

Sri Lanka Tourism Industry; In Perspective

Growing tourist arrivals by 1.5 folds within 4 years is a tough ask requiring a near 26% CAGR, 2013e-16e, but given a cohesive effort it is achievable. Accolades received by Lonely Planet as number 1 destination in the world to visit in 2013 and rated as 1 of the 6 best places to visit in 2012 by National Geographic are additional boasts to growing tourism.

Country's tourist arrivals have remained stagnant for 3 decades at 400,000-450,000 during 1982 to 2009 owing to the terrorist conflict has now grown to 1 mn arrivals in 2012 (CAGR of 23%). Moreover the government's next target is the optimistic 2.5 mn tourist arrivals by 2016. However we believe given the current status-quo Sri Lanka would fall short by c. 800k and record tourist arrivals of 1.7 mn by 2016. Still the industry's CAGR is encouraging at 14.2%, given this growth is expected from incremental increases rather than stepped growth from new avenues such as casino's which is only expected to come in line in 2017e. However with global tourism growing by 5% (WTO) during 1H2013, achieving double that is good albeit Sri Lanka needs to capture steeper growth.

Nevertheless earnings from tourism has not yielded high where daily earnings per tourist currently stands at USD105 as per Central Bank of Sri Lanka data in contrast to countries such as Maldives which attracted daily earnings of USD285 per tourist in 2011. Therefore the leisure industry in total contributes mere a 2.0% to the national GDP at present and even if tourist arrivals number reaches the target of 2.5 mn by 2016 the industry would only account for c.3.8% GDP given the economy grows at a real rate of 7% in 2013e-16e.

However in the time being the industry needs to attempt to augment arrival numbers and the average spend per tourist. Focus could be to concentrate on the share of wallet and market the country as a Value For Money (VFM) destination without falling into either extremes of becoming a cheap or expensive holiday destination.

Currently the bulk of the 1 mn tourist arrivals consist of the two traditional markets, Western Europe and Eastern Europe in addition to other growing markets such as Asia and Middle East. The European inbound travellers are an established market and given the SL Rupee weakened, Sri Lanka is an economically viable holiday destination although negative travel advisories issued by the Western governments adversely affect this segment. Hence more effort need to be taken to revive the European markets rather than allocating larger share of resources on developing new markets.

However many challenges are faced which need to be overcome in reaching government's 2.5 mn target such as being an expensive destination, limitations in becoming a key shopping destination, void in internationally accredited 2-3 star budget accommodation and the large number of fragmented hotel developments which cannibalizes the industry. There is no over-supply in hotel room though an industry shake-out is possible given the unsustainable higher room rates and cost structures.

Nevertheless the private sector continues to be resilient investing in the industry citing the automatic growth potential of a 10% arrivals growth CAGR during the next 5-10 years which could be bolstered to a 18% arrivals CAGR during the next decade if cohesive efforts are taken to overcome the challenges.

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Is 2.5 mn tourist arrivals target by 2016 achievable?

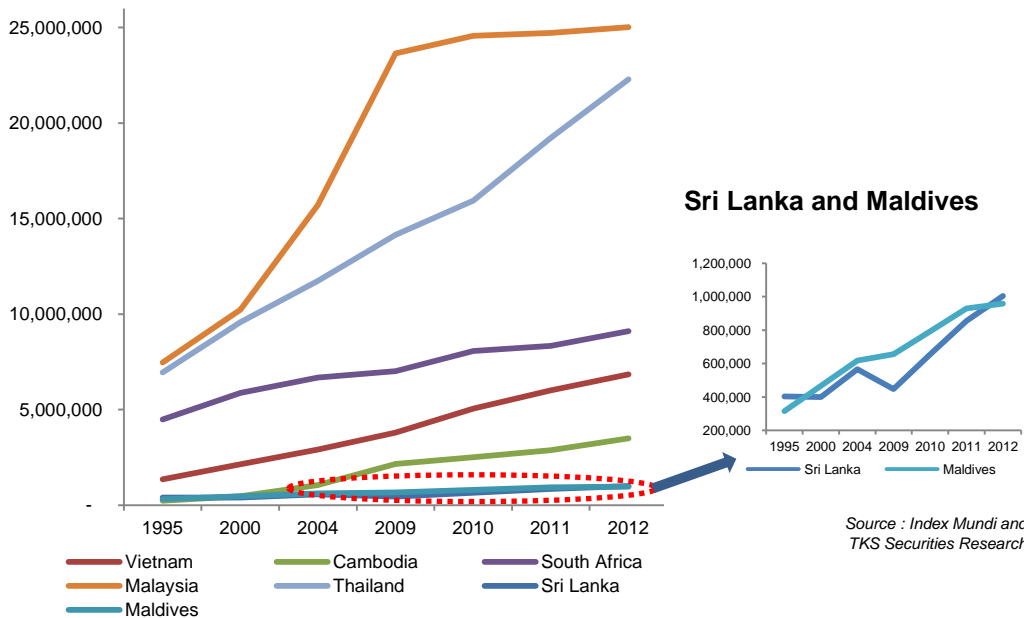
Growing tourist arrivals by 1.5 folds within 4 years is a tough ask requiring a near 26% CAGR, 2013e-16e, but given a cohesive effort it is achievable. The multi-faceted tourism product featuring pristine beaches, rich cultural heritage, wildlife and lush greenery in a 65,000 Sq.km picturesque landscape together with highly desirable climatic conditions is God given for developing a sustainable tourism industry. Thus the small island nation has received accolades by Lonely Planet as number 1 destination in the world to visit in 2013 and rated as 1 of the 6 best places to visit in 2012 by National Geographic among many others.

Is growing 1.5 folds a tough ask...?

Albeit with such an advantage, the country's tourist arrivals have remained stagnant for three decades at 400,000-450,000 levels during 1982 to 2009 owing to the terrorist conflict which now has ended. However the post-war period has seen the arrivals number growing at a CAGR of 23% to reach 1 mn arrivals in 2012 and the government's next target is the optimistic 2.5 mn tourist arrivals by 2016. However we believe given the current status-quo Sri Lanka would fall short by c. 800k and record tourist arrivals of 1.7 mn by 2016e. Still the industry growth CAGR is encouraging at 14.2% given this growth is expected from incremental increases rather than stepped growth from new avenues such as casino's which is only expected to come in line in 2017e. Further as evidenced by post-war tourism markets such as Cambodia and Vietnam having grown tourist arrivals by fifteen-fold (from 220k to 3.5 mn) and five-fold (from 1.4 mn to 6.8 mn) respectively during 1995-2012, Sri Lanka also has a strong positive outlook given a cohesive and sustainable plan is adopted.

We expect 1.7 mn tourist arrivals by 2016e...

Annual Tourist Arrivals

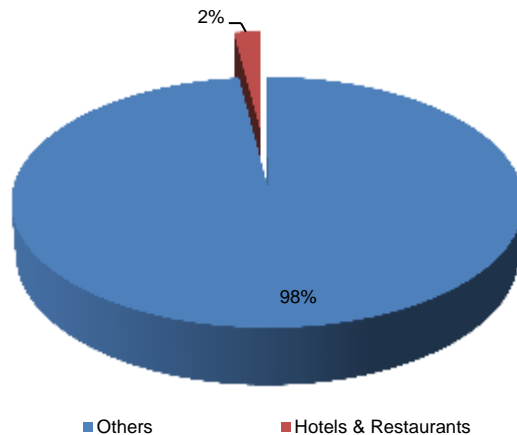


Source : Index Mundi and TKS Securities Research

However earnings from tourism has not yielded high where daily earnings per tourist currently stands at USD105 as per Central Bank of Sri Lanka (CBSL) data in contrast to countries such as Maldives which attracted daily earnings of USD285 per tourist in 2011. Therefore the leisure industry in total contributes a mere 2.0% to the national GDP at present and even if tourist arrivals number achieves the target of 2.5 mn by 2016 the industry would only account for c.3.8% GDP given the economy grows at a real rate of 7% in 2013e-16e.

Tourism earnings still at 2% of GDP...

Contribution to Sri Lanka's GDP from Hotels & Restaurants vs other sectors (2012)



Source : CBSL and TKS Securities Research

Apart from the dominating pleasure tourism, the other opportunities for growth lies in making Sri Lanka a shopping destination, a venue for MICE tourism and a center for casino where we expect a large Indian traffic. Albeit current constraints in capacity, the developments in the pipeline for the next 5-7 years would address these issues in attracting an incremental growth in tourist arrivals of 1 mn by 2018. This would be mainly driven by international operators eyeing Sri Lanka in the entertainment and gaming industry. With the addition of possibly 3 international casinos, we anticipate 2020e tourist arrivals to reach a 3.3 mn. With this development, we expect earnings per tourist to increase from the current USD1,000 to USD2,000 per stay (an average of 10 days) with high casino related spending and thus we expect the leisure industry to increase its contribution to 4%-5% of the country's GDP by 2020e.

Casino and MICE as new areas of opportunities...

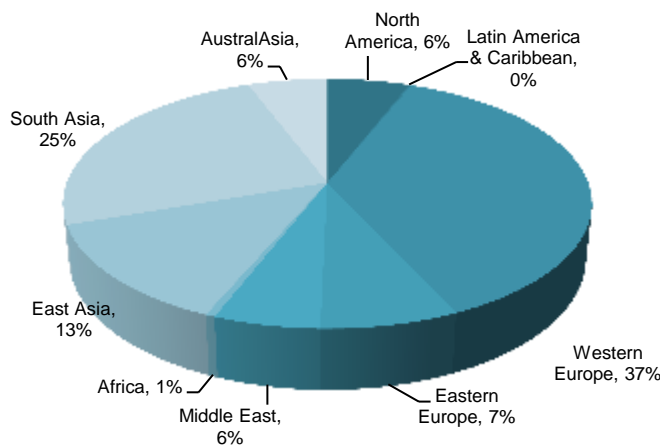
Therefore to grow the tourism industry and make a significant contribution to the national economy, Sri Lanka has to focus on increasing the average spend per tourist day in addition to boosting the arrivals. A fresh approach has been to develop the casino and gaming industry which could boost annual arrivals by around 40% given three large international operators commence operations though a 4-5 year wait is required to benefit from such initiatives. In the time being focus could be to concentrate on the share of wallet and market the country as a Value For Money (VFM) destination without falling into either extremes of becoming a cheap or expensive holiday destination.

Casinos to boost arrivals by c.40% if a minimum of 3 global giants land in Sri Lanka...

Currently, the two traditional markets, Western Europe and Eastern Europe account for 42% of 1 mn arrivals while Asia and Middle East also have immensely contributed to growth. India is the single largest contributor (16% in 1H2013) whilst the biggest two countries from the traditional markets, Germany and Britain contributing 11% and 7% respectively in 1H2013. Meanwhile China has ascended from a low base to show immense growth in the recent months by growing 58% YoY to 25,781 in 2012 and 72% YoY in 1H2013 and is expected to continue as a growth market in the coming years. Middle East, a new market grew 53% YoY in 2011, however remained stagnant in 2012 and 1H2013. Going forward we expect growth in all segments in the foreseeable years and while we believe it is timely to concentrate on growing the new markets, it is equally essential to grow the established markets.

Europe the largest contributing segment to arrivals...

Tourist Arrivals by region in 2012



Source : SLTDA and TKS Securities Research

However the negative travel advisories on issues such as human rights and some other isolated incidents have adversely impacted the established markets (Europe) in 2012 and early 2013 but these effects have somewhat eased off to consolidate its position in 1H2013. Adverse travel advisories have been issued in UK, USA, Canada, Australia and New Zealand in 2012 and 2013 warning tourists of an upsurge of nationalism, sexual offences and anti-western rhetoric in the country in addition to concerns on possible human rights violations during the war. Nevertheless, despite these advisories by the Western governments the tourist arrivals from the region have seen a rise. The European inbound travellers are an established market and given the SL Rupee weakened, Sri Lanka is an economically viable holiday destination. Hence more efforts need to be taken to revive the European markets rather than allocating larger share of resources on developing new markets which could happen gradually once the core markets are on a strong growth trajectory.

Efforts needed to revive established markets whilst looking out for growing regions...

Moreover flight connectivity to Sri Lanka has been increasing and serving as a vehicle of growth for the tourism industry. Moreover 25 international airlines fly into the country at present with carriers such as British Airways having re-launched operations in 2013. Thus 2013 would be the first year to add this incremental growth to the statistics especially in the dominant Western markets.

Increased connectivity...

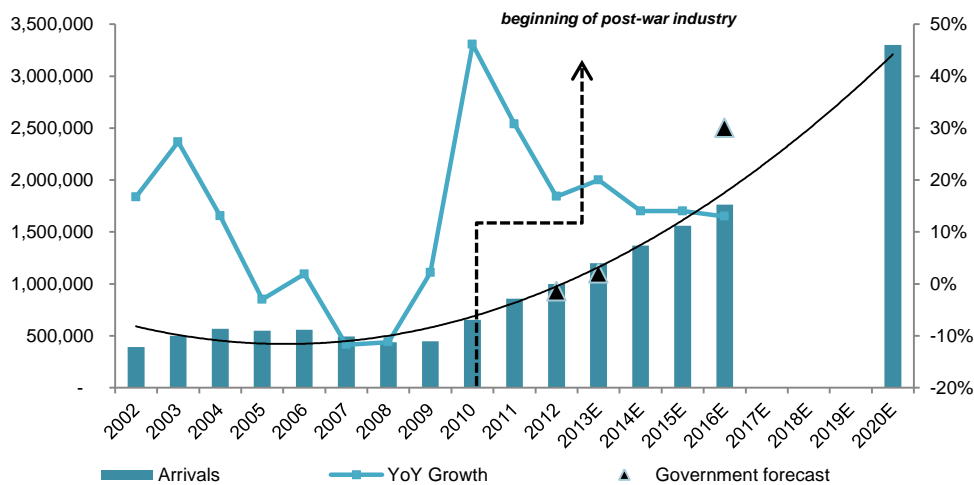
The industry is highly reliant on the local infrastructure thus the vastly revamped road network has benefited the industry. However a greater benefit would be seen in the future from the upcoming highway network, which is yet to be realised. Further the new property projects which are yet to come up in the capital is expected to transform Colombo in becoming a hub whilst improving the picturesqueness. In the next five year horizon, many shopping malls (c.1.5 mn Sqft) and other entertainment facilities (c.200k Sqft) would be added which would act as a driver to the country’s tourism industry. However Sri Lanka when competing in the international retailing space would need improvement in availability of more international brands and slashing out of import duties from the present high duty regime. This would assist in attracting more Indian tourists from other hubs such as Singapore and Dubai.

Towards becoming a shopping destination...

However in focusing on the next 3-4 years, the government’s ambitious target of 2.5 mn may not be impossible, though we believe a target arrival of 1.7 mn tourists is more realistic given the challenges faced by the industry could take 2-3 years to overcome. Sri Lanka is becoming expensive when compared to its peers given the high energy costs, higher import duties on food etc. Further the higher taxation on branded apparel, accessories, cosmetics etc. makes the efforts by the authorities to promote Sri Lanka as a shopping destination a, stillborn exercise. Furthermore there is a deficit in 2-3 star accommodation in line with expected international standards and pricing. Meanwhile large number of fragmented hotel developments has hampered the effect of economies of scale in the industry and increasing the cost base of the established large private hotel operators in the island.

Challenges in the industry would limit growth..

Tourist Arrivals by year



Source : SLTDA and TKS Securities Research

Nevertheless the private sector continues to be resilient and the established listed hoteliers and few unlisted operators continue to invest in the industry citing the automatic growth potential of a 10% arrivals growth CAGR during the next 5-10 years which could be bolstered to a 18% arrivals CAGR during the next decade if cohesive efforts are taken to overcome the challenges.

Resilient private sector investments in the industry...

Challenges in reaching 2.5 mn tourist arrivals

Is Sri Lanka becoming expensive?

Despite the unparalleled tourist product the island offers, Sri Lanka is becoming an expensive destination for tourists compared to the regional peers, mainly in terms of accommodation and food. Although four years have passed since the receipt of the peace dividend, Hilton which has been in operations for more than 25 years is the only well know international hotel operator in the country while 3 regional hotel chains; namely **Taj Hotels (TAJ : LKR26.00)**, Avani and Centara are present in the country. Lack of international grade hotels and higher rates charged by the local hoteliers would make Sri Lanka look price wise less attractive in the eyes of the tourists. Currently the price of a 5 star city hotel room in Colombo would average around USD199 per night (inclusive of taxes) while the same for a 5 star resort on the Southern coast is USD238.

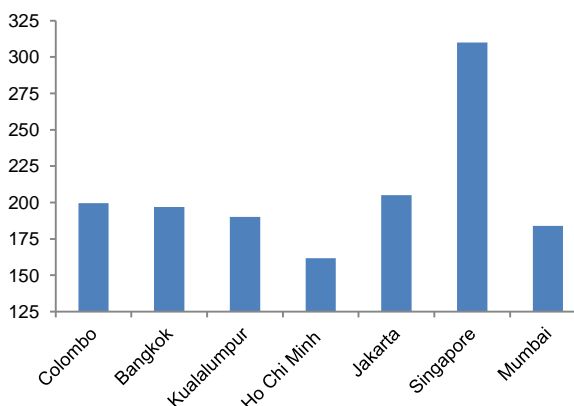
Losing competitiveness on pricing...

The higher accommodation rates could be justified by Sri Lanka’s high cost of construction compared to its peers’, higher electricity tariffs than many other comparable countries such as Malaysia and Thailand, and heavy taxes on imported items which are of c.30% of the total hotel supplies.

However we believe that a correction in the hotel prices could occur in the next 2-3 years with the entry of international hotel chains which would compete based on brand strength and world class luxuries and facilities. Colombo would see Hyatt Regency and Starwood Resorts adding up c.780 to the 5 star hotel rooms within the next two years and Movenpick adding 224 rooms by 2016, giving more flexibility in choice to the traveler. However we anticipate the 500 room Shangri-La Hotel in the capital of Colombo to fall behind the target opening date of 2015 as no construction has begun yet.

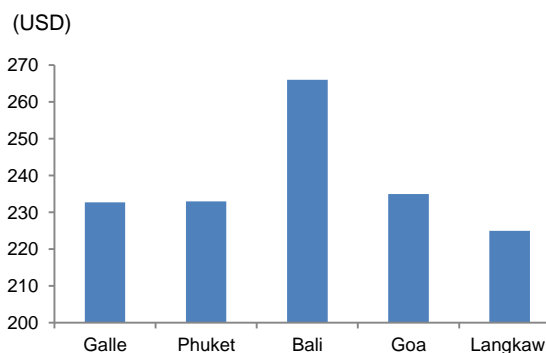
High cost of construction & energy...

Average 5 star city hotel price (room only basis inclusive of taxes)



Source : Hotel web sites & TKS Securities Research

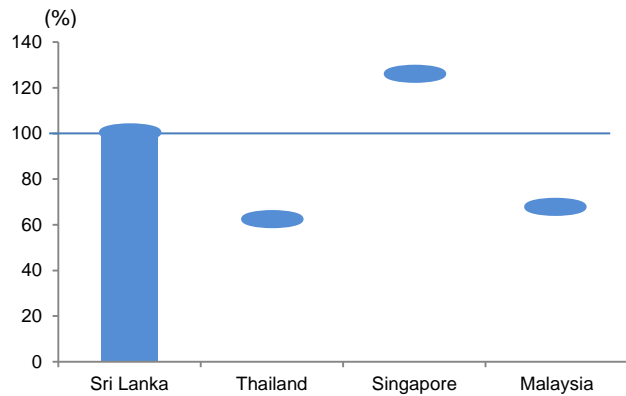
Average 5 star resort price (room only basis inclusive of taxes)



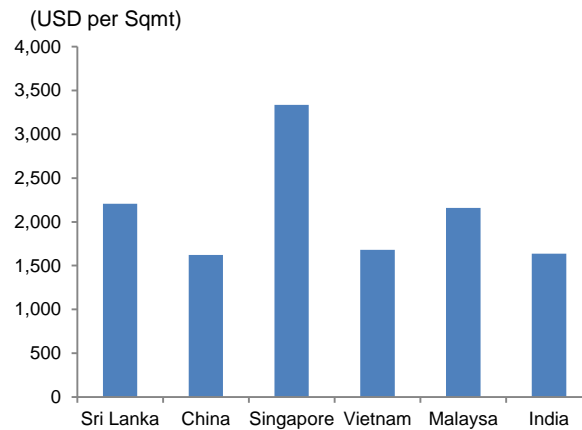
**When booking through agents, discounts up to around 30% could be offered.*

Source : Hotel web sites & TKS Securities

Relative electricity cost of hotels (compared with Sri Lanka) Construction cost of 5 star hotel properties



Source : Electricity boards of relevant countries & TKS Securities Research



Source : Turner and Townsend & TKS Securities Research

Shortage in international standard budget accommodation

Shortage in mid-range affordable accommodation is another downside for Sri Lanka in the eyes of a budget conscious traveler. According to Sri Lanka Tourism Development Authority, 32% of the accommodation capacity in the country is high end for which relatively higher minimum charges are imposed by the government. Accordingly a minimum charge of USD125 (room only basis excluding taxes) is applied on a 5 star hotel room while USD95 is applicable to a 4 star room.

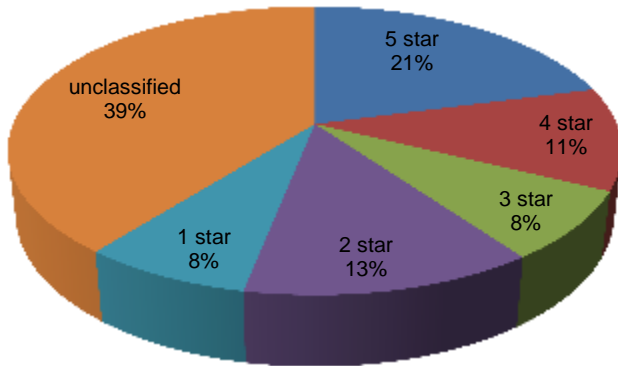
Void in int'l standard 2 to 3 star accommodation...

Unclassified segment, which does not meet the specific grading criteria set out by SLTDA which could either be luxury establishments or substandard dwellings, accounts for 39% of the total room capacity in the country. Further the country has only seen a drop in mid-range (2-3 star) accommodation over the past 4 years, whereas unclassified accommodation segment grew at a 5.5% CAGR during the last 4 years.

With the increase in tourist numbers we see many fragmented hotel developments emerging especially in the coastal areas in addition to entrepreneurs starting fresh in the tourism industry which distorts the market by overcharging for the facilities offered. Many individuals/families have got into the business of hosting tourists converting their houses in to guest-houses. A double room with minimal facilities in such dwellings is sold USD30 or above on average, however the standards of such accommodation could substantially vary. The safety issues and communication barriers have been the most common concerns for the tourists in those home converted lodges.

Fragmented hotel developments distorting industry pricing...

Accommodation by star grade - 2012



Source : SLTDA & TKS Securities

Shortage of staff

During the recent past there was significant labour drain seen in the hospitality industry in the country. However with putting a full stop to the three decade civil war and the massive developments taking place in the industry and the country as a whole led to observe a shift on the highly skilled middle aged employees to return and remain in the country. Moreover, fresh blood was injected to the booming industry to cater the demand.

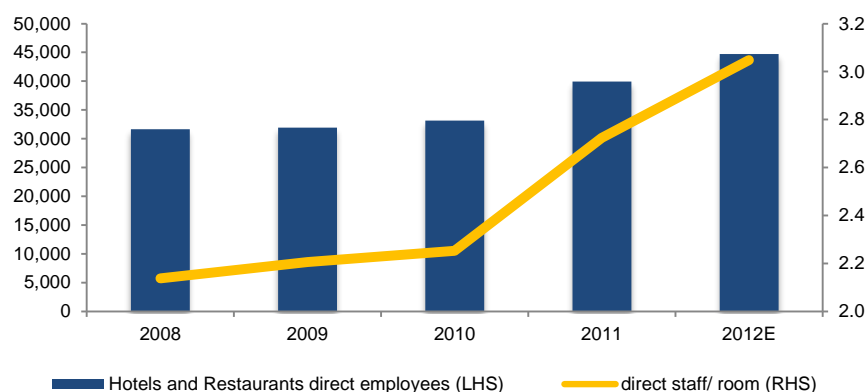
In 2011 the total staff employed in hotels and restaurants recorded a growth of c.20% to 39,901 and total labour force in the sector reported a CAGR of 12% during 2009-2011. Moreover, the number of direct staff per room has seen an upward trend where in 2011 it reported 2.7 against 2.2 in 2009. Further we estimate the number to be near 3.0 in 2012.

Although there is an increase of returning Sri Lankans working in foreign hospitality industry in recent times the number was predominantly backed by retirement aged staff. Hence, the young labour ranging from 20-35 years aged category still prefer to remain offshore due to attractive packages offered by foreign hoteliers. The high operating cost related to the industry (predominantly energy cost which accounts to c.15-20% of the total operating cost) restricts employers from offering high scaled salary and other fringe benefits and thus cut off the service rendered by young trained labourers to the local industry. Therefore the industry witnesses a heavy shortage in trained/experience lower end staff.

Continued skilled labour train due to attractive foreign employment ...

Heavy shortage in trained/experience lower end staff...

Direct staff per room



Source : SLTDA & TKS Securities Research

The risk of trained staff leaving the country for better prospects can only be amended if they are better off in their home country. As an initiative, the Sri Lanka Tourism Development Authority and other large private sector schools and hoteliers are having training and development through their hotels schools but would take long to give benefit. Further we believe the situation would improve in the coming years with the additions of highly acclaimed international chains such as Hyatt, Movenpick, Shangri-La and Sheraton expecting to uplift and benchmark the salary and benefits in the industry, albeit would be good 4-5 years into the future.

Initiatives by SLTDA & private sector in providing training & development through hotel schools to give benefit in the long term...

Basic Salary scales in Sri Lanka

Annual Basic Salary Scale	SL (LKR)	(USD 000')
Employee Grade I	144,000	1.10
Employee Grade II	198,000	1.51
Supervisor	279,996	2.14
Executive	504,000	3.85
Manager	716,004	5.47
Senior Manager	1,119,996	8.55
Head of Department	3,960,000	30.23

Source : TKS Securities Research

Comparison of basic salary scales

Annual Basic Salary Scale (USD 000')	UAE	East Asia	Far East Asia
General Manager	122.00	110.00	122.00
Resident Manager	81.10	60.00	66.00
Executive Asst Manager	66.50	55.00	55.10
Director	75.90	70.00	74.00
Executive Chef	60.30	74.40	79.00

*East Asia includes Philippines, Thailand, Singapore, Malaysia, Indonesia and Vietnam

*Far East Asia includes Japan, Korea, HongKong, Taiwan, Macau, China

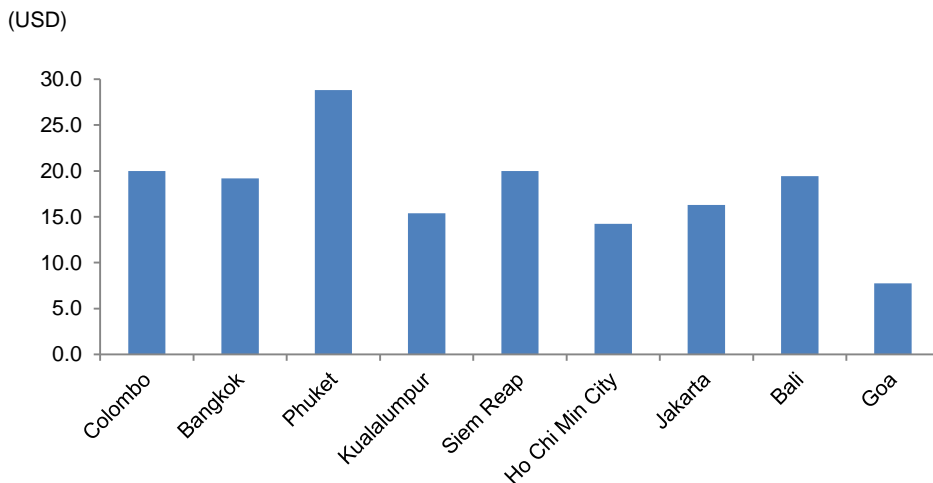
Source : Renard International Hospitality Search Consultants and TKS Securities Research

Less variety of affordable food

Sri Lankan food prices cannot be considered inexpensive compared to regional peers, predominantly due to the limited availability of an affordable food range to the tourists. Standalone food courts/centers are not established in Sri Lanka unlike in many other Asian countries (eg: hawker centers in Singapore, Mamak stalls in Malaysia) which could be due to the fact that majority of the Sri Lankans are more inclined to consume home cooked food for all 3 meals regularly. Moreover another reason for the higher costs arises from a non-standalone industry issue but an overall obstacle resulting from higher import duties and taxation on food items. Furthermore another hindrance is that Sri Lanka offers only a limited variety of international cuisines to tourists except in 4-5 star graded hotels. Nevertheless a distinctive fact is that when dining as in-house guests, most of the Sri Lankan hotels and resorts offer “value for money” where an international buffet dinner would cost approximately USD14.00 per person.

Food prices cannot be considered inexpensive...

Cost comparison of a 3 course restaurant meal for two



Source : Numbeo & TKS Securities Research

Tourist attraction fees – different pricing scheme for tourists

Sri Lanka is criticized for different pricing scheme for foreigners at cultural sites. It is common in other regional peers such as Malaysia and Thailand but the criticism is purely due to the extreme difference as the price disparity could be as much as 50 times. In Sigiriya foreign tourists are charged LKR3,500.00 (USD 27.00) whereas it’s only LKR70.00 for locals. The fees charged do not seem exorbitant when compared with those in other countries but unavailability of concessionary rates such as student discounts, family packages and multiple entry passes, bundled packages for a couple of attractions could make the rates look unattractive to the tourists. It would create value by providing educational literature such as brochures, audio visual aids, guided tours, etc. which are currently absent in many tourist attractions in the country. Furthermore, there are no electronic payment methods such as credit card payments, online reservations, etc., available at these cultural sites, thus could cause inconvenience to the travelers.

Unavailability of flexible package and educational literature...

Transport and connectivity

International Connectivity- getting better

Currently 25 international airlines fly into Sri Lanka with 938 flights per week. In 2009, 20 airlines flew into the country with 277 flights and 70,343 seating capacity per week in the peak season, November to April. In 2011, there were 29 airline operators in the country, with 754 flights and a seating capacity of 157,001 per week.

*25 international airlines
flying in...*

Local transport

Although the road network is fairly wide and covers the whole island, longer travel time is the main drawback of the Sri Lankan transport system. Travelling from Bandaranaike International Airport (BIA) to Colombo (30km) currently takes approximately 1 hour, while in Malaysia it takes only 45 minutes to travel from Kuala Lumpur International Airport (KLIA) to Kuala Lumpur City Centre (KLCC) which has a 60km distance. However with the upcoming highway network connecting all regions in Sri Lanka, we believe the travel time would be significantly reduced, where Colombo Katunayake airport expressway which will be opening next month would cut the travel time between BIA and Colombo to 20 mins.

*Longer travel time is a
drawback*

Further benefiting would be an enclosed connection at the main airport to the Katunayake bus depot and railway station. Moreover, it is quite challenging for the tourists to make use of Sri Lanka's cheap public transportation as there is no proper integration within the system. There is no centralized source of information available so as to find which trains/ buses to take to reach a particular destination, travel time, fares, no appropriate information displays/counters are available in the train stations/ bus stops, etc. Further there is no online reservation facility available which makes it quite difficult to plan their itineraries for the tourists.

*Lack of integration in public
transport system...*

Cohesive effort needed to uplift tourism

Value addition for tourist attractions

Although tourist attraction fees can't be considered expensive the unavailability of package deals could make the rates look less attractive. Further, the touts around these sites are becoming a noticeable inconvenience to the tourists. Providing educational literature & guided tours, setting up information counters would help in adding value while enabling electronic payments.

Challenges in becoming a shopping destination

Wider range of branded shopping needs to be made available in the country with attractive prices to make Sri Lanka a perceived shopping destination. A slash in taxes and duties on imported luxury branded goods is essential in order to uplift the luxury retail segment in the country.

Higher costs are a challenge

Taxes on most of the imported food items and high energy costs are major challenges for the country to compete on prices against the regional peers.

Opportunities in sports tourism

Cricket is the foremost sport to uplift the sports tourism segment, thus more prominence should be given in hosting international cricket tournaments involving English, Pakistani and Indian cricket teams.

Spoken English levels have dropped

Proficiency in English and other international languages needs to be improved specially among the employees of hospitality and other relevant sectors.

Need of qualified staff in wildlife parks

Although Sri Lanka offers an unparalleled wildlife product, the services still need be uplifted to international standards while safeguarding the sanctuaries. Having well trained and qualified trackers with international exposure is crucial in offering a complete wildlife product to the tourist, and make it sustainable.

Shortage in budget accommodation

The supply of budget accommodation of internationally comparative quality standards needs to be increased. SLTDA should pro-actively get involved in monitoring the standards of hotels.

Opportunity arising from Marina development

Developing a high end marina in Galle and Trincomalee would be an opportunity to attract high spenders, in the light of development casino and entertainment industries in Sri Lanka.

Need for quality training and development

Training and development must be given high priority. Hands on training should be conducted by well-established institutions such as large hoteliers with international standards instead of a single mass scale training institute.

Changing patterns of tourist

Purpose of visit

The purpose of visit by tourist during the past couple of years has seen a notable change where the percentage of visitors in the main segment, pleasure, is reported to have declined whilst the numbers of business, non-residents and MICE are seen edging up significantly. In 2012 pleasure traveler accounted for 74% of the tourist arrivals compared to 87% recorded in 2011 whilst business, nonresidents and MICE stood at 9%,12% and 2% respectively during 2012 against 8%,8.2% and 1.7% in 2011.

Business, non-residents and MICE arrivals growing..

Meanwhile the declining trend in pleasure sector could be due to the exclusion of business travelers from the main stratum which was seen during the past years. Moreover, the non-residents comprising of the visiting of friends and relatives (VFR) segment is seen rising although it has been difficult for the authorities to capture the accurate figure. Moreover, large scale international summits and conferences expected to be hosted during the latter part of 2013 will drive the business and MICE tourism to edge up in 2013 whilst we believe religious and other sector to be stagnant.

Earnings per tourist

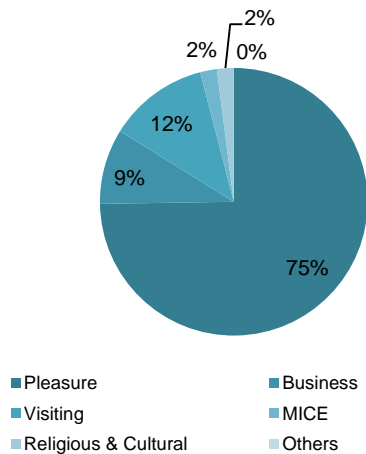
In 2012 the earnings from tourist accelerated to USD105 from USD98 in 2011 as per the published government records. Nevertheless this amount should be much higher if the earnings generated from VFR tourist category is captured by the authorities. Most of the visiting friends and relatives prefer to stay with their local related parties and thus difficult to monitor their spending amounts. Moreover total tourist earnings grew by c.45% to LKR132,954 mn (USD1,039 mn) against LKR91,926 mn (USD838.9 mn) in 2011 to witness a faster growth than many other industries in the economy.

Daily earnings per tourist marginally up in 2012 to USD105..

At the mean time in order to improve tourist earnings, focus should be given to the high spenders who are the Westerners (UK and Germany) whose average stay varies from 14-21 nights as against the low spending Indian traffic whose average stay is c.4 nights should be focused on. Further with the commencement of operations of the three large scale casinos (Crown project, JKH Integrated resort and negotiations for a third project), earnings per tourist is expected to almost double to USD2,000 in 2017-2020 with the addition of expected daily spend by a tourist planning to visit Sri Lanka for gambling.

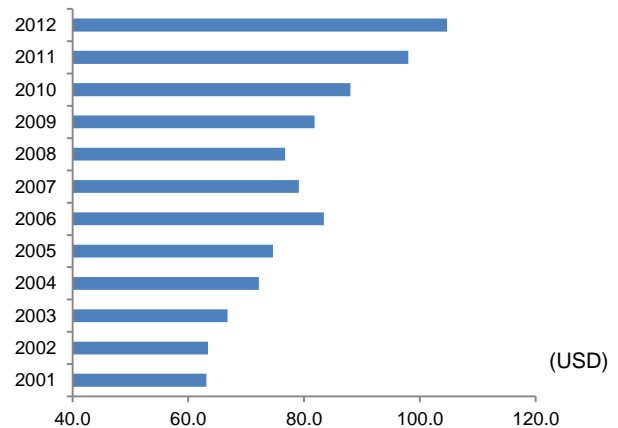
Casino industry to aid in earnings per tourist to double to USD2,000..

Tourist arrivals by purpose



Source : SLTDA & TKS Securities Research

Daily Earnings per tourist



Source : SLTDA & TKS Securities Research

Opportunities of future growth

Sri Lanka to be a future shopping destination?

Currently Sri Lanka only has c. 400,000 Sq. ft. retail space by way of shopping malls where only Crescat Boulevard and ODEL (department store) are of internationally comparable standards. Moreover only a handful of basic international brands are present in the country. Although the government slashed down duties on wrist watches, cameras, phones and certain electronic items below 10% in 2010, other high end goods tend to be expensive than many competing destinations such as Singapore, Dubai, etc. mainly due to high import duties. For example in Sri Lanka high end handbags and shoes would be subject to 49-54% (all inclusive) duties on CIF basis.

Limited international brand presence...

However to make Sri Lanka a future shopping destination mainly targeting the sub continental tourists, a significant augmentation is needed in the retail segment. The presence of an extensive range of luxury brands at relatively cheaper prices than those of established destinations is a must to attract the tourist segment with high spending power who would shop for luxuries being on the travel.

Presence of more variety in luxury brands at competitive pricing needed to attract high spenders...

Under the Colombo development plan c.2.0 mn Sq.ft would be added as luxury retail space, but a substantial revision of import duties on luxury goods is crucial in order to witness the full potential of the country as a shopping destination.

Casino tourism

Sri Lanka's gaming and entertainment industry looks optimistic with interest being shown from both local and foreign parties to enter the Industry. Sri Lanka's casino market is a fragmented industry with six licenced casinos operating in Sri Lanka, namely Bellegio, Ballys, MGM, Stardust, Marina Colombo and Ritz. In the six years leading up to 2011 casinos contributed LKR1.7 bn in tax revenue. The targeted market for gaming clientele would be wealthy Indian, Chinese and Middle Eastern tourists. As seen through the enhancement of the gaming

Huge growth potential in the casino industry at present...

industry in Macau (operating a multi-billion dollar industry dwarfing the iconic Las Vegas) it invariably leads to more tourist arrivals where Sri Lanka could expect more tourist arrivals from above regions. Therefore we expect total tourist arrivals to reach 3.3 mn by 2020E with the incremental tourist arrivals in the gaming industry.

Thus the huge growth potential in the Sri Lankan casino industry citing the Indian traffic as a lucrative target market, is further evident with the interest shown by industry tycoons such as James Packer and Sri Lankan conglomerate **John Keells Holdings (JKH : LKR208.00)**. The latter's integrated resort project which includes a casino is yet to reveal their status on a casino license or a joint venture partner. Nevertheless, with the government statement of not approving further casino licenses, it is assumed that the company would join hands with a local or foreign industry mogul to operate the business. Meanwhile according to media reports, a leading Chinese casino party is speculated to be the latest entrant expected to join the casino band wagon for which negotiations are being done.

Three international casinos expected in the next 4-5 year horizon...

The Australian based Crown casino project is set to spread over 50,000 Sqft and is estimated to attract 300k tourist during 2017-2020 whilst JKH integrated resort has allocated 150,000 Sqft for entertainment and gaming facilities and expected to attract 500k tourists.

MICE tourism

At present this market being at a lower base amounts to a small portion of tourist arrivals such as 2% (as of 2012), however recording fast growth (38% YoY up in 2012). In benefiting from being located in close proximity to the Indian sub-continent, Sri Lanka has immense opportunity to grow this segment. Hence we expect very fast growth in MICE among business travellers chiefly from India and other neighbouring countries such as Pakistan and Bangladesh. Further we expect the MICE segment to increase its contribution to c.5% of the total tourist arrivals by 2020e. However the constraints of not having sufficient capacity to cater to the growing market and lack of frequent flight connectivity for the Bangladesh market needs to be addressed. New hotels and mixed developments which are due to come up in the commercial capital would tackle the capacity problem to a certain extent where nearly all the said projects have planned for banquet and conference facilities. Moreover few pioneers such as **Aitken Spence Hotel Holdings (AHUN : LKR64.50)** and **John Keells Hotels (KHL :LKR11.80)** have taken steps by specifically targeting the said market to add specialty conference spaces in its resort portfolio in Sri Lanka (over 300 seating capacity halls in Heritage Kandalama and Cinnamon Bay Beruwala).

MICE segment to grow from a low base with regional countries as target market...

Movie industry

Other areas for growth opportunities exist in the cinema industry where Sri Lanka offers a wide variety of locations due to its diverse landscape. Thus this paves way for growth of this segment.

Marina development

A marina development in Galle, Trincomalee etc. in addition to expected new segments such as casino and entertainment, gives potential to attract high net-worth tourists for marine leisure. Therefore marina development consisting of boat parks and infrastructure for yachting is an area into which more focus needs to be given. When considering the size of the industry on global terms, marinas around the world constitute very high potential multi-billion dollar revenue sector and is closely linked to yachting and related activities such as diving, offshore fishing, and water-sports. In the UK, the equivalent of LKR280 bn (USD2 bn) and 63,000 jobs are found in this sector.

Opportunities in the marina segment, to attract multi-billionaires...

The way forward...

In focusing on the next 3-4 years, the government's ambitious target of 2.5 mn is possible, though we believe a target arrival of 1.7 mn tourists is more realistic given the challenges faced by the industry could take 2-3 years to overcome. Sri Lanka is becoming expensive when compared to its peers given the high energy costs, higher import duties on food etc. Further the higher taxation on branded apparel, accessories, cosmetics, electronics etc. makes the efforts by the authorities to promote Sri Lanka as a shopping destination a, stillborn exercise. Furthermore there is a void in 2-3 star accommodation in line with expected international standards and pricing. Meanwhile large number of fragmented hotel developments has hampered the effect of economies of scale in the industry and increasing the cost base of the established large private hotel operators in the island. However with only 15,510 rooms in total (SLTDA statistics 2012) next 2-3 years may see an addition of only around 2,000 rooms. It is noteworthy that by end 2012 there were only c.5,000, 4-5 star hotel rooms in the island. Therefore we do not foresee an over-supply in room capacity though an industry shakeout could materialize with the smaller hotels been acquired and/or having to drastically reduce their pricing.

No over-supply in hotel rooms expected, though an industry shake-out possible with a cut in room rates for 1-3 star properties...

Nevertheless the private sector continues to be resilient and the established listed hoteliers such as **Aitken Spence Hotel Holdings (AHUN : LKR65.00)**, **John Keells Holdings (JKH : LKR208.00)**, **Serendib Leisure (SHOT.N : LKR25.50; SHOT.X : LKR14.00)**, **Ceylon Hotels Corporation (CHOT.N : LKR15.10)**, **Anilana Hotels & Properties (ALHP : LKR7.60)**, **Softlogic Holdings (SHL : LKR8.40)**, **The Kingsbury (SERV : LKR10.00)**, **Amaya Leisure (CONN : LKR71.00)** and **Lanka Orix Leasing Company (LOLC : LKR50.00)** and few unlisted operators such as Jetwing, Mount Lavinia Hotel Group, Galle Face Hotel etc. continue to invest in the industry citing the automatic growth potential of a 10% arrivals growth CAGR during the next 5-10 years which could be bolstered to a 18% arrivals CAGR during the next decade if cohesive efforts are taken to overcome the challenges.

Established listed hoteliers and few unlisted operators continuing to invest in the industry..

Hotel Fact Sheets

Aitken Spence Hotel Holdings PLC (AHUN)

LKR : 66.00

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (30th June 2013)		LKR. mn
Aitken Spence Hotel Holdings PLC		Non Current Assets		16,320.44
LOCATION		Property, Plant and Equipment		12,086.22
Southern Province, Central Province & North Western Province in Sri Lanka		Investments		4,234.22
Several Islands in Maldives		Current Assets		6,410.19
STAR RATING		- Inventories		284.301
3-5 Star		- Recievables, Pre-Paym. & Other		5,594.27
ROOMS (no.)		- Cash & Equivalents		531.61
1164		Total Assets		22,730.63
ORDINARY SHARES (mn.)		Non Current Liabilities		2,907.42
	336.29	- Borrowings		2,587.29
MAIN SHAREHOLDERS		- Grants & Other Liabilities		320.13
	%	Current Liabilities		3,761.63
1. Aitken Spence PLC - A/C No. 1	71.21	- Borrowings		1,034.52
2. Employees Provident Fund	8.84	- Trade & Other Payables		2,727.12
3. Sri Lanka Insurance Corporation Ltd - Life Fund	2.16	Total Liabilities		6,669.05
4. Scottish ORL SMLTR G	1.67	Equity		16,061.57
5. Ace Cargo (Pvt) Ltd	1.32	- Stated Capital		3,554.59
VALUATION SUMMARY		- Other Reserves & Minority Interest		6,139.10
Total Net Asset Value (LKR. mn)	36,045.35	- Accumilated Profits/Losses		6,367.88
Net Asset Value per Share (LKR.)	107.19	Shareholders' Funds		12,937.35
Shareholders' Funds (LKR. mn)	12,937.35	Book Value per Share (Reported) LKR.		38.47
Book Value per Share (LKR.)	38.47	Total Net Asset Value		36,045.3
Enterprise Value (LKR. mn)	25,285.34	Net Asset Value per Share(Replacement cost)		107.2
Enterprise Value per Room (LKR.)	21.72	ENTERPRISE VALUATION		LKR. mn
Trailing 4 quarter PE	12.45	Total Enterprise Value		25,285.34
Trading PBV	1.72	Enterprise Value per Room		21.72
Trailing 4 quarter EPS	5.30	Enterprise Value per Share LKR.		75.19
12 months forward PE	9.98			

Asian Hotels And Properties PLC (AHPL)

LKR : 68.50

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (30th June 2013)		LKR. mn
Asian Hotels And Properties PLC		Non Current Assets		22,798.84
LOCATION		Property, Plant and Equipment		18,322.98
Colombo		Other Non Current Assets		4,475.86
31 kilometres from Katunayake		Current Assets		3,199.42
Western Province		- Inventories		112.85
STAR RATING		- Recievables, Pre-Paym. & Other		2,894.75
5 Star		- Cash & Equivalents		191.82
ROOMS (no.)		Total Assets		25,998.26
841		Non Current Liabilities		531.16
ORDINARY SHARES (mn.)		- Borrowings		1.42
442.78		- Other Non Current Liabilities		529.74
MAIN SHAREHOLDERS		Current Liabilities		1,436.72
		- Borrowings		407.72
1. John Keells Holdings PLC		- Trade & Other Payables		1,029.00
3. Employees Provident Fund		Total Liabilities		1,967.88
3. Sri Lanka Insurance Corporation		Equity		24,030.38
4. Bank Of Ceylon - Ceybank Unit Trust		- Stated Capital		3,345.11
5. Fi- Ciblux S/A Batterymarch Global Fund		- Other Reserves		11,107.56
		- Revenue Reserves		6,309.62
VALUATION SUMMARY		Shareholders' Funds		20,762.29
Total Net Asset Value (LKR. mn)		Minority Interest		3,268.09
Net Asset Value per Share (LKR.)		Book Value per Share (Reported) LKR.		46.89
Shareholders' Funds (LKR. mn)		Total Net Asset Value		32,127.4
Book Value per Share (LKR.)		Net Asset Value per Share(Replacement cost)		72.56
Enterprise Value (LKR. mn)		ENTERPRISE VALUATION		LKR. mn
Enterprise Value per Room (LKR.)		Total Enterprise Value		30,547.75
Trailing 4 quarter PE		Enterprise Value per Room		36.32
Trading PBV		Enterprise Value per Share LKR.		68.99
Trailing 4 quarter EPS				
12 months forward PE				

Trans Asia Hotels PLC (TRAN)

LKR : 82.40

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (30th June 2013)		LKR. mn
Trans Asia Hotels PLC		Non Current Assets		5,890.45
LOCATION		Property, Plant and Equipment		3,290.51
Colombo		Other Non Current Assets		2,599.94
1 kilometre off from the heart of Colombo (35 km from Katunayake)		Current Assets		783.32
STAR RATING		- Inventories		38.53
5 Star		- Recievables, Short term Inv. & Other		694.05
ROOMS (no.)		- Cash & Equivalents		50.74
340		Total Assets		6,673.77
ORDINARY SHARES (mn.)		200.00		
MAIN SHAREHOLDERS		Non Current Liabilities		430.35
		- Deferred Tax Liabilities		329.00
		- Other Liabilites		101.35
		Current Liabilities		468.37
		- Borrowings		37.39
		- Trade & Other Payables		430.98
		Total Liabilities		898.72
		Equity		5,775.04
1. John Keells Holdings PLC		- Stated Capital		1,112.88
2. Asian Hotels and Properties PLC		- Capital Reserves		1,677.71
3. Bank of Ceylon A/C Ceybank Unit Trust		- Revenue Reserves		2,984.45
4. Employees Provident Fund		Shareholders' Funds		5,775.04
5. Mr. N.L. Gooneratne		Book Value per Share (Reported) LKR.		28.88
VALUATION SUMMARY		Total Net Asset Value		14,084.5
Total Net Asset Value (LKR. mn)		14,084.54	Net Asset Value per Share(Replacement cost)	70.4
Net Asset Value per Share (LKR.)		70.42	ENTERPRISE VALUATION	
Shareholders' Funds (LKR. mn)		5,775.04	LKR. mn	
Book Value per Share (LKR.)		28.88	Total Enterprise Value	
Enterprise Value (LKR. mn)		16,466.65	Enterprise Value per Room	
Enterprise Value per Room (LKR.)		48.43	Enterprise Value per Share LKR.	
Trailing 4 quarter PE		15.50		
Trading PBV		2.70		
Trailing 4 quarter EPS		5.33		
12 months forward PE		13.49		

Anilana Hotels And Properties PLC (ALHP)

LKR : 7.60

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (31 March 2013)		LKR. mn
Anilana Hotels And Properties PLC		Non Current Assets		4,555.87
LOCATION		Property, Plant and Equipment		2,344.10
Pasikuda		Investments		2,211.77
277 kilometres from Katunayake international airport		Current Assets		306.15
LAND EXTENT		- Inventories		12.642
Nilaveli - 8.0 acres (Freehold)	Pasikuda - 6.0 acres (Leasehold)	- Recievables, Pre-Paym. & Other		248.40
Dambulla -39.5 acres (Freehold)	Pannichankerni - 17.4 acres (Freehold)	- Cash & Equivalent		10.38
Selladiv Island - 10.2 acres	Vakarai - 21.7 acres (Freehold)	Total Assets		4,862.01
Blue Lagoon - 7.5 acres (Freehold)		Non Current Liabilities		1,204.45
		- Borrowings		1,202.08
		- Provisions & Other Liabilities		2.37
		Current Liabilities		761.40
ORDINARY SHARES (mn.)	422.40	- Borrowings		692.80
MAIN SHAREHOLDERS	%	- Trade & Other Payables		68.60
Mr. Asanga Seneviratne	29.0%	Total Liabilities		1,965.85
Asia Fort Asset Mgt	11.0%	Equity		2,896.20
HSBC Intl	8.0%	- Stated Capital		2,601.50
Mr. Harshith Dharmadasa	8.0%	- Other Reserves		294.70
Ms. Manjula Seneviratne	6.0%	- Minority Interest		0.00
Investor Access Equities	6.0%	Shareholders' Funds		2,896.20
Total Net Asset Value (LKR. mn)	3,126.76	Book Value per Share (Reported) LKR.		6.86
Net Asset Value per Share (LKR.)	7.40	Total Net Asset Value		3,126.8
Shareholders' Funds (LKR. mn)	2,896.20	Net Asset Value per Share(Replacement cost)		7.4
Book Value per Share (LKR.)	6.86	ENTERPRISE VALUATION		LKR. mn
Enterprise Value (LKR. mn)	5,094.74	Total Enterprise Value		5,094.74
Enterprise Value per Room (LKR.)	84.91	Enterprise Value per Room		84.91
Trailing 4 quarter PE	NA	Enterprise Value per Share LKR.		12.06
Trading PBV	1.11			
Trailing 4 quarter EPS	NA			
12 months forward PE	41			

Eden Hotel Lanka PLC (EDEN)

LKR : 34.70

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (30th June 2013)		LKR. mn
Eden Hotel Lanka PLC		Non Current Assets		2,654.67
LOCATION		Property, Plant and Equipment		2,117.03
Beruwala		Other Non Current Assets		537.64
60 kilometres south of Colombo (96 km from Katunayake)		Current Assets		256.67
South West Coast		- Inventories		12.37
STAR RATING		- Receivables, Pre-Paym. & Other		164.47
5 Star		- Cash & Equivalents		79.83
ROOMS (no.)		Total Assets		2,911.34
158		Non Current Liabilities		192.71
ORDINARY SHARES (mn.)		- Retirement Benefit Obligations		8.27
	52.80	- Deferred Tax		184.44
MAIN SHAREHOLDERS		Current Liabilities		376.69
	%	- Borrowings		10.95
1. Palm Garden Hotels PLC	46.21	- Trade & Other Payables		365.74
2. Confifi Management Services PLC.	10.70	Total Liabilities		569.40
3. Employees Provident Fund	9.64	Equity		2,341.95
4. Employees Trust Fund Board	3.00	- Stated Capital		528.00
5. DR. R R De Silva	2.21	- Other Reserves		1,424.60
VALUATION SUMMARY		- Revenue Reserves		389.35
Total Net Asset Value (LKR. mn)	3,842.51	Shareholders' Funds		2,341.95
Net Asset Value per Share (LKR.)	72.77	Book Value per Share (Reported) LKR.		44.36
Shareholders' Funds (LKR. mn)	2,341.95	Total Net Asset Value		3,842.5
Reported Book Value per Share (LKR.)	44.36	Net Asset Value per Share(Replacement cost)		72.8
Enterprise Value (LKR. mn)	1,763.28	ENTERPRISE VALUATION		LKR. mn
Enterprise Value per Room (LKR.)	11.16	Total Enterprise Value		1,763.28
Trailing 4 quarter PE	8.40	Enterprise Value per Room		11.16
Trading PBV	0.80	Enterprise Value per Share LKR.		33.40
Trailing 4 quarter EPS	4.01			
12 months forward PE	7.56			

RENUKA CITY HOTELS PLC (RENU)

LKR : 256.60

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (30th June 2013)		LKR. mn
Renuka City Hotels PLC		Non Current Assets		2,749.45
LOCATION		Property, Plant and Equipment		416.24
Colombo		Other Non Current Assets		2,333.21
31 kilometres from Katunayake		Current Assets		1,246.13
Western Province		- Inventories		0.26
STAR RATING		- Receivables, Pre-Paym. & Other		20.47
3 Star		- Cash & Equivalents		1,225.40
ROOMS (no.)		Total Assets		3,995.58
99		Non Current Liabilities		40.25
ORDINARY SHARES (mn.)		- Retirement Benefit Obligations		6.08
	7.00	- Deferred Tax		34.17
MAIN SHAREHOLDERS		Current Liabilities		17.24
	%	- Borrowings		2.51
1. Renuka Hotels Limited	62.29	- Trade & Other Payables		14.73
2. Cargo Boat Development	6.51	Total Liabilities		57.49
3. J. B Cocoshell	5.24	Equity		3,938.12
4. Associated Electrical Corporation	2.96	- Stated Capital		110.00
5. Crescent Launderers & Dry Cleaners	2.63	- Other Reserves		3,233.99
VALUATION SUMMARY		- Revenue Reserves		594.13
Total Net Asset Value (LKR. mn)	5,789.85	Shareholders' Funds		3,938.12
Net Asset Value per Share (LKR.)	827.12	Book Value per Share (Reported) LKR.		562.59
Shareholders' Funds (LKR. mn)	3,938.12	Total Net Asset Value		5,789.9
Book Value per Share (LKR.)	562.59	Net Asset Value per Share(Replacement cost)		827.1
Enterprise Value (LKR. mn)	573.31	ENTERPRISE VALUATION		LKR. mn
Enterprise Value per Room (LKR.)	5.79	Total Enterprise Value		573.31
Trailing 4 quarter PE	6.80	Enterprise Value per Room		5.79
Trading PBV	0.80	Enterprise Value per Share LKR.		81.90
Trailing 4 quarter EPS	38.00			
12 months forward PE	5.38			

The Kingsbury PLC (SERV)

LKR : 10.10

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (31 December 2010)		LKR. mn
The Kingsbury PLC		Non Current Assets		3,798.29
LOCATION		Property, Plant and Equipment		3,499.82
Colombo		Other non-current assets		298.47
STAR RATING		Current Assets		480.52
5 Star		- Inventories		62.05
ROOMS (no.)		- Recievables, Pre-Paym. & Other		370.15
229		- Cash & Equivalents		48.32
ORDINARY SHARES (mn.)		Total Assets		4,278.81
176.00		Non Current Liabilities		2,591.72
MAIN SHAREHOLDERS		- Borrowings		2,476.12
		- Provisions & Other Liabilities		115.61
1. Hayleys PLC No3 Share Investment Account		Current Liabilities		812.06
2. Carbotels Pvt Limited		- Borrowings		81.21
3. Employees Provident Fund		- Trade & Other Payables		730.85
4. Bank of Ceylon-No 2 A/C		Total Liabilities		3,403.78
5. Merchant Bank of Sri Lanka Ltd A/C NO 1		Equity		875.03
VALUATION SUMMARY		- Stated Capital		176.00
Total Net Asset Value (LKR. mn)		- Other Reserves		975.33
Net Asset Value per Share (LKR.)		- Retained Earnings		(276.31)
Shareholders' Funds (LKR. mn)		Shareholders' Funds		875.03
Book Value per Share (LKR.)		Book Value per Share (Reported) LKR.		4.97
Enterprise Value (LKR. mn)		Total Net Asset Value		4,914.7
Enterprise Value per Room (LKR.)		Net Asset Value per Share(Replacement cost)		27.9
Trailing 4 quarter PE		ENTERPRISE VALUATION		LKR. mn
Trading PBV		Total Enterprise Value		4,286.61
Trailing 4 quarter EPS		Enterprise Value per Room		18.72
12 months forward PE		Enterprise Value per Share LKR.		24.36

Amaya Leisure PLC (CONN)

LKR : 67.60

Valuation Sheet (LKR mn)

<u>HOTEL</u>		BALANCE SHEET (31 June 2013)	LKR. mn
Amaya Leisure PLC		Non Current Assets	2,739.62
<u>LOCATION</u>		Property, Plant and Equipment	2,606.00
Kandy		Other non-current assets	133.62
Dambulla		Current Assets	210.14
		- Inventories	22.63
		- Recievables, Short term inv. & other	158.44
		- Cash & Equivalents	29.07
<u>ROOMS (no.)</u>		Total Assets	2,949.77
220		Non Current Liabilities	150.05
		- Borrowings	45.86
ORDINARY SHARES (mn.)		- Other Non-current Liabilities	104.20
	48.03	Current Liabilities	255.06
MAIN SHAREHOLDERS		- Borrowings	102.01
	%	- Trade & Other Payables	153.05
1.Hayleys PLC	40.32	Total Liabilities	405.11
2. Dean Foster (pvt) Ltd	21.34	Equity	2,515.38
3.Employee Provident Fund	9.62	- Stated Capital	526.78
4. Mr.L.T. Samarawickrama	9.28	- Other Reserves & Minority Interest	24.78
5. C J Wickramasinghe	4.75	- Retained Earnings	1,963.83
VALUATION SUMMARY		Shareholders' Funds	2,515.38
Total Net Asset Value (LKR. mn)		Book Value per Share (Reported) LKR.	52.37
Net Asset Value per Share (LKR.)		Total Net Asset Value	5,395.7
Shareholders' Funds (LKR. mn)		Net Asset Value per Share(Replacement cost)	112.3
Book Value per Share (LKR.)		Net Asset Value per Share(Market valuation)	
Enterprise Value (LKR. mn)		ENTERPRISE VALUATION	LKR. mn
Enterprise Value per Room (LKR.)		Total Enterprise Value	3,365.62
Trailing 4 quarter PE		Enterprise Value per Room	15.30
Trading PBV		Enterprise Value per Share LKR.	70.07
Trailing 4 quarter EPS			
12 months forward PE			

The Lighthouse Hotel PLC (LHL)

LKR : 42.00

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (31 December 2010)	LKR. mn
The Lighthouse Hotel PLC		Non Current Assets	2,276.84
LOCATION		Property, Plant and Equipment	2,214.53
Galle		Other non-current assets	62.30
105 kilometres from Colombo		Current Assets	275.49
STAR RATING		- Inventories	28.202
5 Star		- Receivables, Pre-Paym. & Other	233.48
ROOMS (no.)		- Cash & Equivalents	13.81
63		Total Assets	2,552.32
ORDINARY SHARES (mn.)	46.00	Non Current Liabilities	72.19
		- Borrowings	55.76
		- Provisions & Other Liabilities	16.42
		Current Liabilities	176.59
MAIN SHAREHOLDERS	%	- Borrowings	6.20
1. Jetwing Hotels Management Services (Pvt) Ltd	36.86	- Trade & Other Payables	170.40
2. Mercantile Investments Ltd	16.82	Total Liabilities	248.78
3. Employees Provident Fund	11.05	Equity	2,303.54
4. Bank of Ceylon-No. 2 A/C	10.00	- Stated Capital	460.00
5. National Savings Bank	4.13	- Other Reserves	1,696.41
VALUATION SUMMARY		- Retained Earnings	147.14
Total Net Asset Value (LKR. mn)	1,718.93	Shareholders' Funds	2,303.54
Net Asset Value per Share (LKR.)	37.37	Book Value per Share (Reported) LKR.	50.08
Shareholders' Funds (LKR. mn)	2,303.54	Total Net Asset Value	1,718.9
Book Value per Share (LKR.)	50.08	Net Asset Value per Share(Replacement cost)	37.4
Enterprise Value (LKR. mn)	1,980.15	Net Asset Value per Share(Market valuation)	41.10
Enterprise Value per Room (LKR.)	31.43		
Trailing 4 quarter PE	21.54	ENTERPRISE VALUATION	LKR. mn
Trading PBV	0.84	Total Enterprise Value	1,980.15
Trailing 4 quarter EPS	1.95	Enterprise Value per Room	31.43
12 months forward PE	19.58	Enterprise Value per Share LKR.	43.05

Taj Lanka Hotels PLC (TAJ)

LKR : 26.90

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (30 June 2013)	LKR. mn
Taj Lanka Hotels PLC		Non Current Assets	2,917.13
LOCATION		Property, Plant and Equipment	2,022.44
Colombo, Bentota		Investments	14.19
STAR RATING		Current Assets	564.00
5 Star		- Inventories	38.337
ROOMS (no.)		- Recievables, Pre-Paym. & Other	201.62
460		- Cash & Equivalents	285.98
ORDINARY SHARES (mn.)		Total Assets	3,481.13
139.64		Non Current Liabilities	811.14
MAIN SHAREHOLDERS		- Borrowings	600.92
		- Preference Shares & Other	-
		Current Liabilities	446.70
		- Borrowings	166.93
		- Trade & Other Payables	188.51
		Total Liabilities	1,257.84
		Equity	2,223.29
		- Stated Capital	1,396.38
		- Other Reserves	1,672.14
		- Accumilated Profits/Losses	(845.33)
VALUATION SUMMARY		Shareholders' Funds	2,223.19
Total Net Asset Value (LKR. mn)	18,188.35	Book Value per Share (Reported) LKR.	15.92
Net Asset Value per Share (LKR.)	130.25	Total Net Asset Value	18,188.4
Shareholders' Funds (LKR. mn)	2,223.19	Net Asset Value per Share(Replacement cost)	130.3
Book Value per Share (LKR.)	15.92		
Enterprise Value (LKR. mn)	4,238.20		
Enterprise Value per Room (LKR.)	9.21	ENTERPRISE VALUATION	LKR. mn
Trailing 4 quarter PE	41.26	Total Enterprise Value	4,238.20
Trading PBV	1.69	Enterprise Value per Room	9.21
Trailing 4 quarter EPS	0.65	Enterprise Value per Share LKR.	30.35
12 months forward PE	37.13		

Serendib Hotels PLC (SHOT)

Voting : LKR26.90 Non Voting :LKR14.00

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (31 December 2010)	LKR. mn
Serendib Hotels PLC		Non Current Assets	2,740.77
LOCATION		Property, Plant and Equipment	2,284.42
Negambo, Bentota, Sigiriya		Investments	219.95
STAR RATING		Current Assets	788.00
3-4 Star		- Inventories	15.967
ROOMS (no.)		- Receivables, Pre-Paym. & Other	96.41
306		- Cash & Equivalents	166.10
ORDINARY SHARES (mn.)		Total Assets	3,528.77
	111.53	Non Current Liabilities	720.47
MAIN SHAREHOLDERS		- Borrowings	621.13
	%	- Other Liabilities	99.34
1. Leisure Asia Investments Ltd.	28.14	Current Liabilities	616.30
2. Hemas Holdings PLC	20.97	- Borrowings	170.51
3. Lodging Investment (Labuan) Ltd.	19.83	- Trade & Other Payables	252.79
4. The Mahayaya Estates Company Ltd	5.15	Total Liabilities	1,336.77
5. Mr. E.J.De Soysa	2.59	Equity	1,749.98
VALUATION SUMMARY		- Stated Capital	913.12
Total Net Asset Value (LKR. mn)	9,259.16	- Other Reserves & Minority Interest	19.94
Net Asset Value per Share (LKR.)	83.02	- Accumulated Profits/Losses	638.10
Shareholders' Funds (LKR. mn)	1,749.98	Shareholders' Funds	1,749.98
Book Value per Share (LKR.)	15.69	Book Value per Share (Reported) LKR.	15.69
Enterprise Value (LKR. mn)	3,625.56	Total Net Asset Value	9,259.2
Enterprise Value per Room (LKR.)	11.85	Net Asset Value per Share(Replacement cost)	83.0
Trailing 4 quarter PE (Voting)	14.27	Net Asset Value per Share(Market valuation)	
Trading PBV (Voting)	1.71	ENTERPRISE VALUATION	LKR. mn
Trailing 4 quarter EPS	1.89	Total Enterprise Value	3,625.56
12 months forward PE		Enterprise Value per Room	11.85
		Enterprise Value per Share LKR.	32.51

Citrus Leisure PLC (REEF)

LKR : 17.20

Valuation Sheet (LKR mn)

HOTEL		BALANCE SHEET (31 December 2010)		LKR. mn
Citrus Leisure PLC		Non Current Assets		3,677.73
LOCATION		Property, Plant and Equipment		2,271.56
Hikkaduwa		Other Non Current Assets		1,406.17
110 kilometres from International Airport		Current Assets		1,718.86
South Coast		- Inventories		5.88
STAR RATING		- Recievables, Pre-Paym. & Other		1,664.74
4 Star		- Cash & Equivalents		48.24
ROOMS (no.)		Total Assets		5,396.59
90		Non Current Liabilities		17.02
ORDINARY SHARES (mn.)		- Borrowings		10.51
	96.65	- Provisions & Other Liabilities		6.51
MAIN SHAREHOLDERS		Current Liabilities		1,319.76
	%	- Borrowings		1,130.59
1. Pan Asia Banking Corp/Divasa Equity (Pvt) Ltd	35.52	- Trade & Other Payables		189.17
2. Seylan Bank PLC / George Steuart Engineering	8.68	Total Liabilities		1,336.78
3. Pan Asia Banking Corp/A. S. R. Silva	7.14	Equity		2,835.83
4. Vallibel One PLC	5.81	- Stated Capital		2,403.27
5. Royal Ceramics Lanka PLC	2.86	- Other Reserves		-
VALUATION SUMMARY		- Revenue Reserves		432.56
Total Net Asset Value (LKR. mn)	3,837.85	Shareholders' Funds		2,835.83
Net Asset Value per Share (LKR.)	39.71	Book Value per Share (Reported) LKR.		29.34
Shareholders' Funds (LKR. mn)	2,835.83	Total Net Asset Value		3,837.9
Book Value per Share (LKR.)	29.34	Net Asset Value per Share(Replacement cost)		39.7
Enterprise Value (LKR. mn)	2,755.24	ENTERPRISE VALUATION		LKR. mn
Enterprise Value per Room (LKR.)	30.61	Total Enterprise Value		2,755.24
Trailing 4 quarter PE	61.70	Enterprise Value per Room		30.61
Trading PBV	0.60	Enterprise Value per Share LKR.		28.51
Trailing 4 quarter EPS	0.27			
12 months forward PE	59.85			

Ceylon Hotels Corp. (CHOT)

LKR : 16.00

Valuation Sheet (LKR mn)

<u>HOTEL</u>		BALANCE SHEET (30 June 2013)	LKR. mn
Ceylon Hotel Corp.		Non Current Assets	9,219.38
<u>LOCATION</u>		Property, Plant and Equipment	8,541.49
Kandy, Polonnaruwa, Bentota, Tissa Maharama		Investments	137.09
<u>STAR RATING</u>		Current Assets	640.08
3 -4 star		- Inventories	65.117
<u>ROOMS (no.)</u>		- Recievables, Pre-Paym. & Other	246.23
328		- Cash & Equivalents	273.21
ORDINARY SHARES (mn.)		Total Assets	9,859.46
	171.83	Non Current Liabilities	551.05
MAIN SHAREHOLDERS		- Borrowings	223.55
	%	- Provisions & Other Liabilities	327.50
1. Ceylon Hotel Holdings	70.40	Current Liabilities	1,811.51
2. Employees Provident Fund	11.95	- Borrowings	935.55
3. The Galle Face Hotel	5.76	- Trade & Other Payables	763.99
4. Bank of Ceylon-No 2 A/C	3.48	Total Liabilities	2,362.57
5. National Savings Bank	1.92	Equity	7,496.89
VALUATION SUMMARY		- Stated Capital	1,220.43
Total Net Asset Value (LKR. mn)	7,175.20	- Other Reserves	5,441.48
Net Asset Value per Share (LKR.)	41.76	- Retained Earnings	(537.69)
Shareholders' Funds (LKR. mn)	6,124.22	Shareholders' Funds	6,124.22
Book Value per Share (LKR.)	35.64	Book Value per Share (Reported) LKR.	35.64
Enterprise Value (LKR. mn)	1,316.89	Total Net Asset Value	7,175.2
Enterprise Value per Room (LKR.)	4.01	Net Asset Value per Share(Replacement cost)	41.8
Trailing 4 quarter PE	N/A	Net Asset Value per Share(Market valuation)	
Trading PBV	0.45	ENTERPRISE VALUATION	LKR. mn
Trailing 4 quarter EPS	(1.08)	Total Enterprise Value	1,316.89
12 months forward PE		Enterprise Value per Room	4.01
		Enterprise Value per Share LKR.	7.66



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