

Date: 12TH FEBRUARY 2007



Corporate Overview-CHL

Strategic View Positive

Analyst
Imran Furkan

Share Price
Voting- -Rs 57.25
Non Voting -Rs39.50

Market Cap
Rs. 1,111,500,032

Shares Issued
Voting - 19,500,000
Non Voting- 6,375,000

52 Week High
Voting- -Rs 61.00
Non Voting -Rs 40.00



- Currently the voting share is trading on multiples of 9.2x based on annualized historic earnings, a significant discount to the historic sector P/E of 32.01.
- The Non Voting Share is trading at 6.3 times annualised historic earnings and on a valuations basis is more attractive than the voting share
- We believe the discount the non voting share is trading at is excessive, and as such we believe the non voting share will see a comparatively better price performance.
- Phase 1 of the expansion plans of Durdans involve the addition of 27 deluxe rooms
- Phase 2 will involve the construction of another building on a 40 perch land adjacent to the hospital with 12 levels including two basements to accommodate parking
- The Private Health Care Sector is expected to show sustained growth in the coming years driven by rising incomes, unmet demand and demographic changes.
- As a pioneer in the Private Health Care Sector with an established brand Durdans is poised to profit from this trend.

Ceylon Hospitals Ltd

Ceylon Hospitals Ltd was established in 1945 with 16 beds and 25 employees including one doctor. Today it is a modern healthcare facility with over 50 full time medical doctors including specialists and 1,100 nursing, paramedical and support staff. Ceylon Hospitals Ltd was quoted on the Colombo Stock Exchange on 14 November 2003.

SERVICE
UNITS

<p>Core Specialties</p> <ul style="list-style-type: none"> ❖ Cardiac Care ❖ Ophthalmology ❖ Obstetrics & Gynaecology ❖ Paediatrics ❖ Diagnostics ❖ Critical Care Units ❖ Cardiac Surgical Intensive Care ❖ Heart Command Centre ❖ Neonatal Intensive Care Unit ❖ Renal Care Unit ❖ Emergency Care Unit <p>Sub Specialties</p> <ul style="list-style-type: none"> ❖ ENT Surgery ❖ General Surgery 	<p>Health Profiles</p> <ul style="list-style-type: none"> ❖ Cancer Detection ❖ Executive Health Profile ❖ Breast Care Unit ❖ Kidney Health Screen ❖ Women's Health Profile ❖ Executive Health Profile with CCC ❖ Executive Health Profile with CCC and Calcium Scoring ❖ Family Health Services ❖ Corporate Packages <p>Support Services</p> <ul style="list-style-type: none"> ❖ Blood Bank ❖ Central Sterile Supplies Department ❖ Out Patient Department ❖ Channelling & Booking Service ❖ Pharmacy ❖ Mobile Coronary Care Unit ❖ Mobile Collection Unit ❖ On call Ambulance
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Performance for the 6 Months ended 30th September 2006

Revenue was up 24% to reach Rs. 789,368,000 for the first six months of the current financial year. Cost of services was also up 24% to Rs. 371,475,000. Distribution costs reached Rs. 10,359,000 up 20% from the same period of last year. Administration Expenses were up 29% to reach Rs. 259,285,000. Other Operating Expenses escalated 44 % and reached Rs. 29,620,000 for the first six months. Profit from Operating Activities reached Rs. 126,524,000 up 12% from the same period last year. Taxation expenses rose 19% touching Rs. 20,516,000. Net Profit for the period was Rs. 92,223,000 up 9% over the same 6 Months period of last year. Annualized Earnings per share based on the six month results was Rs.6.24 while Net Asset per Share reached Rs. 35.99.

Future Expansion Plans

- ❖ The Future expansion plans involve three phases due to be completed by 2010.
- ❖ Phase 1 involves the extension of the present Emergency Treatment Unit (ETU) and reception block, with additional floors being constructed in order to bring both structures to eight levels. Level 5, 6 and 7 will house a total of 27 deluxe rooms with attached bathroom together with a utility room and nurses bay on each floor
- ❖ Level 8 will have the administration and office complex and nurses' rest rooms The company has acquired a 40 perch block of land adjacent to the hospital to implement this project and future phases 2 and 3
- ❖ Phase 2 will see the construction of a bigger building on the recently acquired land which will contain 12 levels including two basements to accommodate parking
- ❖ The Private Health Care Sector is expected to show sustained growth in the coming years driven by rising incomes, unmet demand and demographic changes. As a pioneer in the Private Health Care Sector with an established brand Durdans is poised to profit from this trend
- ❖ The Private Health Care Sector is also expected to benefit from a proposed VAT reduction from 15% to 5% on high- tech medical equipment

Key Risk Factors

- ❖ The Biggest restraining factor for Durdans is the severe lack of land in Colombo. Due to the nature of its historical clientele it may not be feasible for it to move to other areas outside Colombo
- ❖ The government has passed legislation bringing in an authority to regulate the private healthcare sector. If this authority were to regulate fees charged by hospitals it would affect profitability in the coming years.
- ❖ If investment in new health care facilities by other private sector players is above the projected rise in demand due to demographics, pricing could come under pressure. However this seems quite unlikely as current projections for demand are well in excess of anticipated supply growth.

Financial Statement Highlights

	2005/06	2004/05	2003/04	2002/03	2001/02
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Result					
Total Income	1,401,325	1,009,108	695,652	597,816	454,558
Other Income	14,917	6,684	2,422	3,606	2,298
Finance Cost	23,408	13,616	19,035	30,414	42,683
Profit before Tax	212,274	132,417	74,872	66,145	46,442
Income Tax	41,987	29,088	2,519	-	-
Profit after Tax	170,287	103,329	72,353	66,112	46,428
Dividend	38,812	36,225	765	5,338	1,276
Balance Sheet					
Assets					
Property, Plant & Equipment	1,067,363	903,570	774,774	662,428	585,739
Investment	131,508	117,504	24,003	10,209	10,151
Inventories	82,671	62,319	57,115	41,781	34,803
Receivables	90,583	57,804	50,688	48,334	35,571
Deferred Expenses	9,205	12,457	15,710	3,200	3,300
Goodwill	2,022	2,704	83	-	-
Cash & Cash Equipments	23,270	19,057	49,392	26,796	12,656
	1,406,622	1,175,415	971,765	792,748	682,220
Liabilities					
Share Capital	258,750	258,750	258,750	12,760	8,507
Reserves	630,558	524,331	473,761	413,519	357,899
Minority Interest	36,563	39,714	42,478	42,679	43,322
Interest Bearing Borrowings	209,075	154,529	54,708	171,616	186,710
Provisions and other Liabilities	200,616	152,356	97,317	109,966	65,937
Overdrafts	71,060	45,735	44,751	42,208	19,845
	1,406,622	1,175,415	971,765	792,748	682,220

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CAPITAL ALLIANCE 5th Floor, Millennium House, 46/58 Nawam Mawatha, Colombo 2, Sri Lanka
Tel: +94 11 231 7766, Fax: +94 11 231 7788 Email: general@capitalalliance.lk
For further information, please contact:

Saliya Gamagedera: +94 11 231 7760
Lakshan Algama Perera: +94 11 231 7760
Harsha Gunawardena: +94 11 231 7716
K. H. R. Thilakarathna: +94 11 231 7752
Sudam Hasantha: +94 11 231 7755
Lulith Karunaratne (Matara) : +94 41 439 0610
Sandeep Fernando: +94 11 231 7716

W. A. Susantha: +94 11 2317757
Dumindu Silva: +94 11 2317753
Gawri Kathriarachchi: +94 11 231 7716
Rizwana Aazim: +94 11 231 7758
Chanaka Sanoj: +94 11 231 7755
Inok Wijesuriya (Matara):+94 41 439 0610
B. Mugundan (Jaffna): +94 21 459 1111