

Net Foreign Flows into CSE Jump to a >2-Year High

... Urban Inflation in March Hits a High of 7.3%

ASPI ^ 1.10% | S&P SL20 ^ 0.65%

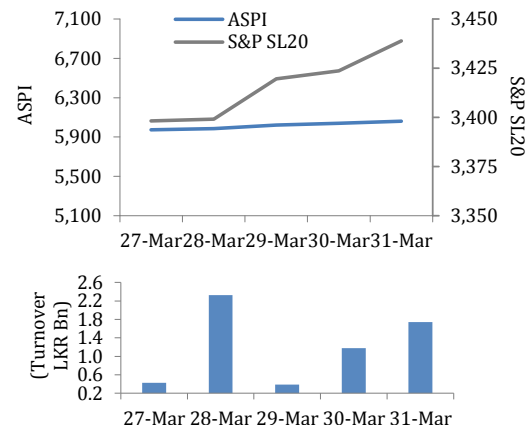
The Bourse ended in... *Cont. P2*

Foreign Investors Closed the Week in a... *Cont. P3*

Markets reverted five consecutive weeks ... *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (27th Mar – 31st Mar)



KEY STATISTICS

| Week ending | 31-Mar | 24-Mar | +/- |
|--|-----------|-----------|--------|
| ASPI | 6,061.94 | 5,996.28 | 1.10% |
| S&P SL20 | 3,438.88 | 3,416.68 | 0.65% |
| Banking & Finance | 14,575.46 | 14,544.68 | 0.21% |
| Food & Beverage | 21,893.28 | 21,531.40 | 1.68% |
| Diversified | 1,521.51 | 1,506.40 | 1.00% |
| Hotel & Travel | 2,907.84 | 2,896.08 | 0.41% |
| Plantations | 685.37 | 681.67 | 0.54% |
| Manufacturing | 4,164.35 | 4,078.40 | 2.11% |
| Turnover (LKR Bn) | 6.06 | 4.31 | 40.81% |
| Foreign Buying (LKR Mn) | 4,447.90 | 2,790.82 | 59.38% |
| Foreign Selling (LKR Mn) | 2,626.62 | 1,474.06 | 78.19% |
| Daily Average Turnover (LKR Bn) | 1.21 | 0.86 | 40.81% |
| Daily Average Foreign Buying (LKR Mn) | 889.58 | 558.16 | 59.38% |
| Daily Average Foreign Selling (LKR Mn) | 525.32 | 294.81 | 78.19% |

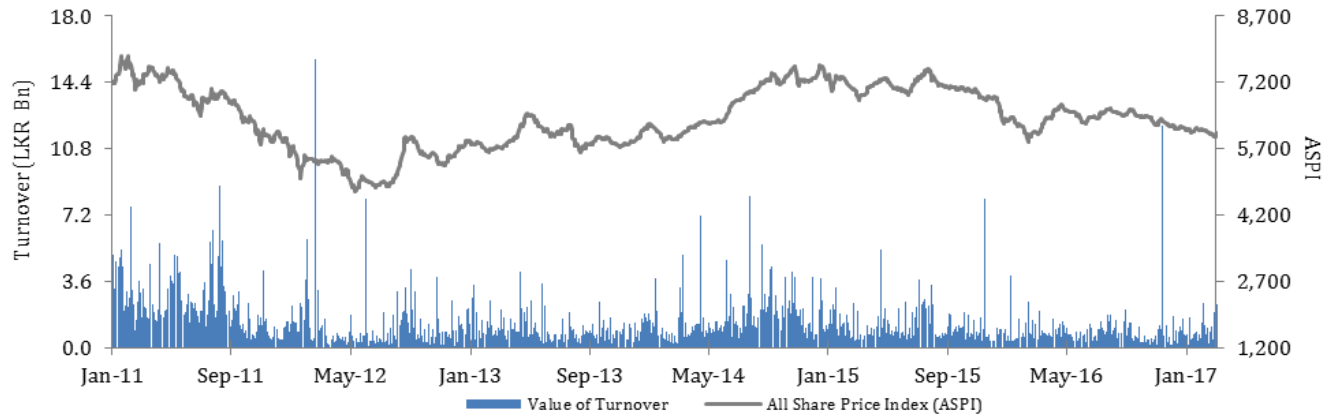
TOP 10 GAINERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|------------------|-------|---------------|---------------|--------------|
| BROWNS CAPITAL | FLCHN | 0.9 | 1.5 | 66.7% |
| HAPUGASTENNE | HAPUN | 16.6 | 21.9 | 31.9% |
| KELSEY | KDL N | 38.3 | 50.0 | 30.5% |
| PEOPLE'S MERCH | PMB N | 10.7 | 13.9 | 29.9% |
| BIMPUTH FINANCE | BLI N | 47.0 | 59.3 | 26.2% |
| ODEL PLC | ODELN | 20.0 | 25.0 | 25.0% |
| ASIA CAPITAL | ACAPN | 6.0 | 7.3 | 21.7% |
| ADAM INVESTMENTS | AINVN | 0.5 | 0.6 | 20.0% |
| BANSEI RESORTS | BRR N | 7.1 | 8.5 | 19.7% |
| LAXAPANA | LITEN | 9.7 | 11.5 | 18.6% |

TOP 10 LOSERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|-------------------|-------|---------------|---------------|--------------|
| S M B LEASING[NV] | SEMBX | 0.3 | 0.2 | -33.3% |
| PC PHARMA | PCP N | 0.4 | 0.3 | -25.0% |
| SWARNAMAHAL FIN | SFS N | 0.8 | 0.7 | -12.5% |
| KEGALLE | KGALN | 58.9 | 52.0 | -11.7% |
| KOTMALE HOLDINGS | LAMBN | 101.0 | 90.4 | -10.5% |
| NAMUNUKULA | NAMUN | 82.5 | 74.0 | -10.3% |
| ADAM CAPITAL | PCHHN | 1.0 | 0.9 | -10.0% |
| ARPICO INSURANCE | AINSN | 13.5 | 12.4 | -8.1% |
| LOTUS HYDRO | HPFLN | 5.2 | 4.8 | -7.7% |
| DOLPHIN HOTELS | STAFN | 34.0 | 31.5 | -7.4% |

Market Review



Indices |

The Bourse took a turn and ended in the green as the ASPI increased by 65.66 points (or 1.10%) to close at 6,061.94 points, while the S&P SL20 Index too increased by 22.20 points (or 0.65%) to close at 3,438.88 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 1.43Bn or 23.51% of total turnover value. Singer Sri Lanka followed suit, accounting for 22.35% of turnover (value of LKR 1.36Bn) while Sunshine Holdings contributed LKR 0.75Bn to account for 12.44% of the week's turnover. Total turnover value amounted to LKR 6.06Bn (cf. last week's value of LKR 4.31Bn), while daily average turnover value amounted to LKR 1.21Bn (+40.81% W-o-W) compared to last week's average of LKR 0.86Bn. Market capitalization meanwhile, increased by 1.21% W-o-W (or LKR 29.51 Bn) to LKR 2,662.86 Bn cf. LKR 2,633.35 Bn last week.

Liquidity (in Value Terms) |

The Diversified Sector was the highest contributor to the week's total turnover value, accounting for 41.22% (or LKR2.50Bn) of market turnover. Sector turnover was driven primarily by JKH, Sunshine Holdings & Melstacorp which accounted for 93.01% of the sector's total turnover. The Trading Sector meanwhile accounted for 22.39% (or LKR 1.36Bn) of the total turnover value with turnover driven primarily by Singer Sri Lanka which accounted for 99.82% of the sector turnover. The Banks, Finance & Insurance Sector was also amongst the top sectorial contributors, contributing 15.86% (or LKR 0.96Bn) to the market. The sector turnover was driven by Commercial Bank, Bimputh Finance & Sampath Bank which accounted for 67.79% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified Sector dominated the market in terms of share volume too, accounting for 42.57% (or 94.68Mn shares) of total volume, with a value contribution of LKR2.50Bn. The Banking, Finance & Insurance sector followed suit, adding 18.30% to total turnover volume as 40.70Mn shares were exchanged. The sector's volume accounted for LKR0.96Bn of total market turnover value. The Telecommunications Sector meanwhile, contributed 17.91Mn shares (or 8.05%), amounting to LKR0.20Bn.

Top Gainers & Losers |

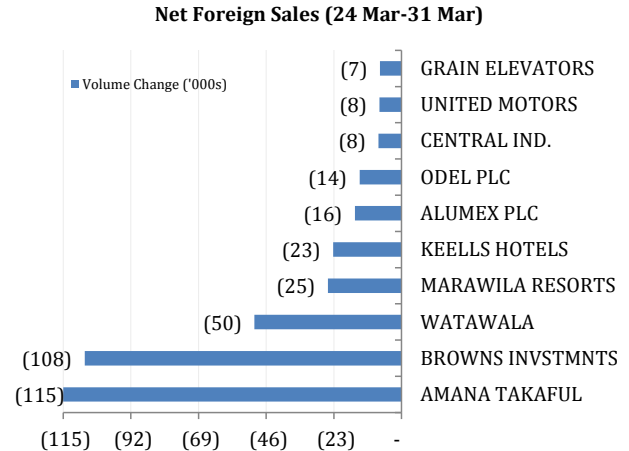
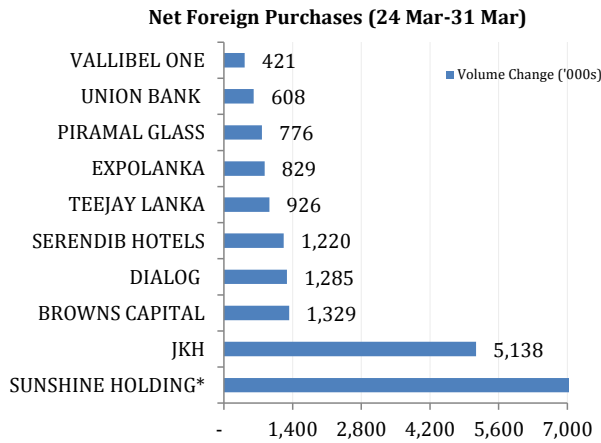
Browns Capital was the week's highest price gainer; increasing 66.67% W-o-W from LKR 0.90 to LKR 1.50. Hapugastenne Plantations gained 31.93% W-o-W to close at LKR 21.90 while Kelsey Developments gained 30.55% W-o-W to close at LKR 50.00. People's Merchant (+29.91% W-o-W) and Bimputh Finance (+26.17% W-o-W) were also amongst the gainers.

SMB Leasing[X] was the week's highest price loser, declining 33.33% W-o-W to close at LKR 0.20. PC Pharma(-25.00% W-o-W), Swarnamahala Finance (-12.50% W-o-W) and Kegalle Plantations (-11.71% W-o-W) were also amongst the top losers over the week.

TOP 10 TURNOVER

| Company | Code | Opening Price | Closing Price | Value (Rs. Mn) |
|------------------|-------|---------------|---------------|----------------|
| JKH | JKH N | 134.9 | 137.9 | 1425.5 |
| SINGER SRI LANKA | SINSN | 140.0 | 139.9 | 1355.5 |
| SUNSHINE HOLDING | SUN N | 46.8 | 46.1 | 754.7 |
| COMMERCIAL BANK | COMBN | 132.1 | 130.4 | 329.7 |
| AGALAWATTE | AGALN | 16.1 | 17.8 | 274.9 |
| DIALOG | DIALN | 11.1 | 11.3 | 203.7 |
| BIMPUTH FINANCE | BLI N | 47.0 | 59.3 | 179.7 |
| ACCESS ENG SL | AEL N | 23.7 | 23.8 | 146.6 |
| MELSTACORP | MELSN | 62.0 | 59.2 | 144.6 |
| SAMPATH | SAMPN | 259.3 | 259.0 | 142.5 |

Market Review (Cont'd)



* Volume Change in Sunshine Holdings (14.85 Mn shares) from 24th -31st Mar is not displayed.

Foreign investors closed the week in a net buying position with total net inflows amounting to LKR 1.82Bn relative to last week's total net inflow of LKR 1.32Bn (+38.32% W-o-W). Total foreign purchases increased by 59.38% W-o-W to LKR 4.45Bn from last week's value of LKR 2.79Bn, while total foreign sales amounted to LKR 2.63Bn relative to LKR 1.47Bn recorded last week (+78.19% W-o-W). In terms of volume, Sunshine Holdings and JKH led foreign purchases while Amana Takaful & Browns Investments led foreign sales. In terms of value, JKH & Sunshine Holdings led foreign purchases while Dimo & Watawala led foreign sales.

Net Foreign Purchases (By Transaction Value)

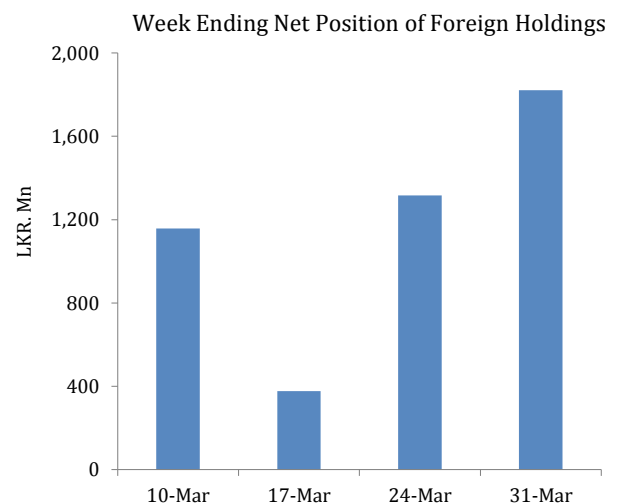
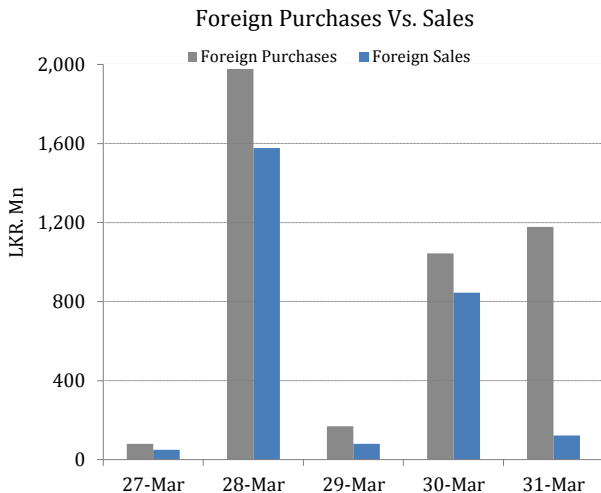
| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|------------------|---------------------|----------|------------|------------------|
| | 31/03/17 | 24/03/17 | | |
| JKH | 52.19% | 51.82% | 5,138,158 | 708.55 |
| SUNSHINE HOLDING | 48.69% | 37.70% | 14,849,500 | 684.56 |
| HEMAS HOLDINGS | 31.04% | 30.97% | 416,667 | 45.29 |
| TEEJAY LANKA | 45.27% | 45.13% | 925,720 | 34.25 |
| SERENDIB HOTELS | 25.64% | 24.02% | 1,220,285 | 28.19 |
| HNB | 27.42% | 27.40% | 79,626 | 17.94 |
| DIALOG | 94.07% | 94.05% | 1,285,325 | 14.52 |
| TOKYO CEMENT | 23.27% | 23.18% | 206,487 | 12.60 |
| COLD STORES | 10.05% | 10.04% | 11,000 | 8.92 |
| UNION BANK | 79.31% | 79.26% | 608,343 | 8.64 |

Net Foreign Sales (By Transaction Value)

| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|------------------|---------------------|----------|------------|------------------|
| | 31/03/17 | 24/03/17 | | |
| DIMO | 1.35% | 1.41% | (5,000) | (2.80) |
| WATAWALA | 1.25% | 1.27% | (50,000) | (1.22) |
| SINGER SRI LANKA | 87.71% | 87.71% | (7,247) | (1.01) |
| SEYLAN BANK | 5.33% | 5.33% | (6,764) | (0.59) |
| UNITED MOTORS | 56.79% | 56.79% | (7,500) | (0.59) |
| GRAIN ELEVATORS | 61.14% | 61.15% | (7,304) | (0.50) |
| ODEL PLC | 0.11% | 0.11% | (14,219) | (0.36) |
| CENTRAL IND. | 2.81% | 2.85% | (7,850) | (0.35) |
| ALUMEX PLC | 0.84% | 0.84% | (15,820) | (0.30) |
| MELSTACORP | 25.26% | 25.26% | (5,028) | (0.30) |

Note: *Value based on closing price and not on actual traded price

Please note that the foreign shares data displayed above include private transfers done outside of the market.



Source: Colombo Stock Exchange

Announcements for the Week

Dividend Announcements

| <u>Company</u> | <u>DPS (Rs.)</u> | <u>Final/Interim</u> | <u>XD Date</u> |
|---|------------------|------------------------|----------------------|
| CEYLON GRAIN ELEVATORS PLC | DPS: 2.50 | First & Final Dividend | XD: 04.May.2017 |
| THREE ACRE FARMS PLC | DPS: 4.00 | First & Final Dividend | XD: 04.May.2017 |
| AITKEN SPENCE PLANTATION MANAGERMENTS PLC | DPS: 3.00 | Interim Dividend | XD: 11.Apr.2017 |
| DANKOTUWA PORCELAIN PLC | DPS: 0.40 | Interim Dividend | XD: 07.Apr.2017 |
| COMMERCIAL CREDIT AND FINANCE PLC | DPS: 0.50 | First Interim Dividend | XD: 07.Apr.2017 |
| PEOPLE'S INSURANCE PLC | DPS: 0.25 | Final Dividend | Dates to be notified |
| ASIRI HOSPITAL HOLDINGS PLC | DPS: 0.50 | Interim Dividend | XD: 06.Apr.2017 |
| DIALOG AXIATA PLC | DPS: 0.39 | Final Dividend | XD: 12.May.2017 |

Point of View

Markets reverted five consecutive weeks of W-o-W losses this week as the Bourse bottomed-out from its over-sold position aided largely by foreign investors & HNIs. Despite hitting a 1-year low of 5974.9 points on Monday, the benchmark index recovered ~87 points over the week to close ~61 points above the key psychological barrier of 6000 points. Average turnover levels too reflected similar positive momentum, averaging a 4-week high of LKR 1.21Bn, ~40% higher than the Y-T-D average turnover level of LKR 0.73Bn, and 29% higher than last weeks' average turnover level of LKR 0.86Bn. The revived market momentum stemmed partially from HNI and Institutional buying interest which contributed to 37% of the market turnover amid strong interest in counters as JKH (41% of the crossings) & Sunshine Holdings (33% of the crossings). Significant foreign interest was also a major contributor to momentum, and the net foreign position on the bourse improved for the 9th consecutive week, with net buying increasing 38% W-o-W to end at LKR 1.82Bn. Foreign inflows to the CSE have remained largely consistent since Jul'16 (excluding a brief outflow in Jan), hitting a >2-year high of LKR 4.6Bn in Mar'17. Net inflows to the CSE over Q1'17 was LKR 4.6Bn (cf. an outflow of LKR 2.2Bn in Q1'16) as fund flows towards EM/FM assets have resumed as the recovery in the global economy has relieved earlier pessimism over the potential for the new U.S. administration to impose protectionist trade policies¹. Markets in the week ahead are likely to maintain similar positive direction

Note:1.Nikkei Asian Review

Urban Inflation in March Hits a High of 7.3%

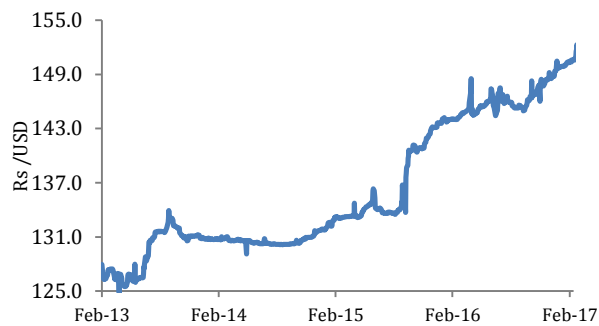
Urban inflation levels in March rose to a high of 7.3% Y-o-Y (cf. 6.8% Y-o-Y in Feb), mainly driven by base effects from low inflation in March 2016. While both Food and Non-food inflation contributed to the Y-o-Y increase in headline inflation in March, food inflation declined M-o-M over March (-0.7%) while non-food inflation rose marginally (+0.1%) over the month. Given that the impact from tax-structure adjustments should wane over the coming months and assuming the prevailing drought conditions ease, inflation is expected to revert back to mid-single digits over the near-term. The CBSL last week raised policy rates ~25bps as a 'precautionary move' in order to contain inflation expectations and demand side inflationary pressures. However, the Monetary Authority raised policy rates by 25bps (as opposed to the widely anticipated 50bps) citing improved fiscal conditions and the upward adjustment that has already occurred in market rates. The CBSL's delivery of a lower-than-expected rate hike and less hawkish tone in its policy statement thus implies that growth remains a concern and that the CBSL is unlikely to raise rates further if they can shore-up additional FX reserves and inflation remains within the IMF-recommended targets.

Economic Snapshot

| | Jul'16 | Aug'16 | Sep'16 | Oct'16 | Nov'16 | Dec'16 | Jan'17 | Feb'17 |
|---|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|
| Interest Rates | | | | | | | | |
| Prime Lending Rate | 10.87 | 11.76 | 12.29 | 12.25 | 11.98 | 11.73 | 11.48 | 11.55 |
| Ave. Wtd. Deposit Rates | 7.10 | 7.32 | 7.56 | 7.79 | 8.00 | 8.17 | 8.42 | 8.66 |
| Ave. Wtd. Fixed Dep. Rates | 8.99 | 9.31 | 9.67 | 9.95 | 10.25 | 10.46 | 10.84 | 11.15 |
| CCPI Inflation Y-o-Y % (Base 2013) | 5.8 | 4.4 | 4.2 | 4.1 | 4.0 | 4.5 | 5.5 | 6.8 |
| GDP Growth (Base 2010) | | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | | | |
| | 9.1% | 3.4% | 4.9% | 4.8% | 4.4% | | | |

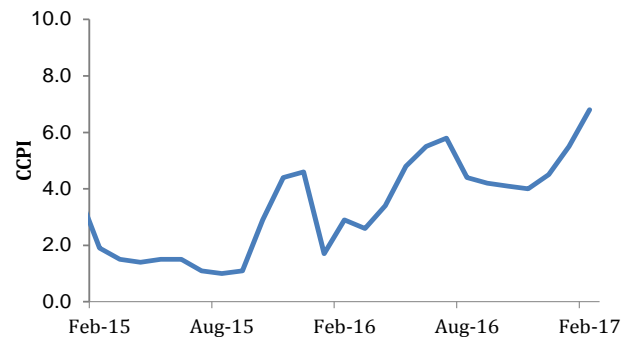
Source Central Bank

Exchange Rate, Rs. vs. US\$



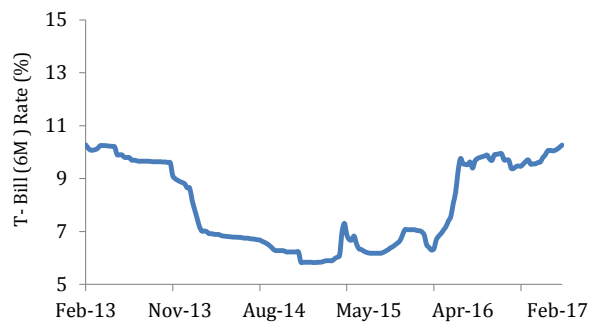
Source: Central Bank

Inflation (CCPI-N) YoY%



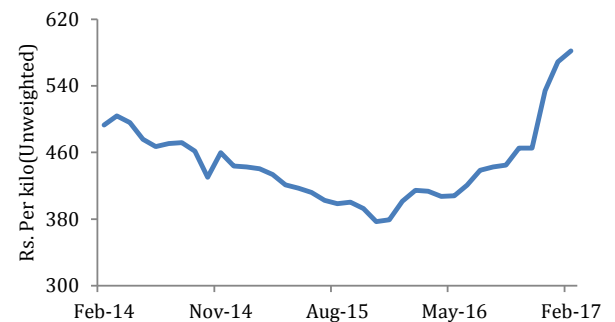
Source: Central Bank

6 Month T-Bill Yield



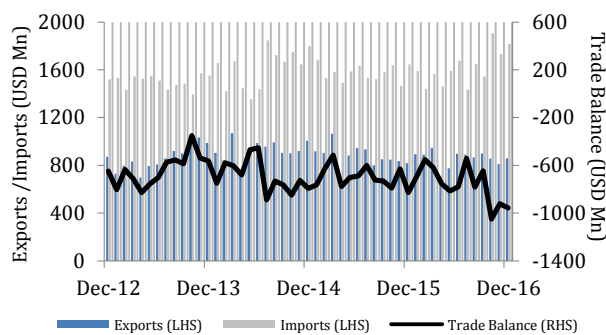
Source: Central Bank

Tea Prices



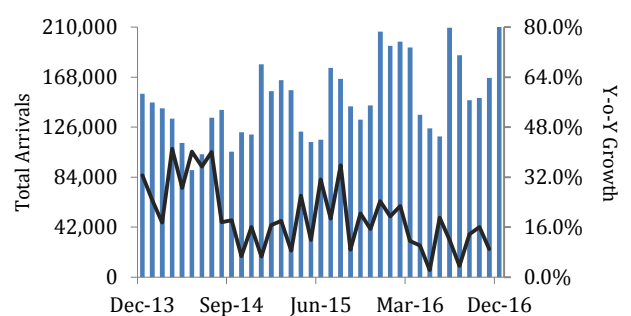
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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