

**PORTFOLIO APPROACH FOR
AGRO ENTERPRISES IN SRI LANKA**

Pubudunie Lanka Liyanagama

(09/9766)



University of Moratuwa, Sri Lanka.
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Degree of Master of Science in Project Management

Department of Building Economics

University of Moratuwa
Sri Lanka

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DECLARATION

I declare that this is my own work and this dissertation does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

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The above candidate has carried out research for the Masters dissertation under my supervision.

.....
Dr. K.A.K. Devapriya Date
Dissertation Supervisor

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ABSTRACT

Portfolio Approach for Agro Enterprises in Sri Lanka

The industrial sector has been continuously growing during the last few decades. The sector's development is, nevertheless important as the sector has a high potential for contributing to poverty reduction. Therefore, agriculture, a principal sector in most developing countries should be accorded a high priority. Still the investments in agriculture, at both national and global levels have declined. But the performances shown in rubber based products, food and beverages hindered the reality by up lifting the figures and statistics. There is an urgent need for revising this trend with the evident of benefits highly gained through agricultural research and development investments in both public and private sector by industrial countries. It is more vital to bring the private sector in to the stage.

The research conducted with the aim of analyzing agro enterprises in Sri Lanka and the objectives were lined up as identifying the extent to which the portfolio management is practiced in selected agro enterprises and their risk and return behavior in observing the context of portfolio approach. Five agricultural entities were purposively selected from the agro companies population registered under Colombo Stock Exchange. Two major companies were analyzed in detail and referring figures published by RAM ratings Lanka (Pvt.) Ltd. And the risk and return behavior of all five companies were observed. The return on equity, debt to equity ratio, annual revenue, market capitalization and percentage change in annual equity, were statistically analyzed through correlation. The figures of non agro companies also were cross analyzed to strengthen the findings. Results show that none of the agro companies researched do not use any specific portfolio approach in investing but rather use their own strategic approaches agreed and approved by the management. Almost all companies show significant positive relationship between market capitalization and annual revenue. In concluding, theories like capital asset pricing model, markovitz approach and random walk theory only concern the assets where it is not practicable in agro businesses only to rely upon assets. In addition, research findings reveal the importance of consideration of market capitalization and annual revenue of the company in assuring right investment decision. The company confidential data and the representativeness of corporate financial figures limited the study. It is recommended to repeat the research for subsectors. It is worth to research for new optimization techniques for investment decision which covers different project aspects.

Keywords: *Portfolio approach, investment, agro enterprises, project, Sri Lanka*

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LIST OF ABBREVIATIONS

Abbreviation	Description
CSE	Colombo Stock Exchange
GoSL	Government of Sri Lanka
CIC	CIC Holdings PLC
HAYL	Hayleys PLC
LCEY	Lankem Ceylon PLC
WATA	Watawala Plantation PLC
BFL	Bairaha Farms PLC
JKL	John Keels PLC
BRWN	Browns & Company PLC
SINS	Singer Sri Lanka PLC
SPSS	Statistical Package for Social Sciences



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