	<u>311,743</u>	<u>395,380</u>

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
	526,976	212,956
Total Equity & Liabilities	2,297,625	1,986,613

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