

# Business Today

## Top 10

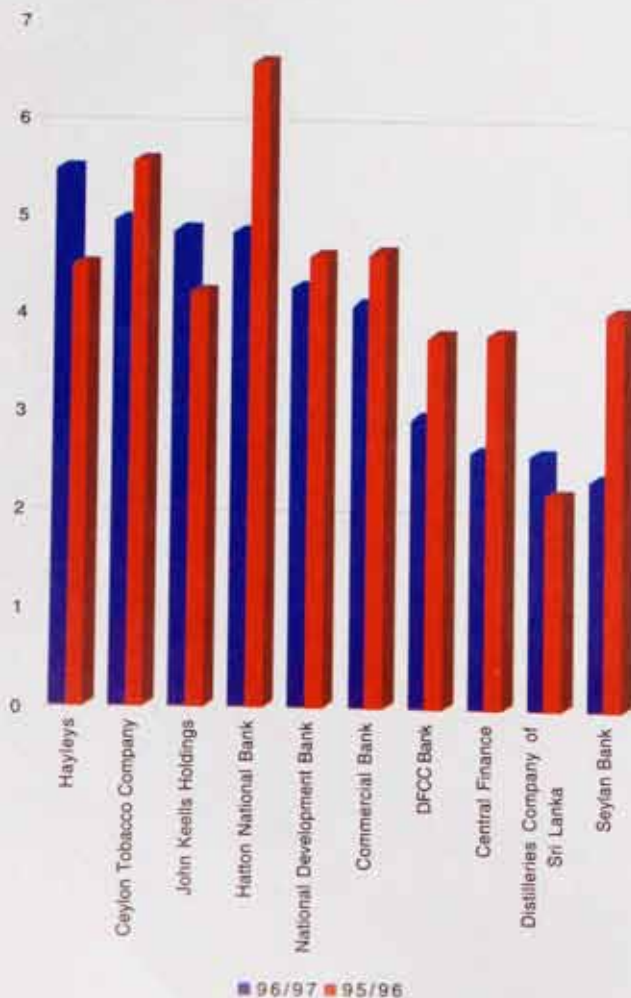


**The Top 10 Companies based on their  
Financial Performance for 96/97.**

<b>1</b>	<b>Hayleys</b>	<b>5.46</b>
<b>2</b>	<b>Ceylon Tobacco Company</b>	<b>4.94</b>
<b>3</b>	<b>John Keells Holdings</b>	<b>4.84</b>
<b>4</b>	<b>Hatton National Bank</b>	<b>4.83</b>
<b>5</b>	<b>National Development Bank</b>	<b>4.27</b>
<b>6</b>	<b>Commercial Bank</b>	<b>4.09</b>
<b>7</b>	<b>DFCC Bank</b>	<b>2.93</b>
<b>8</b>	<b>Central Finance</b>	<b>2.59</b>
<b>9</b>	<b>Distilleries Company of Sri Lanka</b>	<b>2.58</b>
<b>10</b>	<b>Seylan Bank</b>	<b>2.46</b>

# Business Today Top 10 Rank Comparison

Rank 96/97	Rank 95/96		Points 96/97	Points 95/96
1	5	Hayleys	5.46	4.48
2	2	Ceylon Tobacco Company	4.94	5.56
3	6	John Keells Holdings	4.84	4.21
4	1	Hatton National Bank	4.83	6.58
5	4	National Development Bank	4.27	4.60
6	3	Commercial Bank	4.09	4.63
7	9	DFCC Bank	2.93	3.78
8	8	Central Finance	2.59	3.81
9	10	Distilleries Company of Sri Lanka	2.58	2.17
10	7	Seylan Bank	2.46	4.04



Since our inaugural Business Today Top 10 in 1997 generated intense interest, the same criteria and weights used in the ratings of last year were used this year to maintain consistency and to encourage new players and last year's winners to benchmark against their performance.

The criteria on which the ratings are based are: Sales Turnover, Growth in Sales Turnover, Profitability, Growth in Profitability, Return on Equity, Earnings per Share, Profit per Employee, Market Capitalization, value of Shares Transacted, Dividend per Share and Volume of Shares Traded. Weights are not disclosed for proprietary reasons. We however wish to state that weights were assigned to the various criteria set out earlier after due consideration to significance of criteria and fair representation of all business sectors.

Compared to 95/96, on a point scale of one to ten the variance of points among the top six companies was much more narrower. Competition among the firms based on financial performance has been very intense. As a matter of fact the difference in points between John Keells Holdings and Hatton National Bank is marginal. John Keells Holdings at third place trails behind Ceylon Tobacco Company by only 0.10 points. The overall effect is that the top performer 96/97 gained lesser points than the number two of 95/96. This may be attributed to the fierce competition within each sector.

Ceylon Tobacco Company and Central Finance were the only two companies that maintained their previous ranking of number two and eight respectively. It is however noted that Distilleries Company of Sri Lanka moved up from the tenth position in 95/96 to ninth position this year with a marginal difference of only 0.01 points behind Central Finance. DFCC Bank also moved up in its ranking from the ninth position to the seventh position reflecting its strong positioning in the financial services sector. On the other hand, Hatton National Bank, Commercial Bank, National Development Bank and Seylan Bank fell from their previous ranking of one, three, four and seven respectively.

As, observed in 1997, six of the Top 10 companies are from the financial services sector thus reflecting the attractiveness of this sector and the absence of any manufacturing companies other than Ceylon Tobacco Company and Distilleries Company of Sri Lanka, which to some extent enjoy a monopoly situation.

In conclusion it must be stated that no new player gained entry in to the Top 10 and that in general most of the Top 10 companies in their variety represent our dynamic and vibrant private sector and also our economy. But as they stand above the rest of the corporates in Sri Lanka in their financial performance, so do they tower over it in reputation as top class performers.

*The companies have been selected on the basis of their Financial Performance by Dinesh Weerakkody MBA(UK), ACMA, MABE, MSIHRM, MSIPS and Keith Bernard MBA(UK), MA.ECON (Col), FCMA, Dip.M, MCIM, as per analysis made by Corporate Strategies.*

For the second time Business Today analysed the companies listed on the Colombo Stock Exchange to determine the Top 10 companies for the Financial Year end December 31, 1996 and March 31, 1997.

Business Today believes that the Top 10 Company Award should reflect the popularity of the companies as an investment opportunity and hence these companies have been selected from the 100 most traded shares in terms of value.

Business Today thanks Dinesh Weerakkody, Keith Bernard and Shioran Gooneratne (ACA) for assisting us in making Business Today Top 10 a reality.

## How the overall market performed in 1996

The market once again saw a decline with share prices moving down marginally, and the All Share Price Index and the Sensitive Price Index both declining by approximately 9%.

Market Turnover declined significantly by almost 34% and stood at Rs 7.4 billion in 1996, a decline from Rs 11.3 billion.

Volume of shares traded declined 28%, with the number of trades declining 47%.

However, foreign investment in the secondary market was a net inflow of Rs 352 million compared to Rs 90 million net inflow made in 1995.

Corporate earnings declined 11% during the period under review.

There were nine new listings during the year and the number of listed companies increased to 235 from 226.

Market Capitalization stood at Rs 104.2 billion and the Market P/E Ratio at the year-end was 10.7.



### Overall Market Statistics

	1996	1995	YoY% Change
Annual Turnover (Rs Mn)	7,403	11,249	(34.19)
Average Daily Turnover (Rs Mn)	31	47	(34.04)
Companies Listed	235	226	3.98
Market Capitalization (Rs Mn)	104.20	106.90	(2.53)
Market P/E Ratio (Times)	10.70	11.20	(4.46)
All Share Price Index	603.00	663.70	(9.15)
Sensitive Price Index	897.70	990.50	(9.37)

# The Highest Revenue Earners

## Top Ten Revenue Earners for the Period

96/97 Rank	Company	Turnover 96/97 Rs Mn	% change	95/96 Rank
1	Hayleys	6,986	29.51	1
2	John Keells Holdings	5,721	7.59	2
3	Hatton National Bank	4,792	34.35	4
4	Seylan Bank	4,498	29.31	5
5	Central Finance	4,450	1.30	3
6	Ceylon Tobacco Company	3,475	1.95	6
7	C. W. Mackie	3,330	21.73	7
8	Colombo Fort	3,311	88.31	19
9	Commercial Bank	3,183	23.17	9
10	Nestle Lanka	2,982	19.55	13

Once again the highest revenue earner was Hayleys with Rs 6,986 million, an increase of 29.51% over the year, while John Keells Holdings once again came in second with a revenue of Rs 5,721 million. However the year of year change for John Keells Holdings was 7.59% in comparison to 15.67% in the previous year.

As in the previous year the Plantations contributed greatly in achieving

the above revenues.

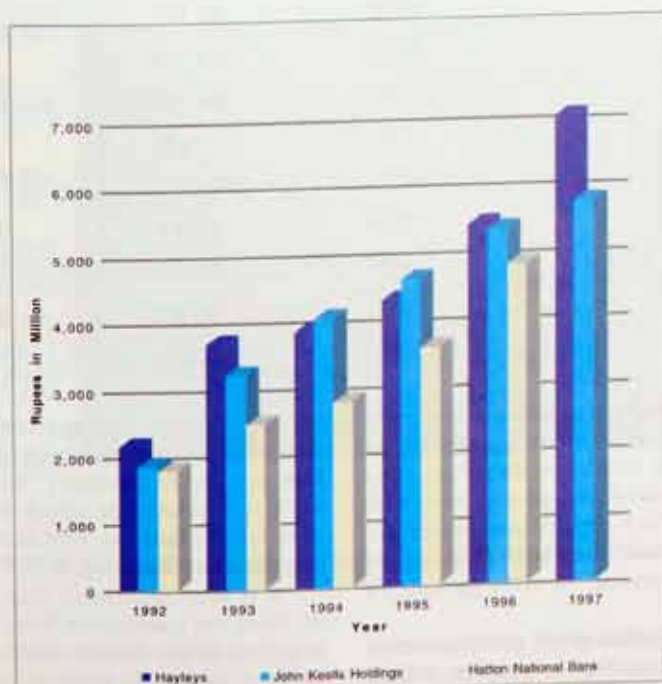
51% of Hayleys turnover came from the Industry Segment of Environment, Manufacture of Coir & Rubber Products, while Plantations contributed 10% and Chemical, Electronics & Engineering Segment contributed a further 25%.

The period saw the Turnover from the Food & Beverage Sector of John Keells Holdings increase to 46% from

43% and the contribution by Plantations increasing to 15% from 12%, with the contribution from Leisure dropping to 12% from 15%.

The two new comers into the Top 10 revenue earning category was Colombo Fort Land & Building and Nestle Lanka coming in at number eight and number ten respectively, having ousted Aitken Spence and National Development Bank.

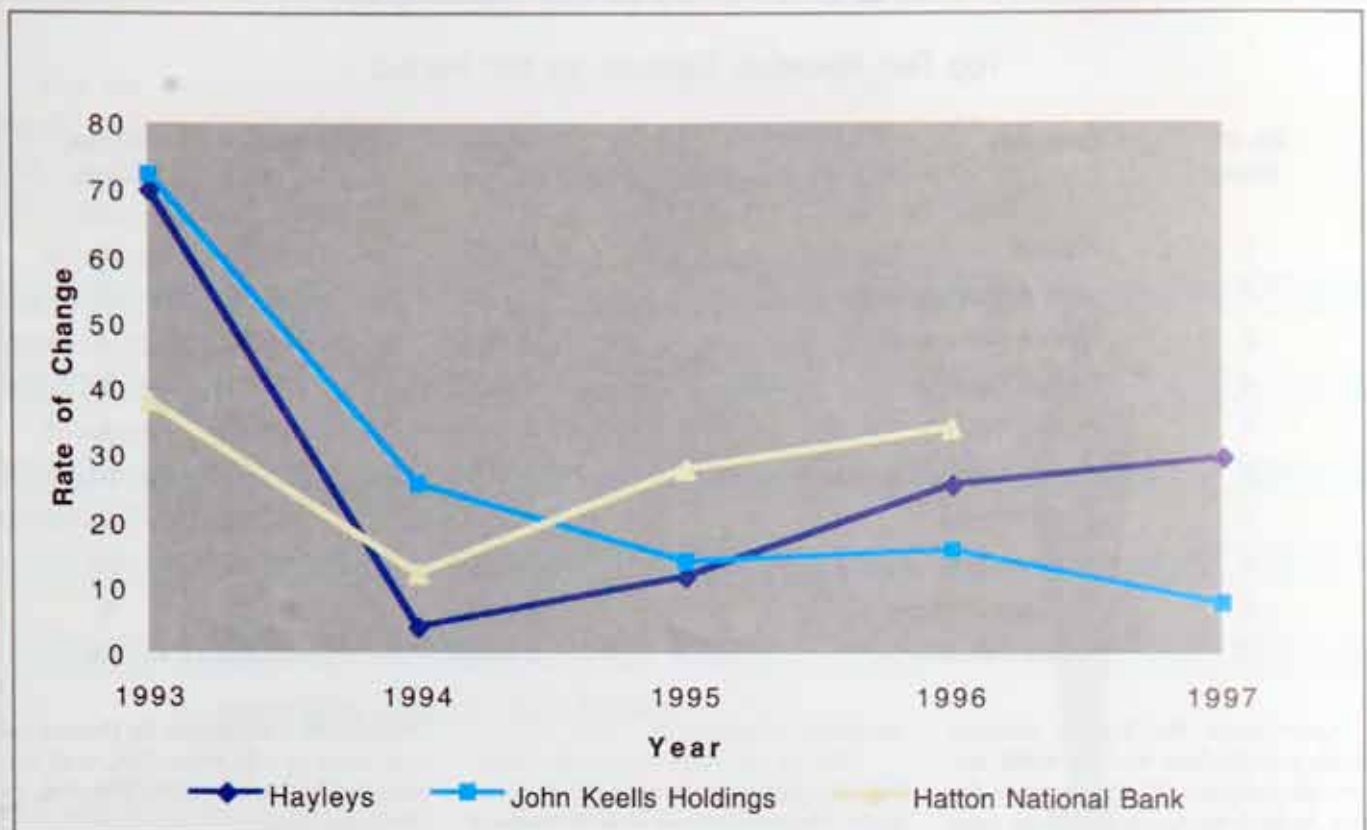
## Comparison of Revenue of the Top Three Revenue Earners



As seen from the graph revenues of all these companies have steadily increased over the years.

However, as seen in the next graph, the rate of growth of revenues of John Keells Holdings has declined significantly, while Hayleys and Hatton National Bank have shown increases from 1994 onwards.

## Rate of Growth of Revenues of the Top Three Revenue Earners



## Companies that made the Highest Profit

Top Ten Profit Earners for the Period

96/97 Rank	Company	Profit 96/97 Rs Mn	% change	95/96 Rank
1	National Development Bank	670	2.72	1
2	Ceylon Tobacco Company	575	21.62	4
3	John Keells Holdings	572	34.20	5
4	Hayleys	530	64.89	7
5	DFCC Bank	470	(20.30)	2
6	Hatton National Bank	453	(6.30)	3
7	Commercial Bank	433	31.71	6
8	Distilleries Company of Sri Lanka	305	20.04	9
9	Sampath Bank	282	16.80	10
10	Seylan Bank	207	(28.97)	8

For the second consecutive year National Development Bank topped the list to become the company that earned the highest profit, having achieved Rs 670 million, an increase of approximately 3% from the previous year.

Previous year's Financial Sector companies DFCC Bank and Hatton National Bank, which came in second

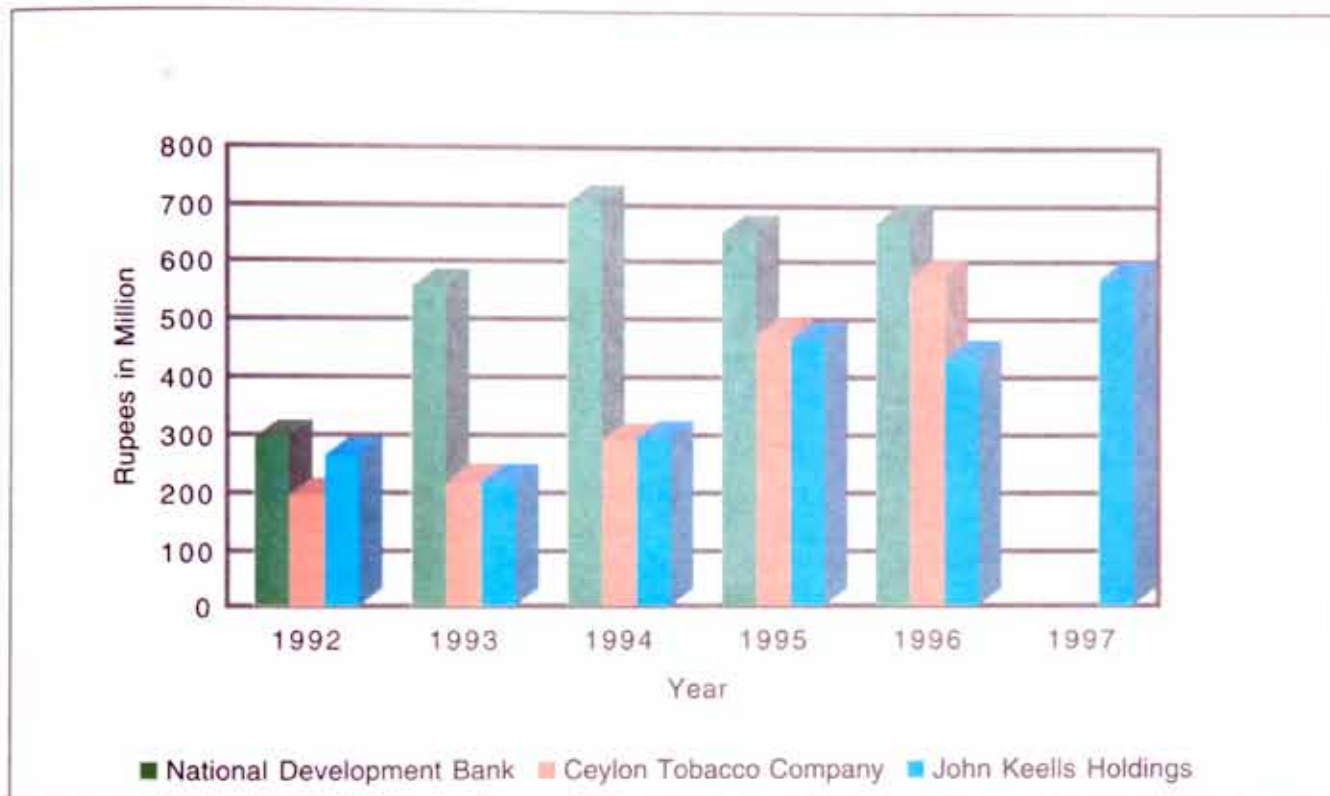
and third respectively last year, gave way to Ceylon Tobacco Company and John Keells Holdings this year. The most significant change was seen with Hayleys, which moved into fourth position from last year's seventh position, with an increase of 65% in overall profits.

It is significant to note however that the same ten companies which

came within the first ten last year, are the same companies which fall into the first ten Profit category this year as well. It is noted that six of the companies falling into the first ten category are from the Banking Sector.

It is also significant that three out of these six companies have recorded negative profit growth during the period.

### Comparison of Profit of the Top Three Profit Achievers



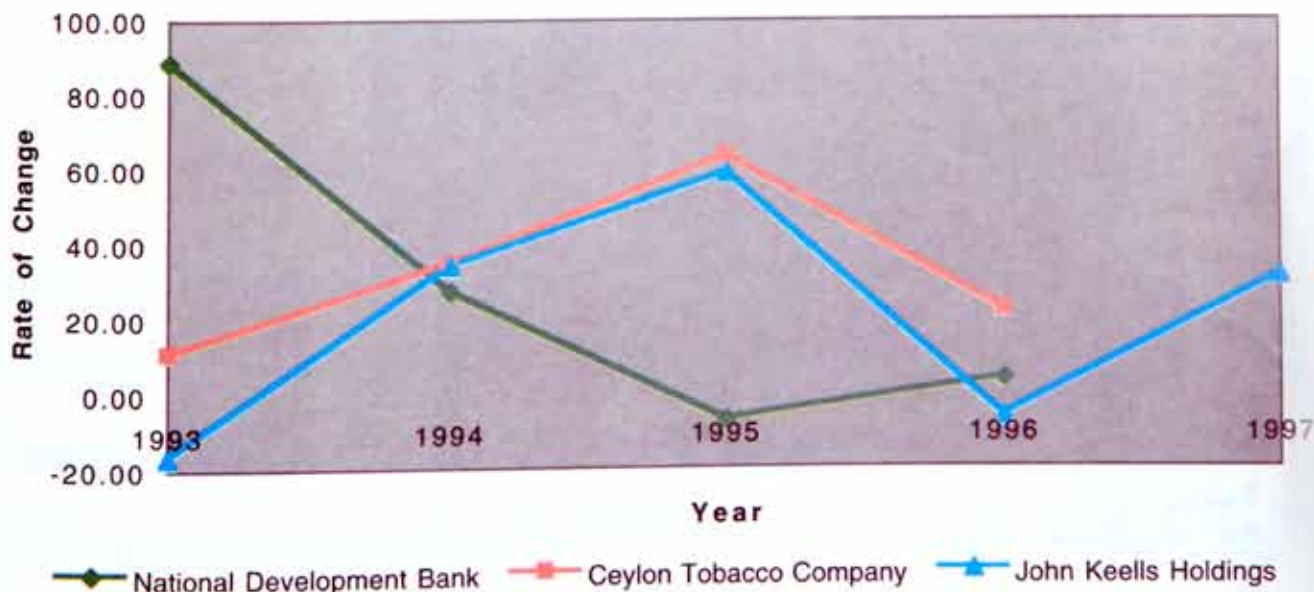
National Development Bank having reduced profits in the previous year marginally increased during this period, with

Ceylon Tobacco Company steadily increasing profits earned from 1992 to date.

While the Financial Sector domi-

nated profits earned last year, this year the first three places were taken by three different Sectors.

### Rate of Growth of Profits of the Top Three Profit Achievers

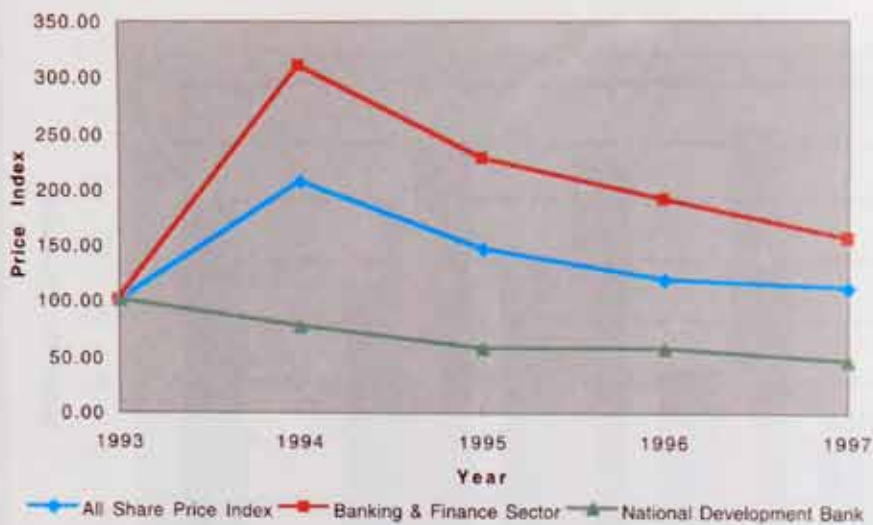


The graph clearly indicates the turnaround in profit growth of National

Development Bank and John Keells Holdings. However Ceylon Tobacco

Company's profit growth has declined from 1995.

### All Share Price Index compared to Banking Sector & National Development Bank Price Indices.



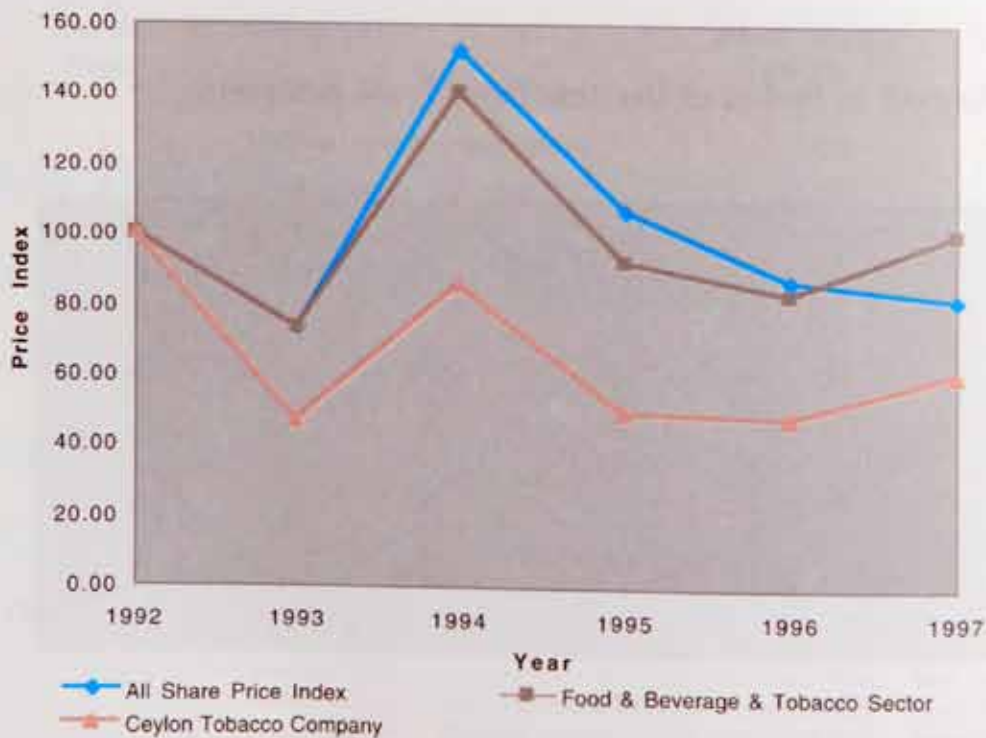
While the Banking Sector Price Index and the All Share Price Index has moved relatively together, the National Development Bank share price has seen a steady decline since 1993.

### All Share Price Index compared to Food & Beverage & Tobacco Sector and Ceylon Tobacco Company Price Indices.

While, All Share Index continues to decline, the Food & Beverage & To-

bacco Price Index has moved up from 1996, and the Ceylon Tobacco Company

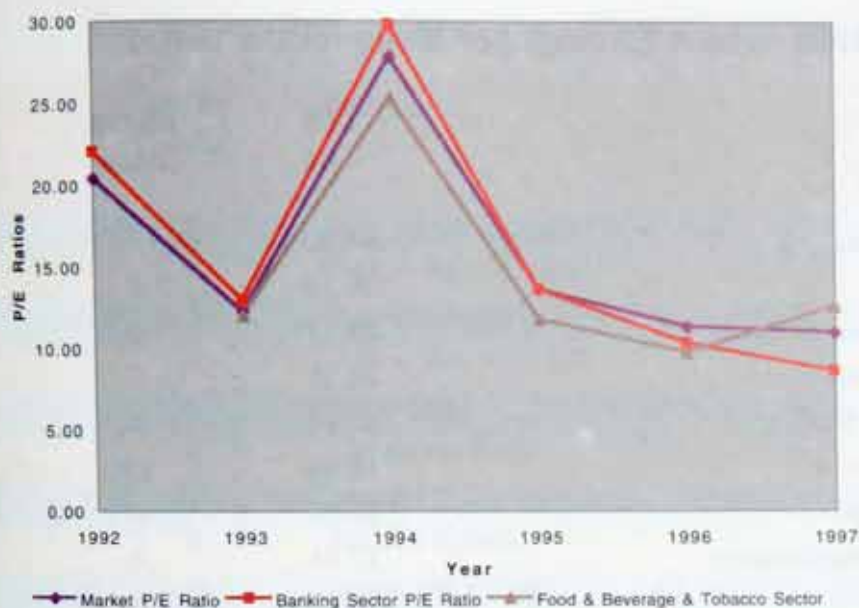
Share Price has also turned upward in keeping with the Sector Index.



In the above two graphs a base year of 1993 and 1992 respectively have been used to compare values of each company in relation to the Sector.



## Market P/E Ratio compared to Banking Sector, and Food & Beverage & Tobacco Sector P/E Ratios



The Market P/E ratio was 11.0x at the end of March 1997 declining marginally from 11.4x as at March 31, 1996. In comparison the Banking Sector P/E was

8.65x, Food & Beverage & Tobacco Sector P/E was 12.66x and Diversified Holding Sector P/E was 20.47 as at March 31, 1997.

The Diversified Sector is a relatively new Sector formed in 1995, and the data available is only for a two year period. Hence comparison is not possible.

## The Ten Highest Market Capitalized Companies

For the third consecutive year the companies that came within the first three highest market capitalized companies were the same. DFCC Bank while maintaining the number one position was followed by John Keells Holdings and Hatton National Bank re-

spectively, while last year Hatton National Bank was followed by John Keells Holdings.

Market capitalization increased due to the increase in share capital which was by way of Bonus and Rights, and not due to increase in share price.

96/97 Rank	Company	Mkt Cap 1997 Rs Mn	% change	95/96 Rank
1	DFCC Bank	7,548	(27.61)	1
2	John Keells Holdings	6,405	21.19	3
3	Hatton National Bank	4,880	(20.52)	2
4	Hayleys	4,554	(13.83)	4
5	Ceylon Tobacco Company	4,549	84.85	35
6	Commercial Bank	4,000	28.21	6
7	National Development Bank	3,430	(18.67)	5
8	Distilleries Company of Sri Lanka	2,550	30.77	10
9	Sampath Bank	2,214	(5.66)	8
10	Nestle Lanka	1,840	17.55	11

# Shareholder Returns in terms of Earnings per Share

Companies that achieved highest Earnings per Share for the period

96/97 Rank	Company	EPS Rs	95/96 Rank
1	Brown & Company	144.02	-
2	Central Finance	48.13	2
3	National Development Bank	38.27	3
4	Ceylon Cold Stores	24.25	6
5	Hatton National Bank	22.64	1
6	Ceylon Tea Services	18.96	18
7	Commercial Bank	18.31	4
8	Lanka Orix Leasing Company	17.94	8
9	DFCC Bank	15.57	5
10	Dipped Products	13.89	15

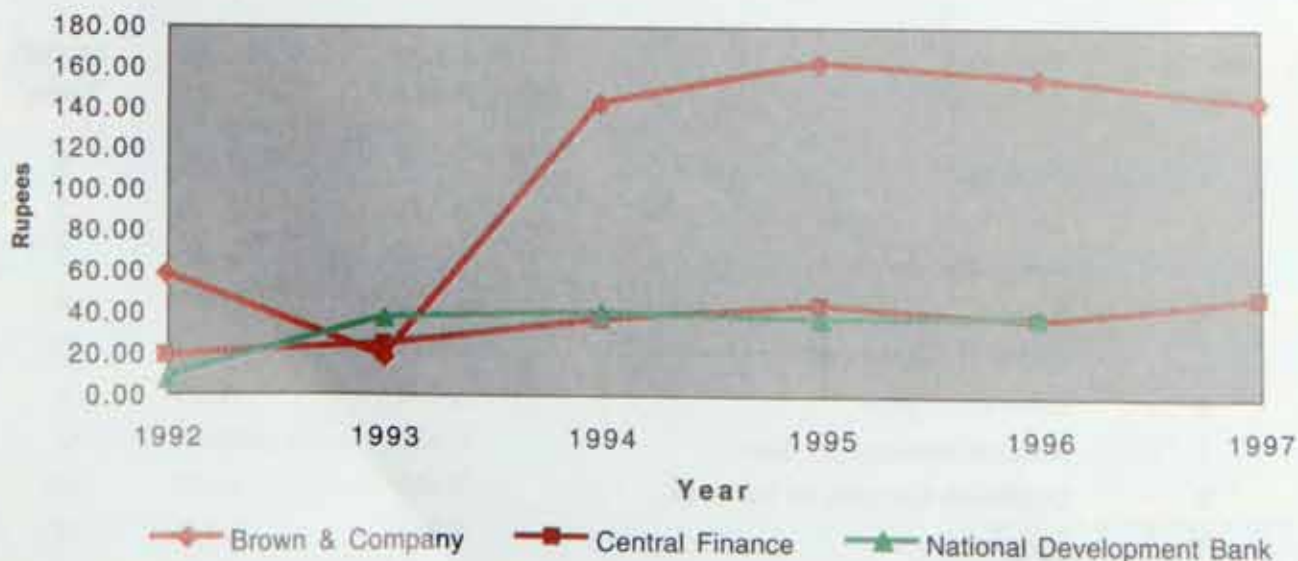


Brown & Company headed the list this year with an earning per share of Rs 144/-. Last year this company did not fall into the criteria of analysis of the 100 most traded companies. Central Finance, which came in second last year, retained its position with an increase of approximately 29%. National Development Bank, which was number three last year,

remained in the same position.

It is significant to note that, of the commercial banks and the development banks, which came within the first ten Earnings per Share category, other than National Development Bank, which recorded a very marginal increase, all others recorded a decline in earnings per share.

Earnings per Share movement of the companies that recorded the highest EPS



## Dividends per Share

Companies that declared the highest Dividends per Share for the period

96/97 Rank	Company	DPS 1996/97	95/96 Rank
1	National Development Bank	5.50	2
2	Ceylon Guardian Investment	5.03	-
3	Central Finance	4.50	3
4	Hatton National Bank	4.00	1
5	DFCC Bank	3.50	6
6	Dipped Products	3.50	7
7	Haycarb	3.50	8
8	Hayleys Exports	3.50	-
9	Singer (Sri Lanka)	3.50	9
10	Ceylon Tobacco Company	3.47	4



National Development Bank came in as number one to be the company that has paid the highest dividend per share. Ceylon Guardian, a company that did not fall into the 100 most traded last year came in second with Central Finance remaining at number three with an increased pay out.

DPS movement compared to the three companies that declared the most

Rank	Company	DPS as a % of EPS
1	Dipped Products	25.20
2	DFCC BANK	22.48
3	Hatton National Bank	17.67
4	Commercial Bank	16.38
5	National Development Bank	14.37
6	LOLC	13.94
7	Ceylon Tea Services	13.19
8	Ceylon Cold Stores	11.55
9	Central Finance	9.35
10	Brown & Company	0.56



Other than for Central Finance, the other two companies have shown steady increases from 1992.

When the companies that declared the highest dividend are further analysed, it is seen that the companies that distributed the

highest percentage of earnings to the shareholders are Dipped Products, DFC Bank and Hatton National Bank.

## Return on Equity

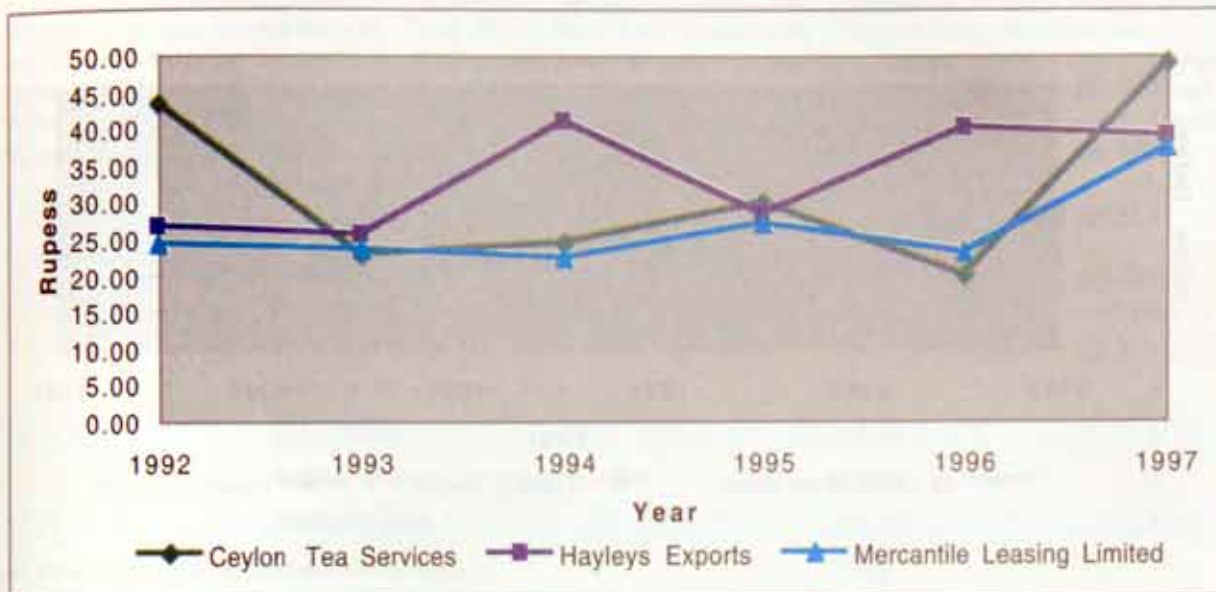
Companies that achieved the highest Return on Equity for the period

Rank	Company	ROE 96/97 %	Last Year Rank
1	Ceylon Tea Services	49.16	19
2	Hayleys Exports	39.10	-
3	Mercantile Leasing	37.79	15
4	Ceylon Tobacco Company	36.40	2
5	Bogawantalawa	36.36	-
6	Distilleries Company of Sri Lanka	35.20	5
7	Kotagala Plantation	34.60	-
8	Tea Small Holdings	33.83	14
9	Lanka Lubricants	33.33	-
10	Tokyo Cement	32.26	-

Ceylon Tea Services, Hayleys Exports and Mercantile Leasing occupied the top slots for achieving the highest ROE for their shareholders. It is significant to note that four companies in the Food & Beverage & Tobacco Sector were among the first ten companies in this category, with

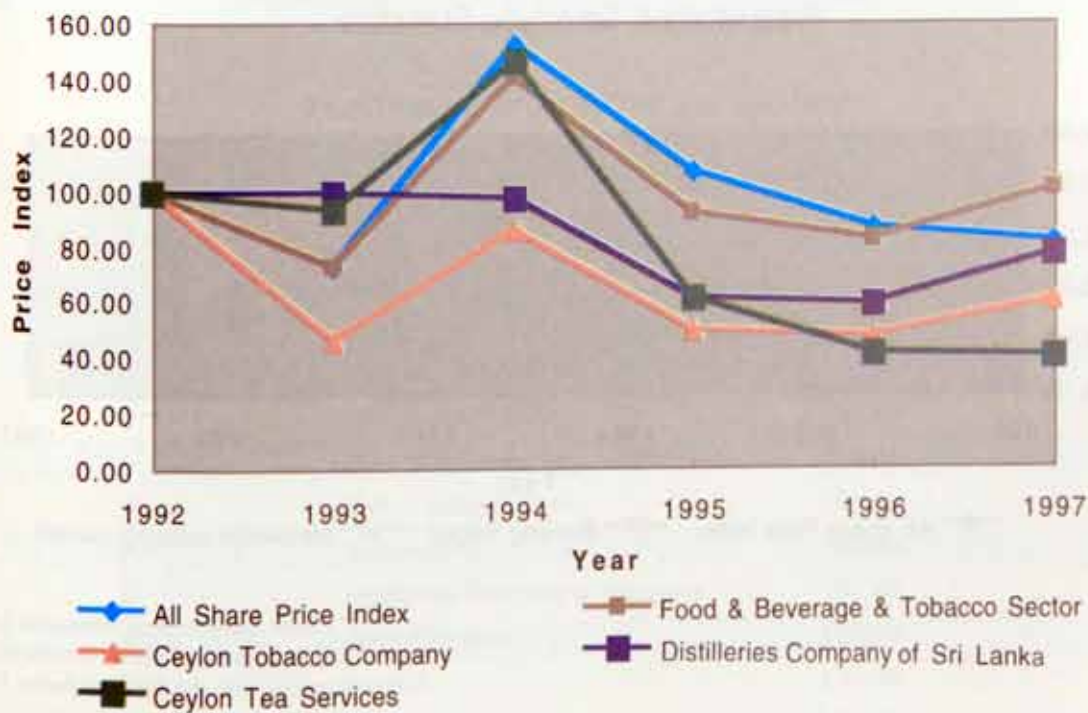
two in the Plantation Sector. It is also significant to note that other than Ceylon Tobacco Company and Distilleries Company of Sri Lanka, the other eight companies which came within the first ten last year, have been replaced by new companies.

### Comparison of ROE movement of the Top Three Achievers



### How the Share prices of the first five companies that achieved the Highest ROE fared against their respective Sector price indices

All Share Price Index compared to Food & Beverage & Tobacco Sector and Individual Company Price Indices



From the above it is seen that from 1996, the Food & Beverage & Tobacco Sector Index has overtaken the All Share

Price Index. In keeping with the Sector, Ceylon Tobacco Company and Distilleries Company of Sri Lanka share prices

have also turned upward. However, the price of Ceylon Tea Services has marginally declined.

### All Share Price Index compared to Trading Sector & Individual Company Price Indices



The Trading Sector Price Index has always performed below the All Share Price Index. However, Hayleys Exports Share Price has overtaken the Sector Price Index in 1996 and is continuing to move upwards contrary to the Sector movement.

### All Share Price Index compared to Banking Sector & Individual Company Price Indices Productivity & Employee Statistics



The Share Price of Mercantile Leasing continues to move downward in keeping with the Banking Sector Price Index.

To enable better comparison the prices of 1992 have been equated to 100 and taken as the base year. The prices of the following years have been adjusted accordingly.

## Productivity & Employee Statistics

Productivity was analysed in terms of Profit Earned per Employee together with Employment Related Costs incurred per Employee. These statistics were compiled for the companies that came within the first ten in terms of revenue achieved and

profit earned. National Development Bank and DFCC Bank, both development banks, which earned the highest revenue per employee were also the companies that incurred the highest employment related costs per employee. The same two

companies occupied number two and number one positions last year.

Ceylon Tobacco Company remains in third place in both categories this year as well. These are highlighted in the tables below.

### Profit Earned per Employee

96/97 Rank	Company	Rs '000	95/96 Rank
1	National Development Bank	3,266.81	2
2	DFCC Bank	2,295.09	1
3	Ceylon Tobacco Company	506.81	3
4	Sampath Bank	291.26	4
5	Commercial Bank	235.91	7
6	Distilleries Company of Sri Lanka	225.88	5
7	Central Finance	164.22	8
8	Hatton National Bank	153.45	6
9	Seylan Bank	72.85	9
10	John Keells Holdings	69.30	10
11	Hayleys	28.76	11
12	C W Mackie	(11.83)	13
13	Colombo Fort	N/A	-
14	Nestle Lanka	N/A	-

### Employment Related Cost per Employee

96/97 Rank	Company	Rs '000	95/96 Rank
1	DFCC Bank	458.54	1
2	National Development Bank	441.76	2
3	Ceylon Tobacco Company	371.81	3
4	John Keells Holdings	289.86	9
5	Commercial Bank	254.64	4
6	Hatton National Bank	207.69	5
7	Seylan Bank	182.54	6
8	Distilleries Company of Sri Lanka	153.49	8
9	Central Finance	143.82	7
10	Hayleys	132.89	12
11	C W Mackie	70.80	11
12	Nestle Lanka	N/A	-
13	Sampath Bank	N/A	-
14	Colombo Fort	N/A	-

## Best Performers in the Stock Exchange

### Value of Shares Traded Ten Highest Value of Shares Traded Companies

DFCC Bank and John Keells Holdings maintained their popularity among investors by being the first and second in the highest value of shares traded category. National Development Bank however lost its second position of last year to become the fifth in 1996, while Sampath Bank moved up from seventh place to third place.

Richard Peiris & Company, Commercial Bank and Ceylon Grain Elevators, companies which were not among the first ten last year moved up considerably during the period.

Once again the Banking Sector companies have dominated the most traded share category with five companies falling within the first ten. The Diversified

Sector came in second with three companies.

It is interesting to note that the value of shares traded of the ten companies in the table below, accounts for 62% of the total Market Turnover for the year. This is an increase of 9% over last year where the ten companies accounted for 53%.

96/97 Rank	Company	Rs Mn	Mkt Turnover %	95/96 Rank
1	DFCC Bank	1,245.55	16.82	1
2	John Keells Holdings	903.16	12.19	3
3	Sampath Bank	633.54	8.55	7
4	Hayleys	391.92	5.29	5
5	National Development Bank	318.91	4.31	2
6	Richard Peiris & Company	283.65	3.83	28
7	Aitken Spence	279.36	3.77	4
8	Commercial Bank	203.28	2.74	24
9	Hatton National Bank	171.96	2.32	9
10	Ceylon Grain Elevators	161.58	2.18	19
		4,592.91	62.00	

### Volume of Shares Traded

#### Ten Highest Volume of Shares Traded Companies

96/97 Rank	Company	Mn	95/96 Rank
1	Forbes Ceylon	24,633	1
2	Distilleries Company of Sri Lanka	23,497	2
3	Ceylon Grain Elevators	14,426	23
4	Sampath Bank	13,168	8
5	Blue Diamonds	10,476	7
6	Colombo Dockyard	9,634	11
7	Asia Capital	8,760	3
8	Vanik Incorporation	8,498	6
9	Ceylinco Seylan	7,042	12
10	Seylan Bank	6,010	10

Forbes Ceylon and Distilleries Company of Sri Lanka continued to be the two most popular shares traded for the period in terms of volume.

Asia Capital lost some of its popularity to drop to seventh place from the third position it enjoyed in the last year.



## Share Price Movements

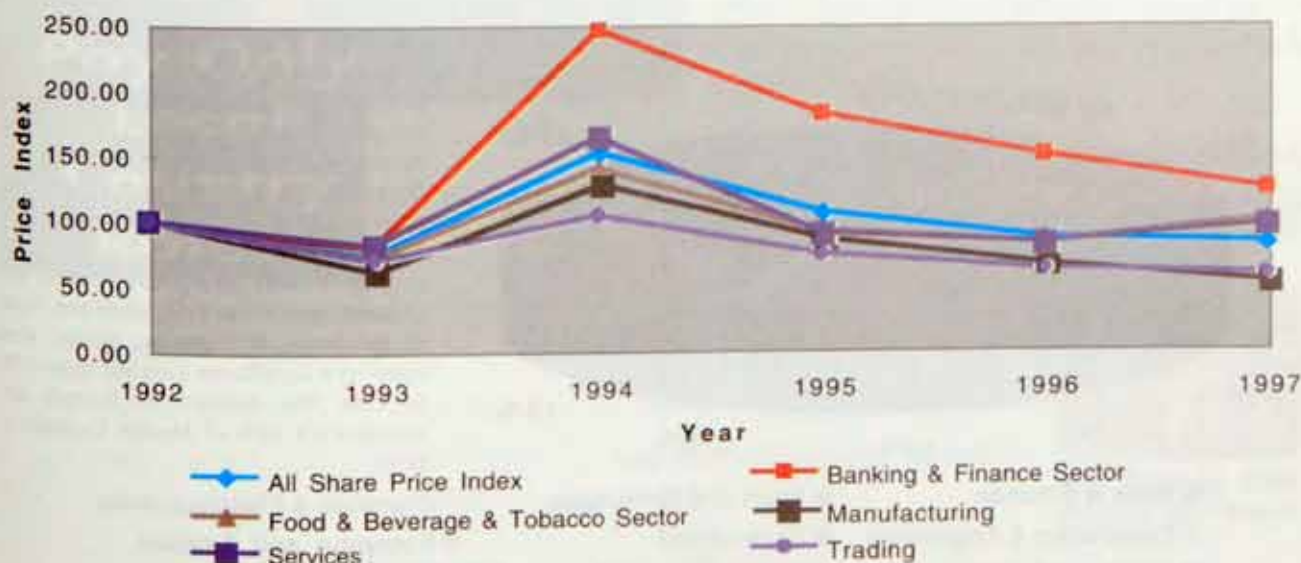
Ten Highest Gainers in Share Price

96/97 Rank	Company	Gain in Share Price %	95/96 Rank
1	Bogala Graphite	200.00	58
2	Ceylon & Foreign	129.17	-
3	Chemenex	47.58	-
4	Pure Beverages	40.85	84
5	Korea Ceylon Footwear	39.53	91
6	Palm Gardens	37.84	79
7	Hayleys Exports	32.24	-
8	Distilleries Company of Sri Lanka	30.77	13
9	Ceylinco Seylan Development	29.41	61
10	Ceylon Tobacco Company	27.10	65

It is significant to note that none of the companies that came into the first ten categories last time maintained its position in the current year. However, it should be noted that only the 100 most traded companies in terms of value have been considered.

## Sector Statistics Price

Sector Prices compared to Total Market Prices



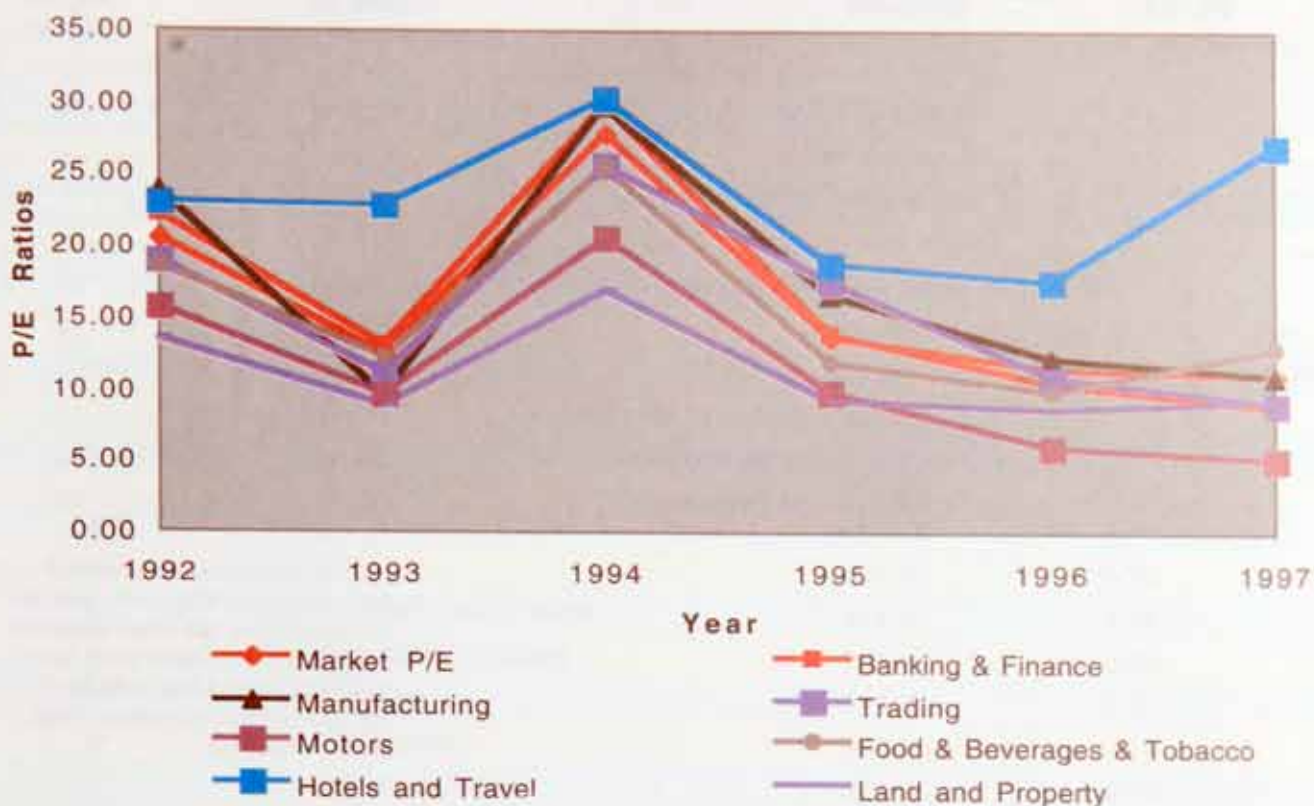
While the Banking Sector Price Index remained above the All Share Price Index, the Index keeps dropping steadily at a higher gradient than that of the All Share

Price Index. However, the Food & Beverage & Tobacco Sector, and the Services Sector have reversed their direction during the period. To enable better compari-

son the prices of 1992 have been equated to 100 and taken as the base year. The prices of the following years have been adjusted accordingly.

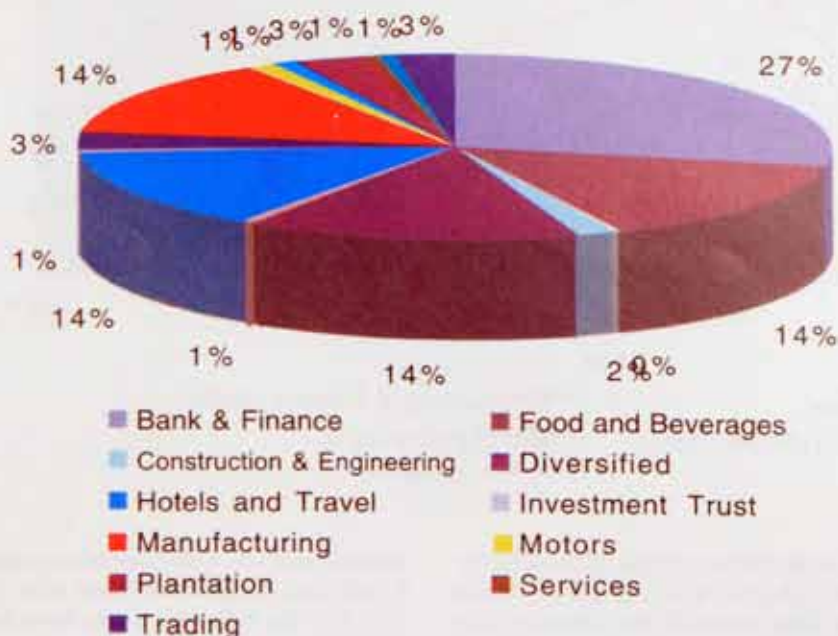
## Price Earnings Ratio

Sector P/E Ratios compared to Total Market P/E Ratio



## Market Capitalization

Sector Market Capitalization compared to Total Market Capitalization



The Sector Market Capitalization profile has changed considerably during the period under review. The Banking Sector, which accounted for 33% has reduced to 27%, and Manufacturing which accounted for 17% has also reduced to 14%.

The Hotels and Travel Sector increased from 8% to 14%, while the Food & Beverage & Tobacco Sector also showed a significant increase from 10% to 15%. The balance 11 Sectors accounted for 16% of Market Capitalization.