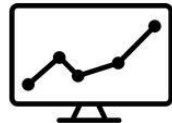


**Bourse sets fresh
record reaching
9459.94 mark**



Inflation



5.7%



**GOSL eased entry
rules for fully
vaccinated
tourists from 01st
Oct'21**



**Sri Lanka GDP grew by
12.3%YoY in 2Q'21 and
8.0%YoY in 1H'21**

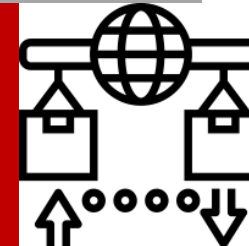


Trade Deficit



190%YoY

To USD 607Mn



**Ceiling rate of
T-bill removed**



For Sep'21

For July'21

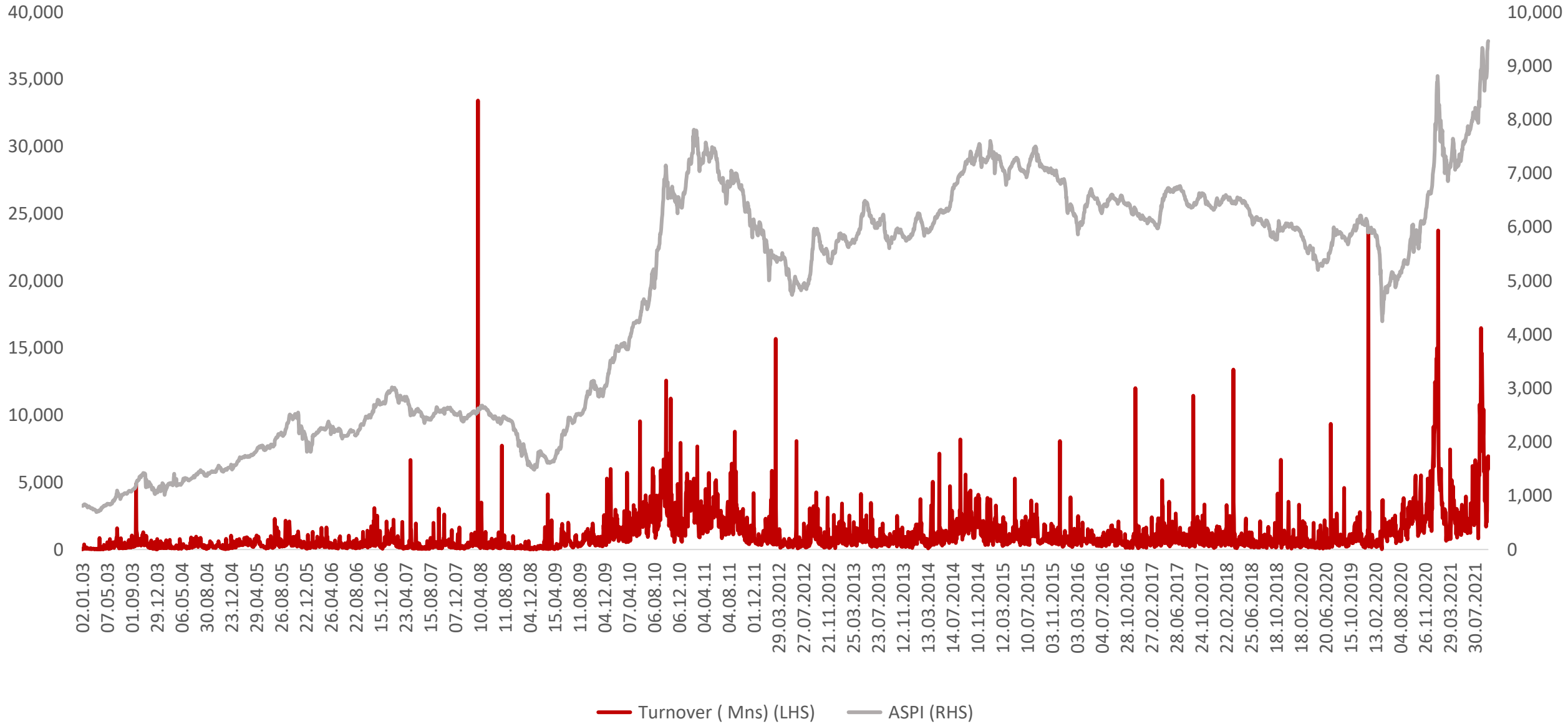


Key events for September'21

- Colombo bourse set fresh record in the month of Sep'21, reaching 9,459.94. The more liquid S&P SL 20 ended at 3,534.82 adding 170.2 points. The main returns now stands at 39.4% YTD, higher than most of the regional peers. Average turnover levels too broadly remained unchanged from last month, standing at LKR 6.4Bn.
- The latest GDP numbers released indicated an uptick of 12.3%YoY for 2Q'21 from a low base while 1H'21 recorded a growth of 8.0%YoY. Agricultural, industrial and services sectors grew by 8.1%, 22.1% and 7.5% respectively.
- CBSL also removed the maximum acceptable rate (364-day T-bills) at the T-bill auction after one year, which we believe is a positive move as it would likely restrict the excessive money printing.
- During the month GOSL also imposed a 100% cash margin deposit on over 600 non essential imports to stabilize the exchange rate which was later removed at the 6M road map that was unveiled on 1st October.
- CBSL also extended the debt moratorium for business affected by the Covid-19 pandemic till 31st December'21 and also pledged to unwind in a gradual manner at the road map announced.
- Meanwhile, Adani Group and John Keells Holdings signed the BOT deal with Sri Lanka Ports Authority for the biggest investment of USD 650Mn in Colombo West International Terminal (CWIT).
- Trade deficit meanwhile widened by 190%YoY for July'21 to USD 607Mn despite export income increasing by 2%YoY. Import expenses grew by 32% YoY while budget deficit for Jan'21-July'21 period widened by 16.3% YoY to LKR 1.0Tn despite the increase in government revenue by 16.0%YoY. Worker remittance meanwhile declined in August'21 by 33.0%YoY to USD 447Mn while CCPI inflation marginally declined to 5.7% in September'21



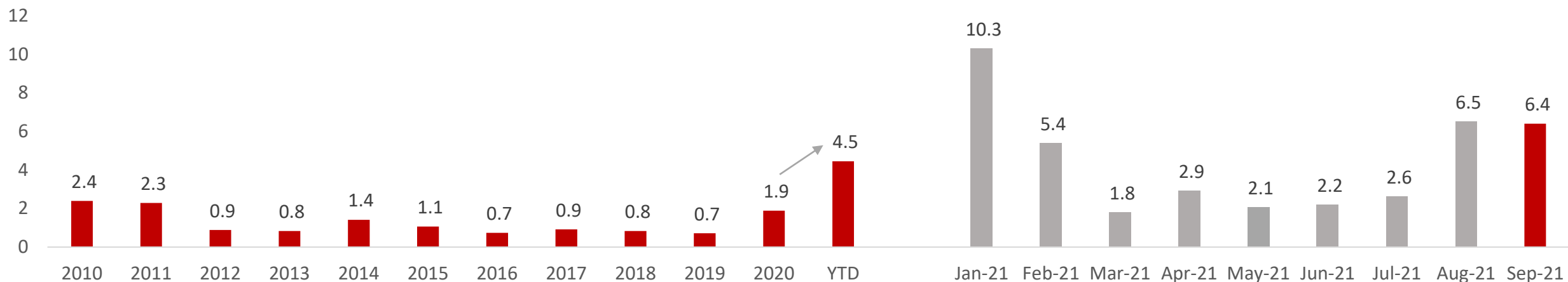
CSE gained 462.3 points setting a fresh all time high



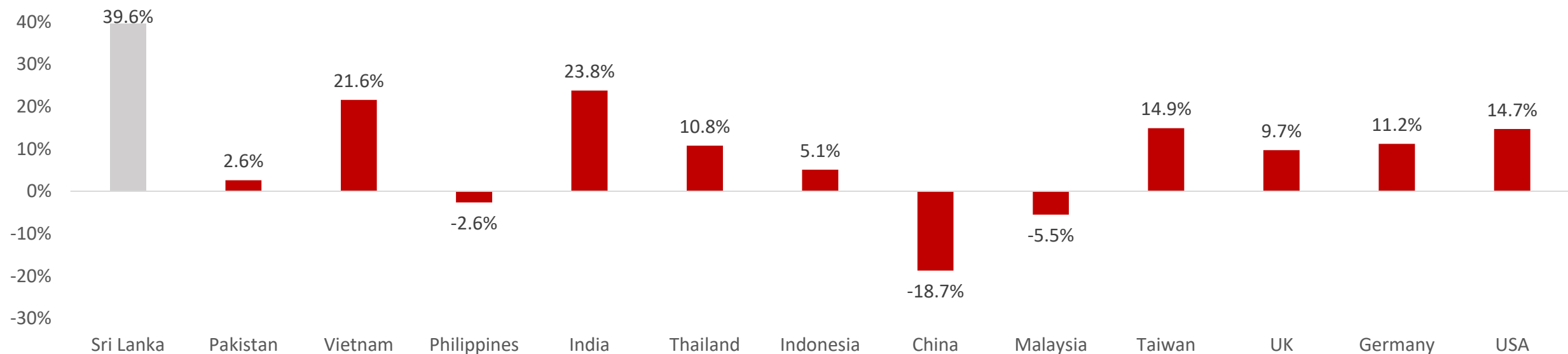
Source : CSE

Average daily turnover are still 2.3x higher than 2020

Avg YTD turnover levels now stands at LKR 4.5Bn while turnover levels jumped to LKR 6.4Bn in September'21



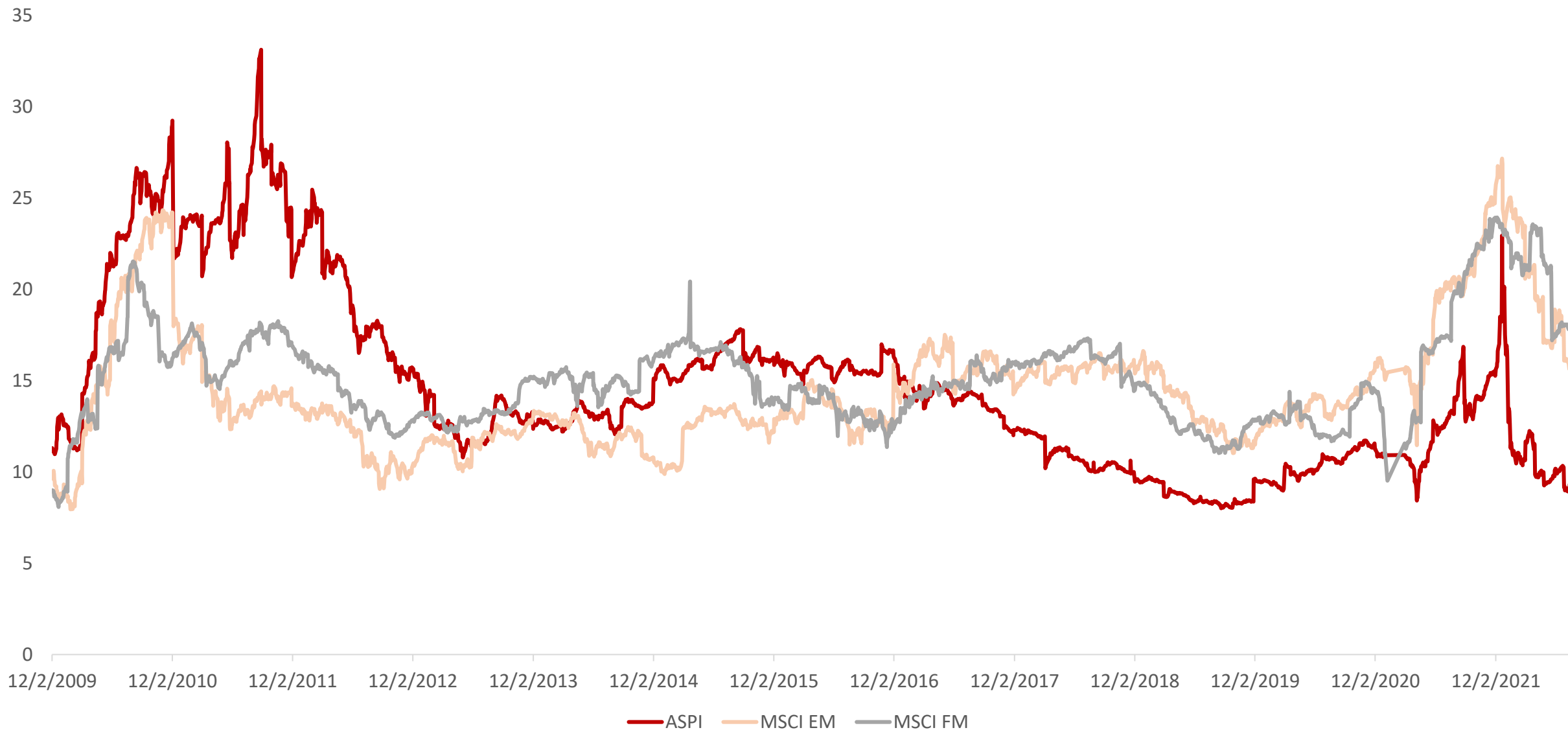
SL's YTD returns had been more superior than most of the regional peers





CSE is back at attractive valuations

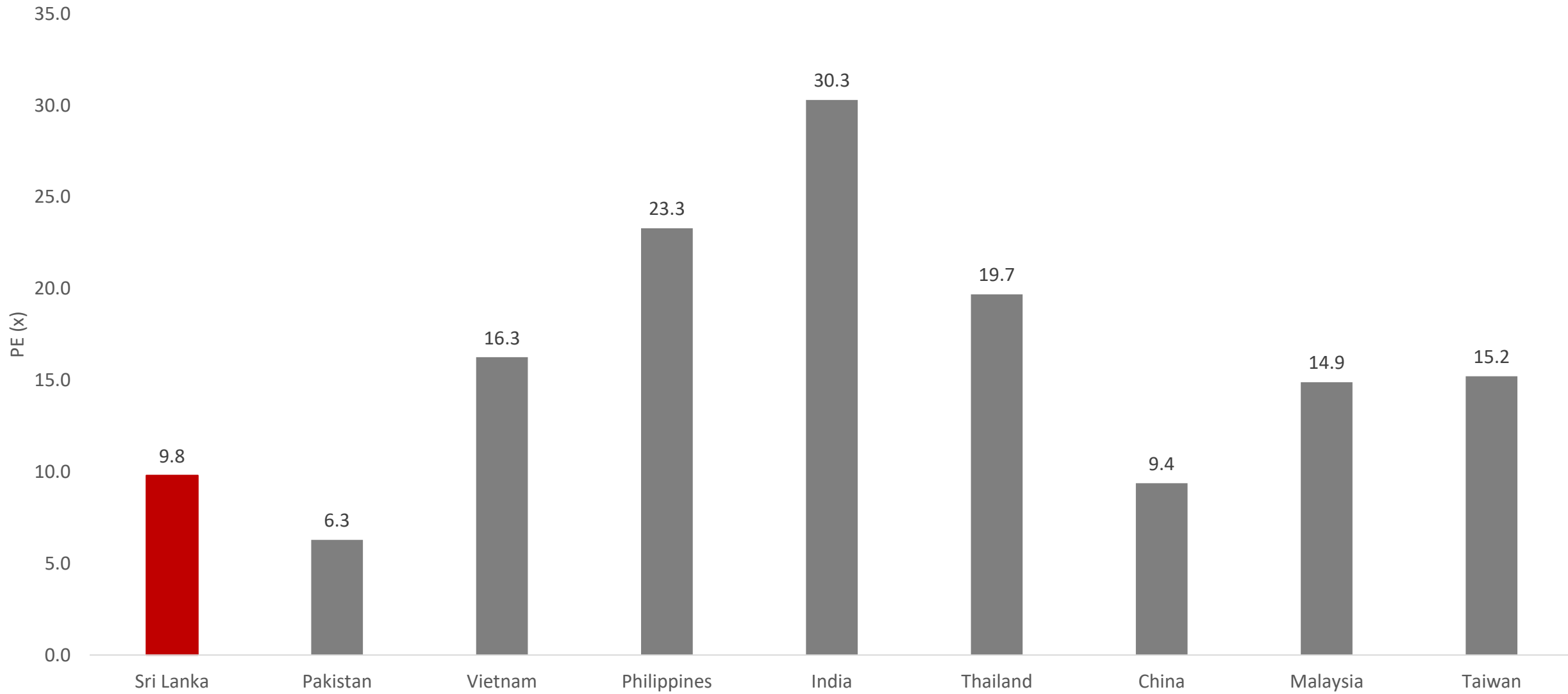
CSE currently trades at 9.8x PE, 37% discount to Emerging market and 45% discount to Frontier Market indices



Source : Bloomberg , Prices as at 30.09.2021

 **Sri Lanka is yet cheaper than most of the regional peers**

Sri Lanka trades at a 68% discount to India, 50% discount to Thailand and 40% discount to Vietnam

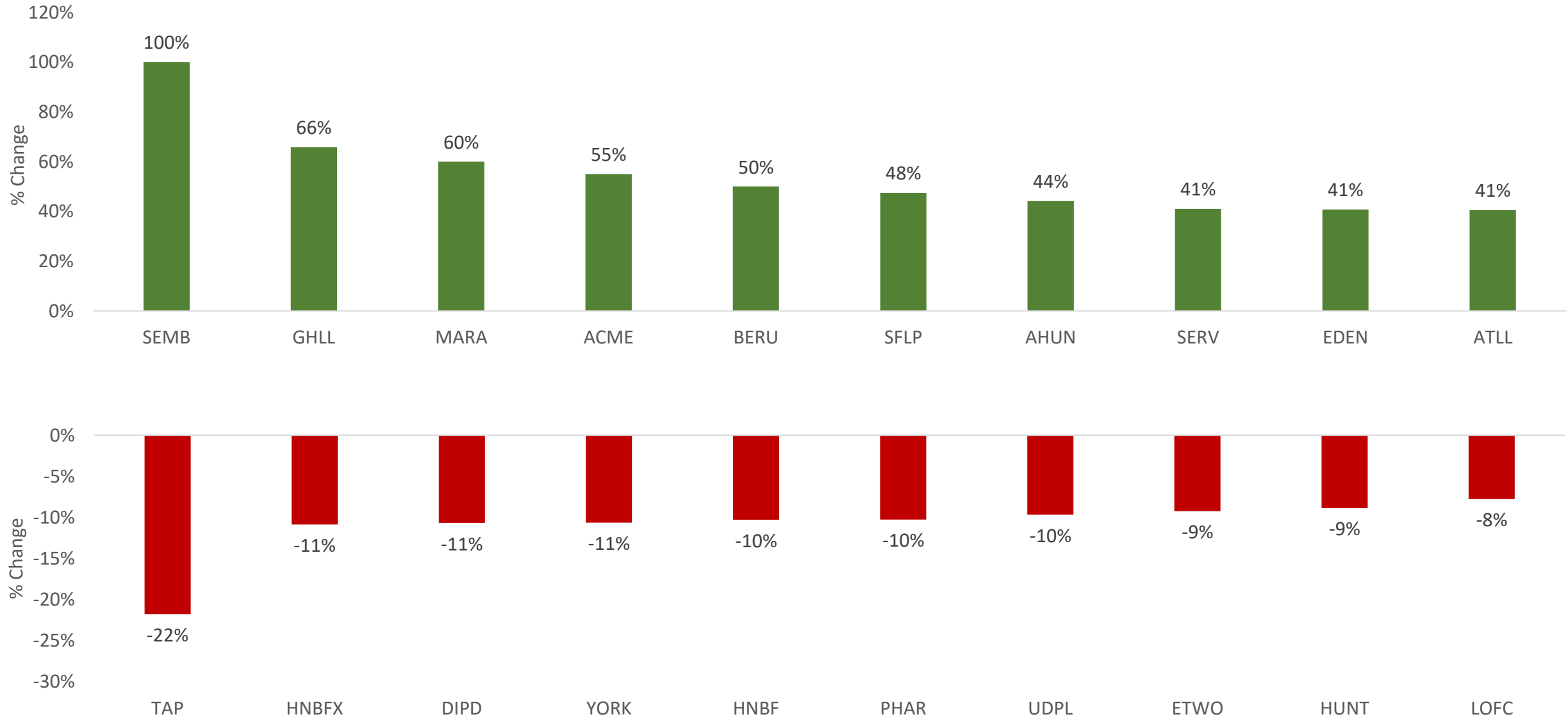


Source : Bloomberg



Top ten gainers and losers for the month

Counters in the hotel sector recorded major gains during the month



Source CSE



Net foreign selling tops LKR 6.9Bn for the month

HHL, JKH and HNB saw heavy foreign selling for the month

Top 10 foreign purchases in value

Counter	Volume Traded	Value Traded (LKR Mn)
COMM LEASE & FIN	537,498	14.78
BALANGODA	318,526	7.10
SINGHE HOSPITALS	1,976,459	5.73
BROWNS BEACH	106,460	1.36
AMF CO LTD	6,680	1.17
CHRISSWORLD	44,360	1.10
KOTAGALA	161,764	0.91
CFI	1,515	0.12
HNB FINANCE[X.0000]	11,000	0.09
CIT	616	0.08

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Top 10 foreign sales in value

Counter	Volume Traded	Value Traded (LKR Mn)
HEMAS HOLDINGS	(77,394,872)	(5,471.82)
JKH	(29,727,903)	(4,451.75)
HNB	(23,150,767)	(3,264.26)
MELSTACORP	(23,705,292)	(1,417.58)
NESTLE	(790,516)	(988.74)
DIALOG	(32,666,976)	(352.80)
DISTILLERIES	(15,461,000)	(278.30)
COMMERCIAL BANK	(3,073,091)	(259.68)
SUNSHINE HOLDING	(8,715,068)	(217.88)
GALADARI	(14,881,180)	(209.82)

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S M B LEASING[X.0000]	(8,600,000)	(2.58)
LOLC FINANCE	(6,381,208)	(60.62)

Source : CSE



ASPI returns stands at 39.6% YTD while S&P SL 20 returns stands at 34.0%YTD

Total net foreign selling for the year tops LKR 44.8Bn

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	As at 30.09.2021
ASPI (Year End)	6635.9	6074.4	5643.0	5912.8	7299.0	6894.5	6228.3	6369.3	6052.4	6129.2	6774.2	9459.9
ASPI Return (%)	96%	-8%	-7.1%	4.8%	23.4%	-5.5%	-9.7%	2.3%	-5.0%	1.3%	10.5%	39.6%
S&P SL20			3069.0	3263.9	4089.1	3625.7	3496.4	3671.7	3135.2	2937.0	2638.1	3534.8
S&P SL20 Return (%)				6.3%	25.3%	-11.3%	-3.6%	5.0%	-14.6%	-6.3%	-10.2%	34.0%
Average Daily Turnover (LKR Mn)	2,396	2,286	884	828	1,415	1,060	737	915	834	711	1,899	4,459
YoY Growth		-5%	-61%	-6%	71%	-25%	-30%	24%	-9%	-15%	167%	135%
Avg USD =LKR	113.1	110.6	127.6	129.1	130.6	135.9	145.6	152.5	162.5	178.8	185.4	203.0
Average Daily Turnover (USD Mn)	21.2	20.7	6.9	6.4	10.8	7.8	5.1	6.0	5.1	4.0	10.2	22.0
Foreign Purchases (LKR Mn)	92,425.5	49,776.8	72,614.2	83,607.0	104,689.8	84,414.6	74,583.0	113,276.0	76,621.5	56,649.0	53,901.0	28,713.0
Foreign Sales (LKR Mn)	118,760.9	68,816.0	33,953.6	60,873.3	83,550.8	89,784.4	74,199.5	95,052.0	99,979.3	68,366.5	104,233.0	73,575.0
Net Foreign flows	(26,335.3)	(19,039.2)	38,660.7	22,733.7	21,139.0	(5,369.9)	383.5	18,224	(23,357.9)	(11,717.5)	(50,332.1)	(44,862.1)
Foreign Purchases (USD Mn)	817,491	450,184	569,077	647,564	801,852	620,969	512,246	742,793	471,401	316,776	290,660	141,443
Foreign Sales (USD Mn)	1,050,423	622,375	266,094	471,484	639,942	660,471	509,612	623,292	615,106	382,299	562,075	362,438
Net Foreign Flows (USD Mn)	(232,932)	(172,192)	302,983	176,080	161,910	(39,502)	2,634	119,498	(143,705)	(65,523)	(271,415)	(220,996)
Market Cap (LKR Bn)	2,210	2,214	2,168	2,460	3,105	2,938	2,745	2,899	2,839	2,851	2,959	4,215
Market Cap (USD Mn)	19,551	20,022	16,987	19,053	23,781	21,612	18,856	19,010	17,469	15,944	15,959	20,764
CSE - PER (Year End)	25.2	15.8	15.9	15.9	19.7	18.0	12.4	10.7	9.7	11.5	15.2	11.4

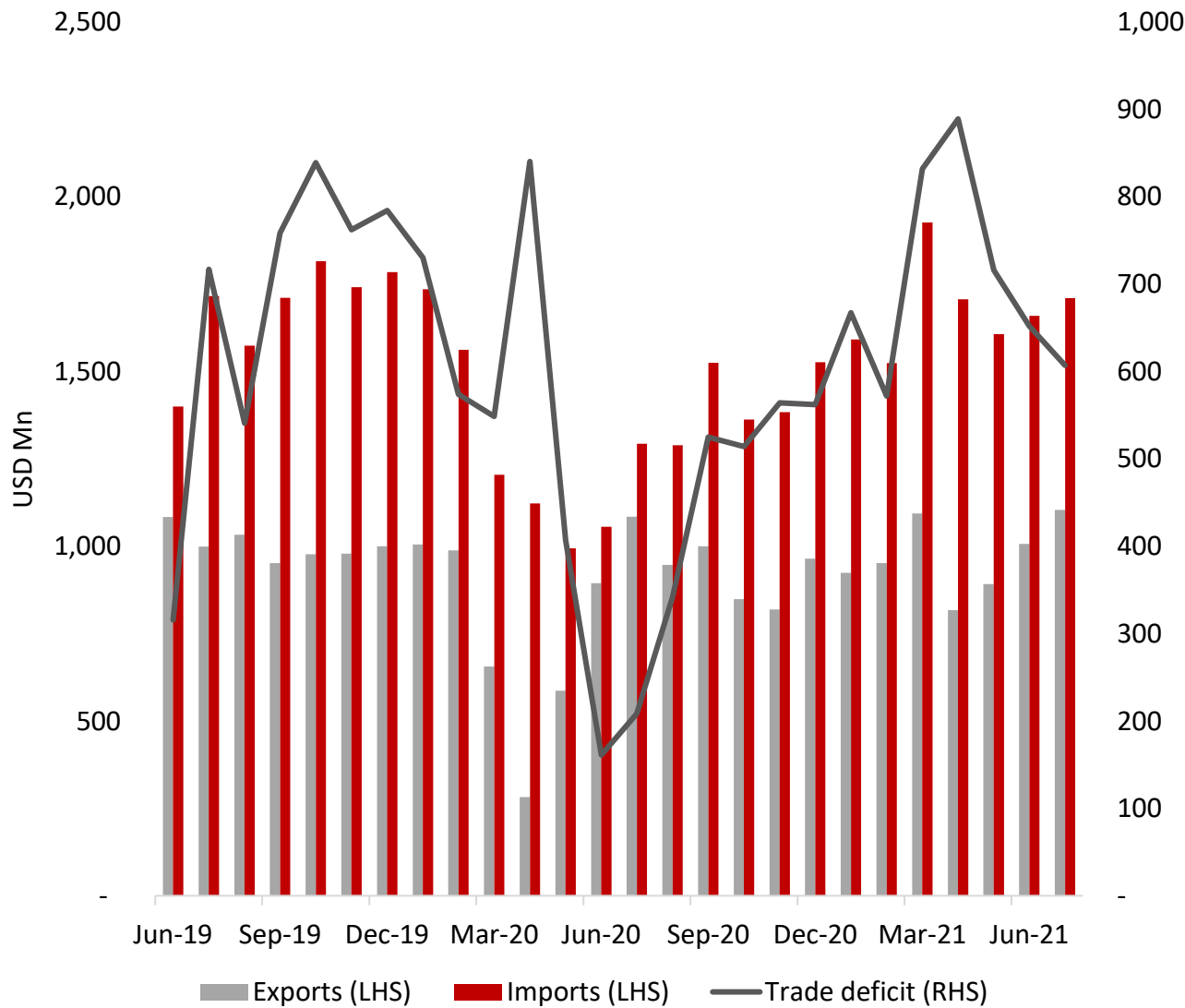
Source : CSE

Economic Indicators – September'21



External Sector

Export income increased by 2%YoY while import bill jumped by 32% YoY for July'21. Trade deficit continued to widen in July'21 to USD 607Mn



- Cumulative exports grew by 24%YoY while cumulative imports increased by 31%YoY, thus increasing the trade deficit by 42%YoY to USD 4,922Mn for Jan'21-July'21 period.
- Textiles and Garment exports declined by 3%YoY to USD 454Mn while rubber products increased by 14%YoY in July'21. Industrial and Agricultural exports grew by 7%MoM and 16%MoM respectively.
- Monthly fuel bill meanwhile increased by 28%YoY (a growth of 286% MoM) to USD 256Mn. Cumulative cost of the fuel bill for the year jumped by 42%YoY to USD 2,043Mn.
- Restrictions in importing vehicles meanwhile resulted with personal vehicle imports dipping by 62%YoY in July'21 compared to the low base in July'20.



Import expenses increased more than export income in July'21

Import bill on fuel increased by 28%YoY while export income from Textile and garments declined by 3%YoY in July'21

USD Mn	July'20	July'21	Variance	Jan-July 2020	Jan-July 2021	Variance	Contribution to Exports
Total Exports	1085	1104	2%	5,498	6,803	24%	
Industrial Exports	819	829	1%	4,177	5,236	25%	77%
Textiles and garments	469	454	-3%	2,413	2,942	22%	43%
Rubber Products	82	93	14%	418	593	42%	9%
Agricultural Exports	261	267	2%	1,300	1,526	17%	22%
Tea	131	115	-12%	703	766	9%	11%

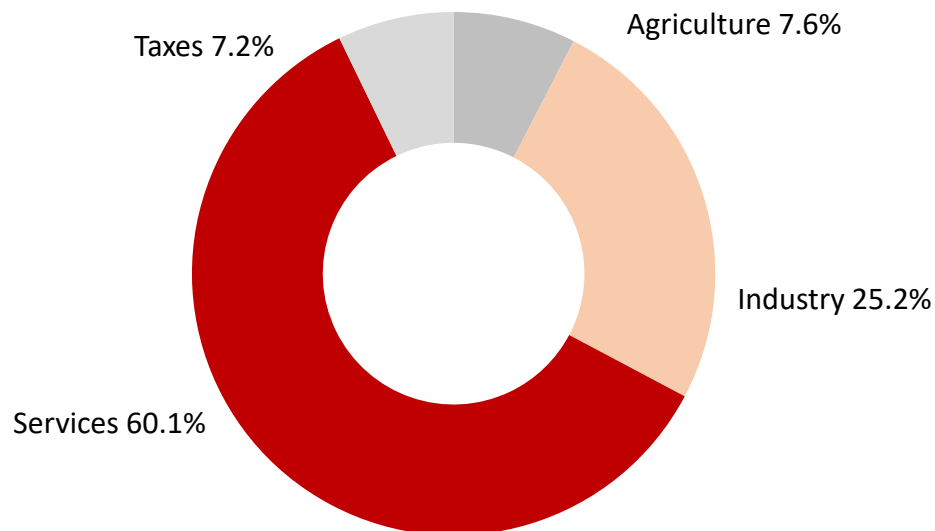
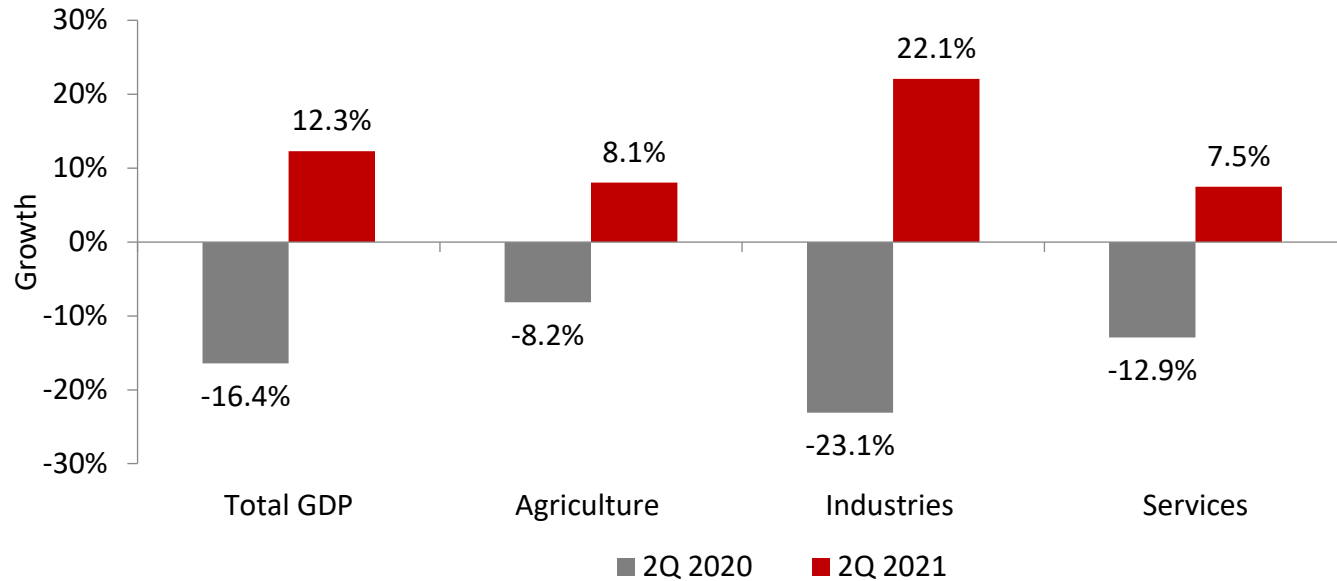
USD Mn	July'20	July'21	Variance	Jan-July 2020	Jan-July 2021	Variance	Contribution to Imports
Total Imports	1294	1710	32%	8,968	11,725	31%	
Consumer Goods	290	343	18%	2,072	2,255	9%	19%
Food and beverages	130	118	-9%	918	1,033	13%	9%
Non-food consumer goods	159	225	41%	1,154	1,222	6%	10%
Vehicles	6	2	-62%	280	7	-98%	0%
Intermediate goods	734	982	34%	4,901	6,932	41%	59%
Fuel	200	256	28%	1,444	2,043	42%	17%
Textiles and textile articles	197	251	27%	1,263	1,702	35%	15%
Investment goods	269	383	42%	1,984	2,531	28%	22%
Machinery and equipment	157	232	48%	1,147	1,599	39%	14%

USD Mn	July'20	July'21	Variance	Jan-July 2020	Jan-July 2021	Variance
Trade balance	-209	-607	190%	-3,471	-4,922	42%
Earnings from tourism	-	3	-	682	26	-96%
Workers' remittances	702	453	-35%	3,682	3,778	3%
Foreign Direct Investment	-	-	-	-	-	-
Overall Balance				-939	-2,755	193%



Gross Domestic Product

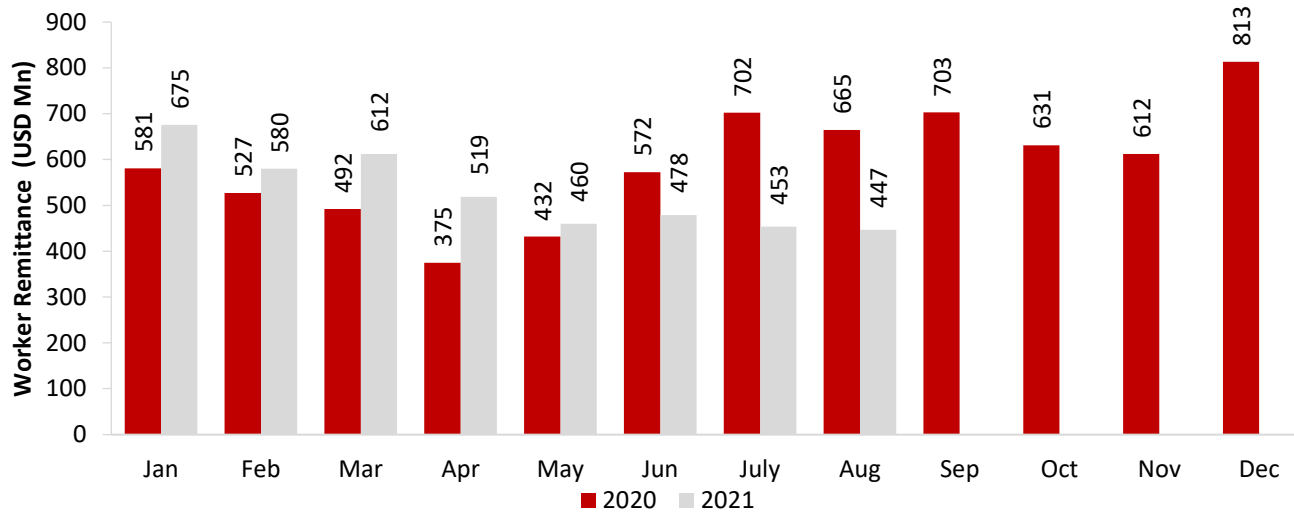
Sri Lanka's GDP grew by 12.3% in 2Q'21 from a low base while 1H'21 recorded a growth of 8.0%



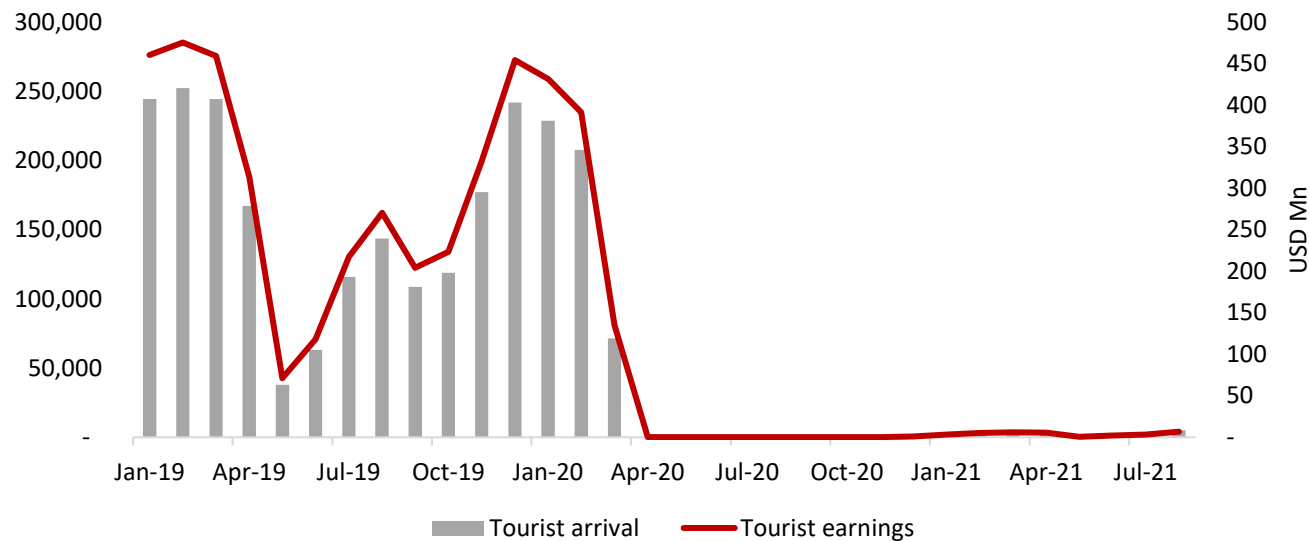
- Sri Lanka's GDP grew by 12.3%YoY to LKR 2,170,052 in 2Q'21 driven by the expansion of Agricultural, Industrial and services sectors by 8.1%YoY, 22.1%YoY and 7.5%YoY respectively.
- Main subsectors of agriculture like 'Growing of Vegetables', 'Growing of Rice' and 'Growing of Other Perennial Crops' contracted by 4.5%YoY, 5.1%YoY and 4.3%YoY while 'Growing of Tea', 'Growing of Rubber' and 'Animal Production' expanded by 13.4%YoY, 15.7%YoY and 18.0%YoY respectively.
- 'Manufacture of textiles, wearing apparel and leather related products', 'Manufacture of food, beverages & Tobacco products' and 'Construction' in Industrial sector grew by 60.7%YoY, 5.4%YoY and 18.2%YoY respectively.
- 'Financial Service activities and auxiliary financial services' and 'Wholesale and retail trade' in services sector also expanded by 14.3%YoY and 1.0%YoY respectively. .



Jan'21-Aug'21 worker remittance slumped by 3%YoY. Tourist arrival increased by 107%MoM



- Remittances declined for the third consecutive month by 33%YoY in August'21. The decline is believed to be due to the disparity in rates between formal banking channels and informal channels and the uncertainties in the countries the migrants are based in due to the pandemic.



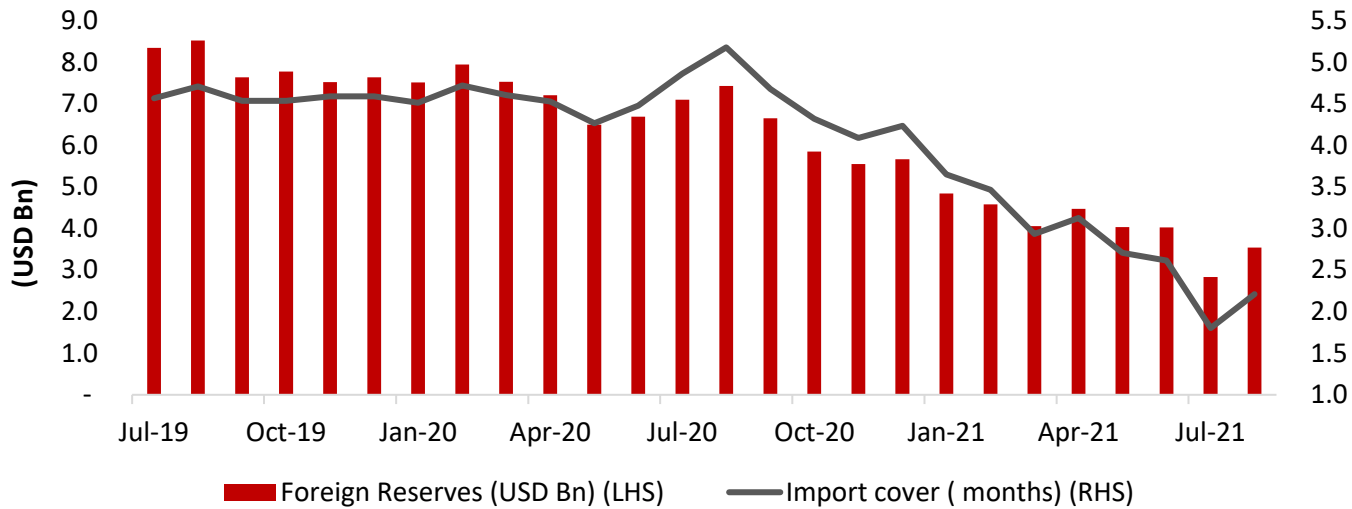
- 5,040 tourists arrived in August'21 which is a 107%MoM increase. The top tourists generating markets for the month were Canada followed by Germany and UK. Sri Lanka was also taken off from the 'Red List' of the United Kingdom's travel advisory. Further, GOSL eased entry rules for fully vaccinated tourists from 01st October'21.

Source : CBSL , SLTDA

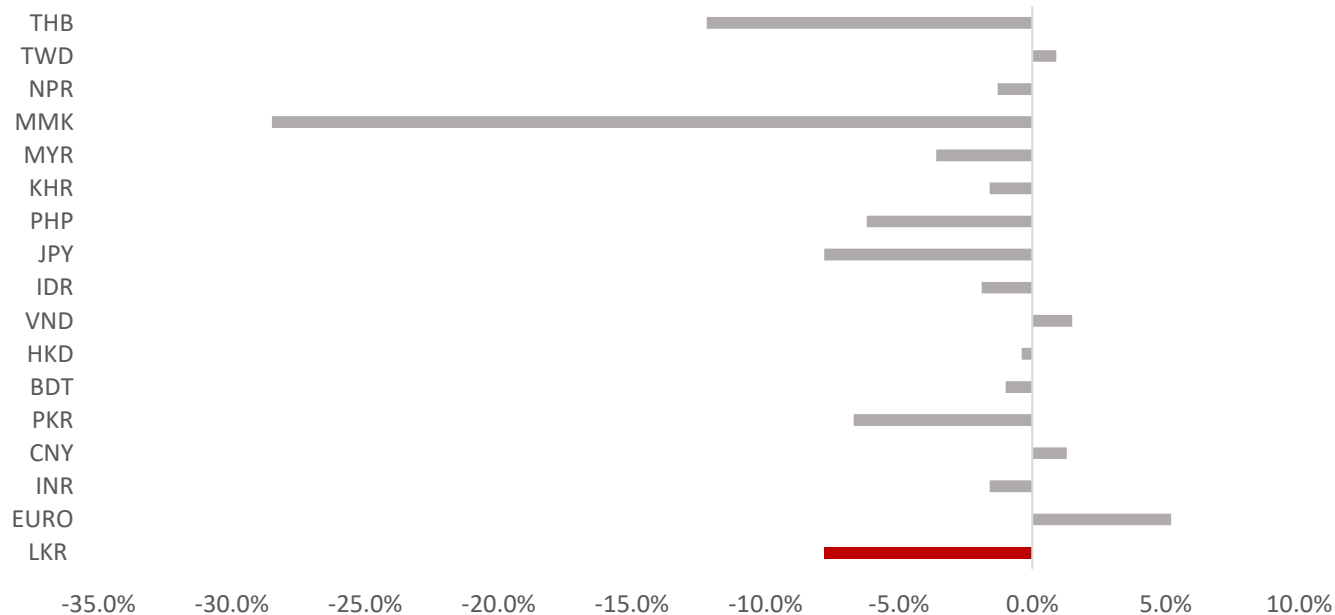


LKR/USD

Reserves increased to USD 3.5Bn in August'21 covering 2.2 months of imports, LKR depreciates by 7.8% so far



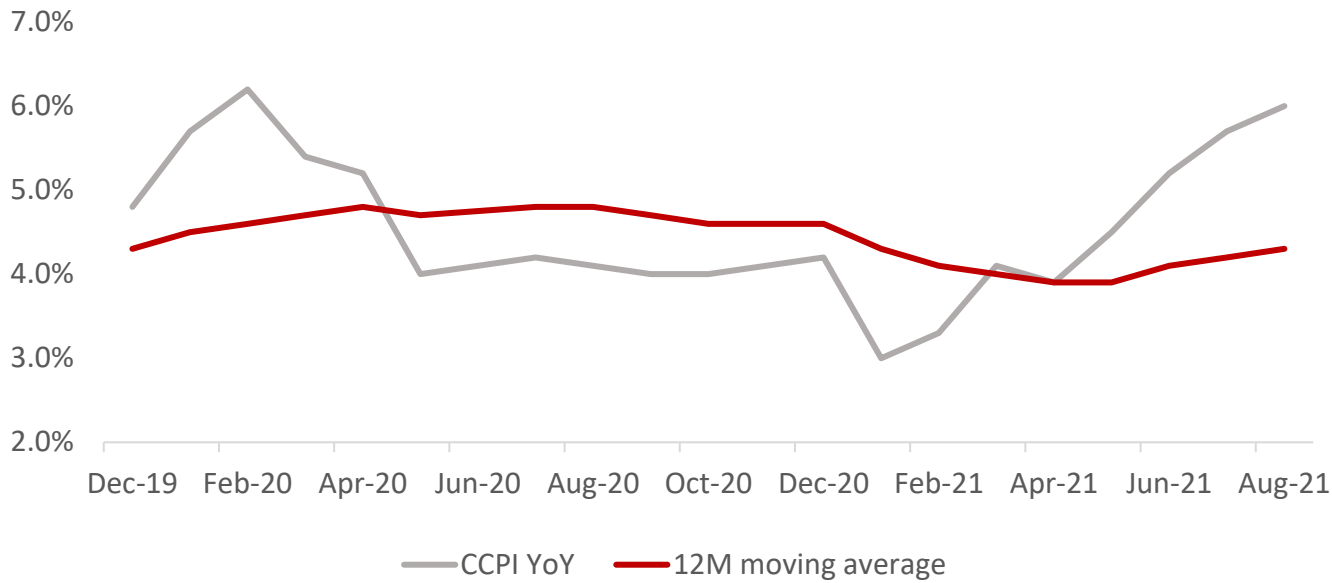
- Sri Lanka foreign reserves increased to USD 3.5Bn in August'21 (from USD 2.8Bn in July'21) covering 2.2 months of imports with the receipt of USD 787Mn through IMF's special drawing rights (SDR) facility. Further, as mentioned in the six month road map by CBSL, over USD 3.0Bn is expected before end of 2021 from G2G/ multilateral/ syndicated financing and short-term currency swaps.



- LKR against USD depreciated by 7.8% for the year while Euro, Chinese Yuan and Vietnamese Dong appreciated by 5.2%, 1.3% and 1.5% respectively against USD YTD. Sri Lanka rupee however is in a serious pressure. Also, terminating multi-exchange rates taking place in the market is one of the objectives mentioned in CBSL's six month road map.

Source : CBSL, Xe Currency, Bloomberg
 Note: LKR : Sri Lankan Rupee, EURO: Euro, INR: Indian Rupee, CNY: Chinese yuan, PKR: Pakistan Rupee, BDT: Bangladesh Taka, HKD: Hong Kong Dollar, VND: Vietnamese Dong, IDR: Indonesian Rupiah, JPY: Japanese Yen, PHP: Philippine Peso, KHR: Cambodian riel, MYR: Malaysian Ringgit, MMK : Myanmar Kyat, NPR: Nepalese Rupee, TWD: New Taiwan dollar, THB; Thai Bhat

CCPI Inflation declined to 5.7% for the month of September'21 while 12 month average increased to 4.5%

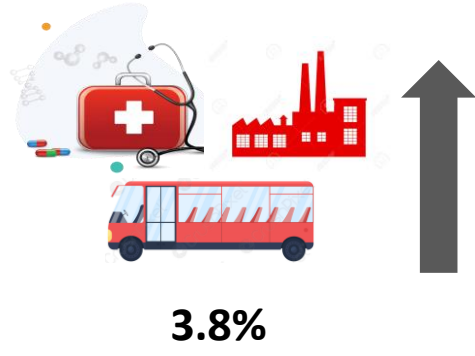


- The CCPI recorded a 0.47% monthly change with the increase in Food category and Non Food category by 0.09% and 0.38% respectively.
- Within the Food category, prices of Dhal (0.13%), Bread (0.12%) and Chicken (0.08%) increased, whereas prices of Rice (0.25%) and Vegetables (0.18%) declined. Increase in Health (0.15%) and Education (0.12%) contributed largely to the value change of Non Food category.
- We expect inflation to rise further with increasing global commodity prices and weak LKR.

Food Inflation (Y-o-Y)



Non Food Inflation (Y-o-Y)

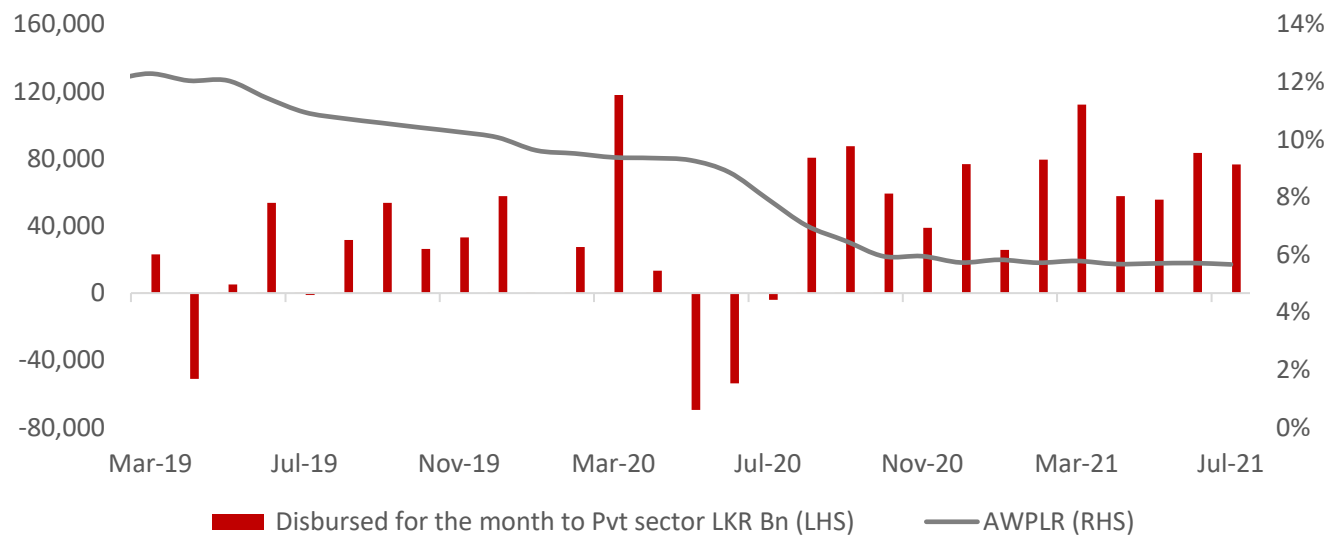


Source : CBSL , Department of Census and Statistics- Sri Lanka

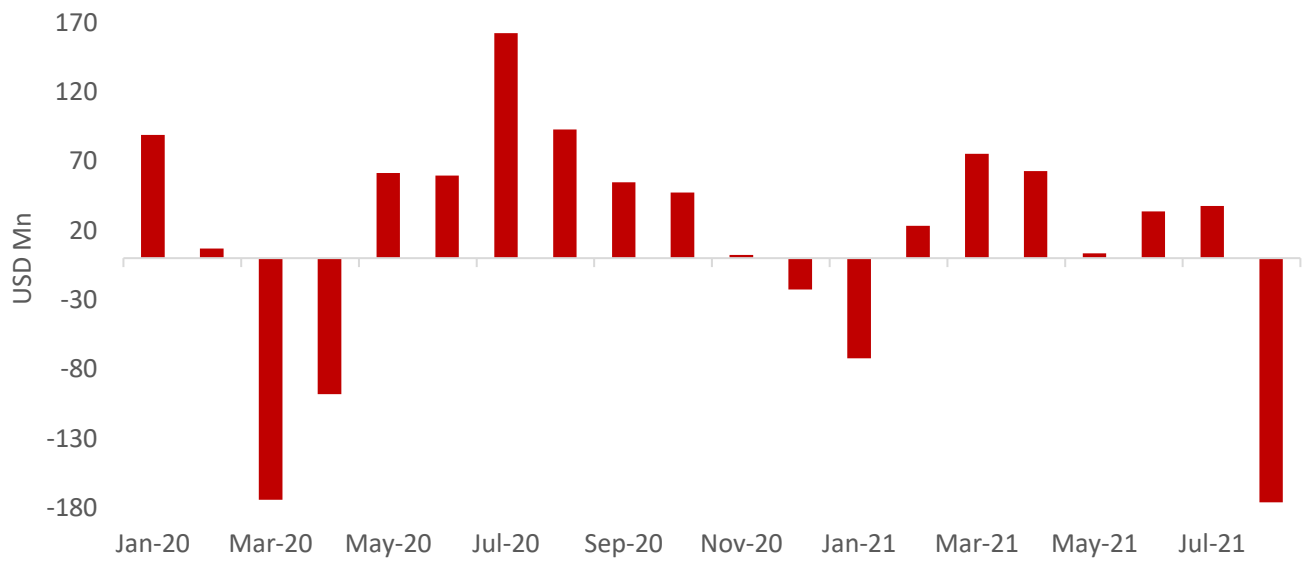


Pvt sector credit & Foreign Intervention

Private sector credit growth picks up for the twelfth consecutive month to end at 14.3% YoY in July'21



- Private sector credit growth picks up for the twelfth consecutive month to end at 14.3% YoY in July'21. Credit disbursed for the month surpasses LKR 76Bn while YTD disbursements stands at LKR 490.6Bn compared to LKR 31.1Bn disbursed for the same period last year



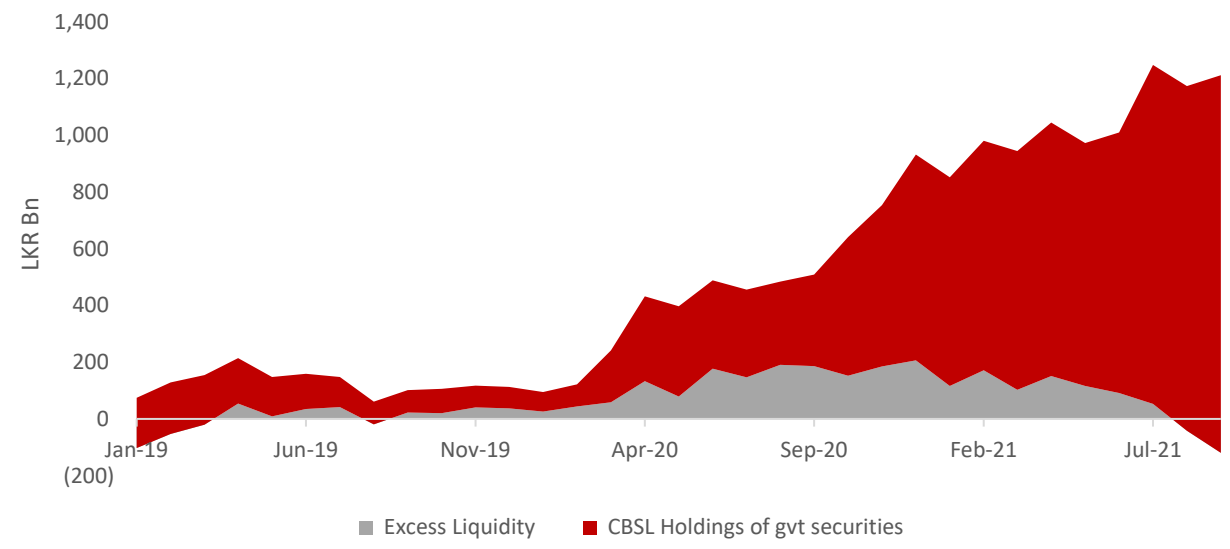
- Sri Lanka purchased USD 49.38Mn and sold USD 225.5Mn with the volatility in the foreign exchange market and low reserve position which resulted in net sales of USD 176Mn in August'21.

Source : CBSL

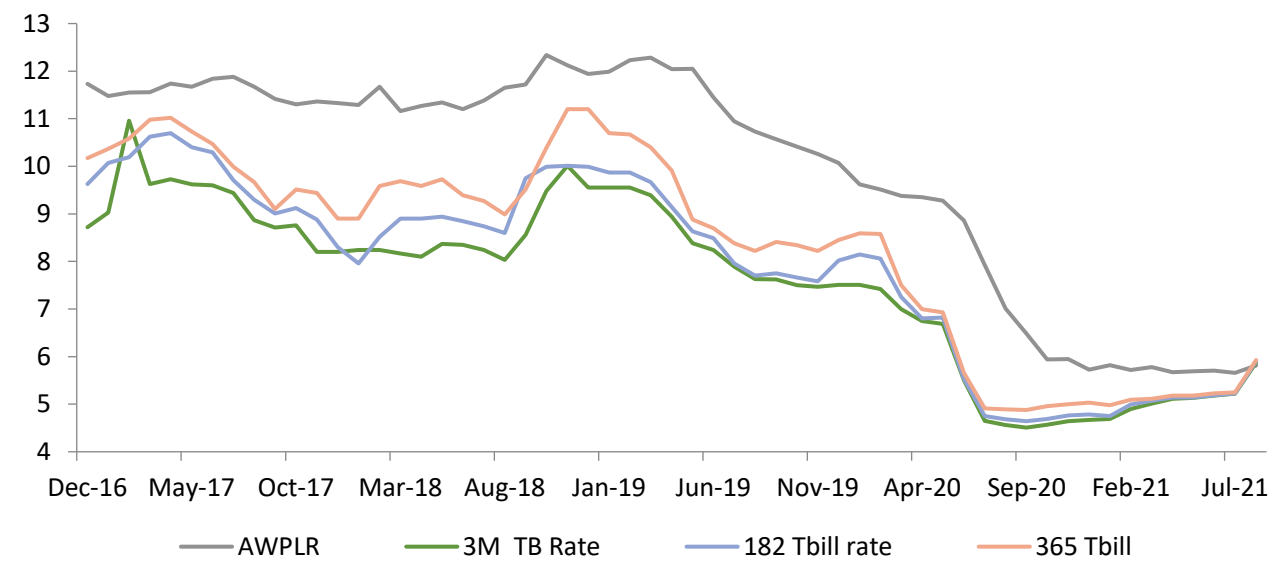


Liquidity & Rates

SL printed money reached LKR 1.3Tn



- CBSL printed around LKR 117Bn during the month of September, however the rate is slowed down with the removal of ceiling in Tbill rates. Excess liquidity position came down to a deficit of LKR 119Bn specially after increasing the SRR from 2%-4%.



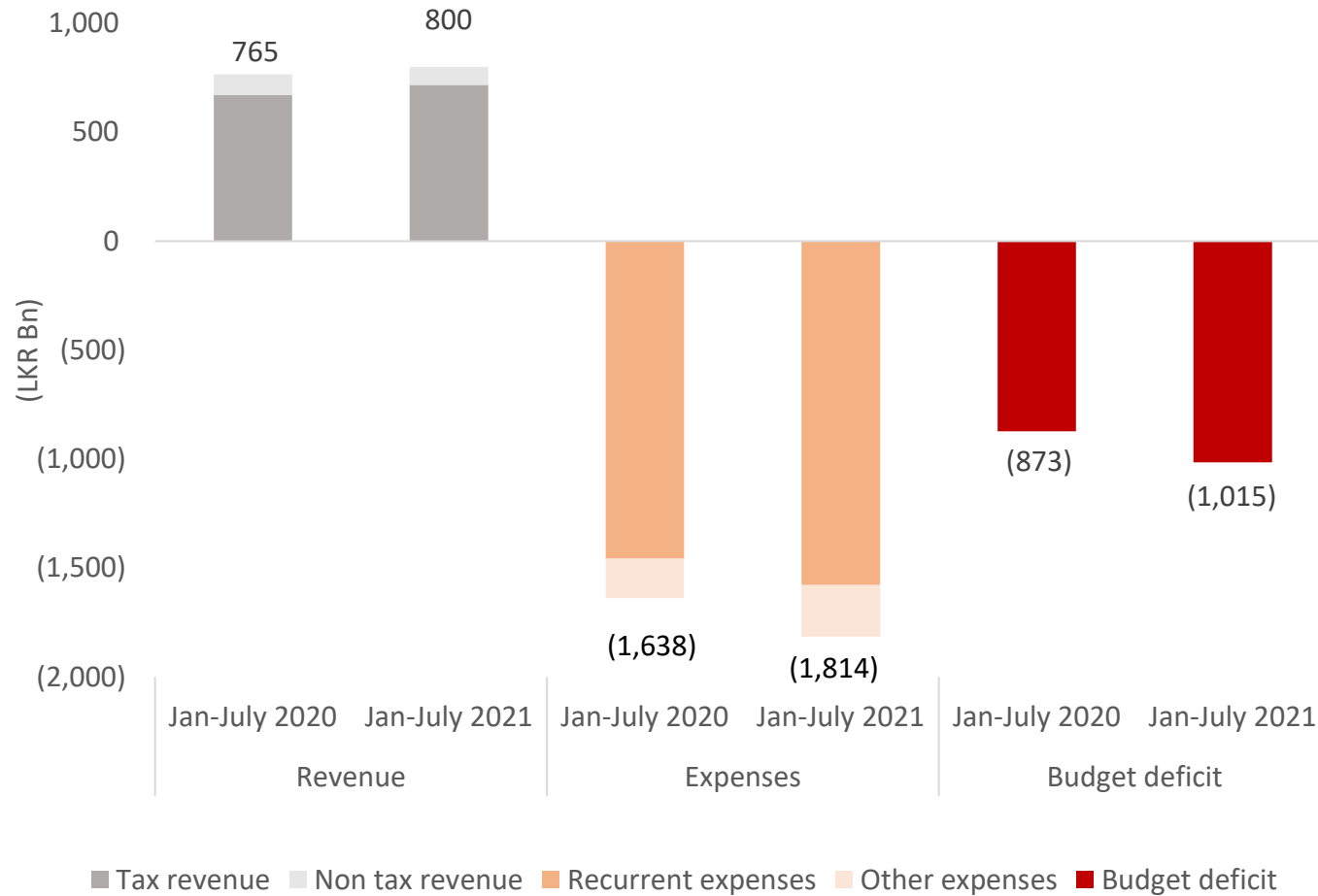
- Sri Lanka Treasury bill rates edged up by 0.83% & 1.09% & 1.08% across all three maturities respectively (91Days,182Day & 365 day) specially after the removal of the maximum ceiling rate imposed on 364day bills. The new rates stand at 6.7%, 6.99%, 7.01% respectively.
- AWPLR edged up by around 60bps to 6.42% by end of September while AWFDR remained broadly the same.

Source : CBSL



Fiscal Position

SL's budget deficit for Jan'21-July'21 widened by 16.3%YoY to LKR 1.0Tn



- Government revenue for Jan'21-July'21 increased by 16.0% , with tax revenue growing by 4.5% (accounts to 90% of total revenue) while non tax revenue declining by 12.4% for the same period.
- Recurrent expenses and capital expenses increased by 8.3% YoY and 31.1% respectively. Consequently, the total expenses grew by 10.8% during Jan'21-July'21.
- Budget deficit thus widened by 16.3%YoY during the period to LKR 1,015Bn.

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