Recognising Corporate Sri Lanka: Business Today TOP TWENTY FIVE 2011-2012

The financial year 2011-2012 can be considered as a year of mixed fortunes.It was a year of highs and lows not only for corporate Sri Lanka

but for country's population at large. Not only were global pressures felt, the economic situation within the country became more cautious where growth slowed down and the exuberance of the previous two years were dampened to a certain degree. However, the private sector of Sri Lanka forged on. They had seen worse days during the years of the conflict and this was yet another hurdle to overcome. And many did. 2011-2012 saw the entrance of new companies into the stock market. The playing field was expanded with the traditionally large blue chip companies having to now face greater competition. Business Today recognises the TOP TWENTY FIVE companies this year to acknowledge and encourage the new entrants, while appreciating those who have kept the ship – the Sri Lankan economy – afloat. After all, the private sector is the engine of growth.

Though termed a global economic downturn, the economic melt down in predominantly the West, including the US and Europe gradually improved but downside risks remained high. Improved activities in the US as well as prudent policies in the Euro Zone contributed to the boost in their respective economies. The past year saw a deterioration in the sovereign and banking sector in the Euro area, as such due to the sovereign debt crisis and a general loss of confidence, the effects of bank deleveraging on the real economy and the impact of fiscal consolidation in response to market pressures, Europe is still facing a mild recession. For continued improvement in the economy, policy makers need to continue to implement the fundamental changes required. The US economy has gained somewhat of a grip with growth improving through 2011 and signs of expansion in the job market. Risks are more balanced but still remain a stumbling block given fiscal uncertainty, weakness in the housing market, and potential spillovers from Europe.

As traditional markets of Sri Lanka the slowdown in Europe and USA has undoubtedly affected our local companies, however as seen through the strategies adopted especially by those in the Business Today TOP TWENTY FIVE, many have refocussed their strategies on to Sri Lanka and are either seeking or utilising opportunities and potential within the country.

It has been three years since the end of the conflict in Sri Lanka, the growth momentum that was seen over the past two years where Sri Lanka recorded over eight percent growth during two consecutive years was of course a reason to celebrate but not so for long. The economic 'bubble' that was created through

Government policies such as tax concessions on vehicles, reduction in bank interest rates and fixed exchange rate where the rupee was overvalued soon proved to be a strain on the economy. The devaluation of the Sri Lankan rupee by three percent during the 2011 Budget, was sudden and as such was not easy for many companies to cope though it was deemed beneficial for export and workers remittances. However, for companies that have to expend foreign exchange for raw materials and machinery this proved to be an added burden. The rupee was devalued to curtail the widening trade deficit in the country. Sri Lanka should never have allowed the rupee to be fixed and should have allowed the rupee to float.

During the past year what is apparent is that there have been too many players involved in decision making, which ultimately adversely affects the economy of the country. Furthermore, provisions and facilities provided for foreign investors are not given to local investors who may be making equal or even larger investments than their counterparts. Though foreign investment is essential for the country, it is the local businesses that have carried the country this far, therefore an equal playing field is essential.

Sri Lanka will continue to cut spending to keep the fiscal deficit to a targeted 6.2 percent. Though the Central Bank revised its initial forecast of eight percent growth to 7.2 percent, recent figures show that growth may fall as low as 6.5 percent. Rising costs of imported fuel and higher interest rates have also been reasons for the slow down in the economy.

The fluctuating policy gave mix signals to potential investors and with the introduction of the Revival of Underperforming Enterprises or Underutilised Assets Act No. 43 of 2011, concern and insecurity were high. Investment is yet to be visible in the country, though many agreements have been signed. The dynamism of the Asian economies especially China and India have proved to a be strength to Sri Lanka including the private sector. Corporate Sri Lanka has been vigilant and has sought partnerships in new areas while maintaining the old thereby – as mentioned previously – keeping afloat our economy. The Business Today TOP TWENTY FIVE are a reflection of the companies that know where they stand and know in which direction to go according to the prevailing situation.

The Colombo Stock Exchange was in the limelight during the past year, with new and relatively unknown companies trading at a rapid pace, ‘pumping and dumping’ was a common phenomena. Two Chairpersons of the SEC resigned in quick succession. The uncertainty in the stock market dampened trade with the CSE

seeing an all time low.

As always with every dark cloud there is a silver lining, the spirit of entrepreneurship and leadership of corporate Sri Lanka has not faded, they have pushed forward in many cases (not all) recording profits greater than the previous year. Any change has been taken into the fold and dealt with, corporate Sri Lanka has stood firm. It is in such an environment that Business Today ranks the TOP TWENTY FIVE companies for their excellence during the financial year 2011-2012.

The Business Today TOP TWENTY FIVE is strictly based on the published information of companies listed in the Colombo Stock Exchange. Turnover alone is not a clear indicator of the performance of a company, as a company with large revenue does not necessarily be making profits nor is it properly managed. Financial criteria considered include Share Turnover, Revenue, Profit after Tax, Growth in Sales Turnover, Growth in Profit, Return on Equity, Growth in Earnings per Share, Market Capitalisation, Value of Shares Transacted and Value Addition. Furthermore, weights are assigned to the criteria uniformly without any prejudice. These are not disclosed due to proprietary reasons.

With the expansion of the ranking to TWENTY FIVE, we see new entrants such as Vallibel One, CT Holdings, United Motors, Softlogic, Expolanka and Ceylinco Insurance coming in. It is a great mix of the established and strong blue chips in the country as well as upcoming companies that improved their performance. CT Holdings can be considered as one of the only remaining traditionally managed family companies that reflect generations of Sri Lankans. Banks remain strong in the TOP TWENTY FIVE as well as the telecommunications giants SLT and Dialog.

For the private sector to perform undoubtedly Government policies need to be consistent, but everything cannot be expected from the Government alone. As the engine of growth the private sector too needs to be more proactive. For the Sri Lankan economy to stay afloat the Government and private sector need to work in tandem – Well, it takes two hands to clap.

Business Today wishes to congratulate the TOP TWENTY FIVE companies that have been ranked for the financial year 2011–2012, while wishing them greater performance in the years to come, Business Today expresses its gratitude for their contribution to the Sri Lankan economy.

The Business Today TOP TWENTY FIVE have been selected on the basis of their

financial performance during the financial year ending December 31, 2011 and March 31, 2012 with the assistance of KPMG Ford Rhodes, Thornton & Co.

01 John Keells Holdings 22.550

02 Bukit Darah 22.500

03 Commercial Bank Of Ceylon 18.350

04 Distilleries Company Of Sri Lanka 17.950

05 Lanka Orix Leasing Company 17.450

06 Hatton National Bank 17.100

07 Ceylon Tobacco Company 16.300

08 Dialog Axiata 15.700

09 Hayleys 14.850

10 Sri Lanka Telecom 14.450

11 Aitken Spence 14.400

12 Sampath Bank 13.900

13 Diesel & Motor Engineering 12.200

14 Nestlé Lanka 11.350

15 Vallibel One 10.550

16 CT Holdings 10.300

17 Richard Pieris & Company 9.750

18 NDB Bank 7.950

19 DFCC Bank 7.150

20 United Motors 7.100

21 Softlogic Holdings 6.200

22 Expolanka Holdings 5.900

23 Ceylinco Insurance 5.000

24 Chevron Lubricants Lanka 4.650

25 Colombo Dockyard 4.550