

NEWS ROUND UP

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Contents

Govt. helps biz map Indian entry	2
UNP-led coalition will be formed before end-August: PM	3
Mahen buys control of KIA Motors for Rs. 714 m	4
No change in 15% interest given to senior citizens	4
ChemaneX exits insurance broking with Rs. 250 m profit	5

Govt. helps biz map Indian entry

To help Sri Lankan companies eyeing the daunting Indian market, the International Trade and Development Strategies Ministry yesterday launched a new report to assist breaking into India, with Minister Malik Samarawickrama undertaking a visit to India this week to help local businesses find success across the Palk Strait.

The report titled 'Entering the Indian market: Lessons from Sri Lankan firms that did it' looks into the strategies used by about 30 companies to establish themselves, and is the first in a two-step process to encourage more Sri Lankan companies to tap into the Indian market.

The second part of the 'Break into India' strategy, which was launched last year by the Ministry, is an in-depth Market Entry Study, for which the Request for Proposals was published by the Export Development Board (EDB) this week.

An international expert will be recruited to conduct research that provides any current or prospective Sri Lankan exporter or investor into India with in-depth market entry knowledge, including mapping of entry requirements, regulatory frameworks, institutions and market potential to smoothen entry.

Under this component, there will also be a business-to-business facilitation where market linkages will be forged for Sri Lankan businesses in priority sectors.

Parallel to the report launch, Minister Samarawickrama said he will travel to India today to meet with prospective investors and top business to drum up interest in investing in Sri Lanka.

"I will be urging them to form joint ventures with our private sector for ventures in India and help with entry of our products, our brands and our companies into India. I will take copies on this report and give it to the Indian trade and investment authorities as it has some important messages for our Indian counterparts as well. I am aware we have some outstanding trade facilitation issues with India and I will be taking these up with the Commerce Minister. The best chance we have to resolve these issues is by remaining committed to the FTA with India and working on expanding and deepening it," he said, addressing a small ceremony at the Ministry to mark the launch of the research report.

"There is no question we have to do more to integrate with the world. We cannot be afraid and we must be bold. This is the spirit of the Break into India strategy initiative to encourage being bold, proactive, well informed and willing to take risk. We are at the doorstep of the Indian market and we have to be bold and tap into it. This strategy aims to reiterate to our private sector the opportunity that exists and help them chart a path for successful market entry."

The Minister also emphasised the Government will continue to work on other outstanding matters, including recognition for Sri Lankan exports at priority ports such as Chennai, and continuous grievances resolution mechanisms on trade issues. The research also included a raft of recommendations for local institutions to follow to improve their market entry into India. These included sharing entry experience with other companies, holding briefing sessions on Indian regulations, boosting commercial diplomacy presence, providing legal support to local companies, mapping the Indian regulatory landscape, and identifying new distribution models. The report recommends these ideas be shared between the EDB, business chambers, Commerce Department and Indian High Commission as well as other stakeholders for implementation.

"While the Government tackles these issues, we want to provide the private sector with encouragement and information to succeed in the huge Indian market. The Break into India strategy aims to do just this, and coupled with this we have the market access support program where you can get matching grants

from the EDB to develop new markets, new products and to get quality certifications and de-risk your initial entry into India,” the Minister said.

The Government will continue with its policy to negotiate trade deals and liberalise the economy, Minister Samarawickrama said, pointing out there were already 170 FTAs in the Asia Pacific region, covering over 40 countries in Asia alone and a population of 4.4 billion people. He pointed out the Regional Comprehensive Economic Partnership (RCEP) will be the world’s largest economic bloc with 16 countries and almost half the world’s population. Many other countries have signed numerous FTAs with Singapore leading the way with 25, China 19, Japan, Korea and Malaysia clocking up 17 each, and Thailand, India and Indonesia 13 each.

He pointed out India, Thailand, Singapore, Malaysia, and Vietnam alone have 39 more FTAs in the pipeline. Despite detractors, he insisted the Government has moved forward to negotiate trade deals more than its predecessors.

“Without improved exports we will lag behind. Already many of our Asian peers are far ahead of us. Relations between India and Sri Lanka are at an all-time-high and the Indian Government is also extremely keen on helping us to improve, so I think this is the right time to see how we can break into the Indian market.” (Daily FT)

UNP-led coalition will be formed before end-August: PM

Prime Minister Ranil Wickremesinghe yesterday said all efforts would be directed at forging a United National Party (UNP)-led coalition before the end of August to contest the upcoming Presidential Election and assured the UNP is aware that going solo would undermine its chances of winning the next polls.

Releasing a special statement on Monday, which was initially the date when the coalition was to be formally created, Wickremesinghe insisted the postponement of the formation of the Democratic National Front (DNF) was temporary. He also confirmed reports that amendment to the coalition’s constitution had been presented after the UNP Working Committee meeting last Thursday. Senior members will be considering how they can be woven into a version all parties could rubber stamp, the statement said.

However, Wickremesinghe made no mention of the coalition parties’ request that the UNP determine a presidential candidate before the DNF is formed.

“New ideas were presented at the last meeting after the decision to form the Democratic National Alliance was made. We realised it was important to consider these views. Therefore we decided to take more time to finalise the constitution of the Democratic National Alliance. We have already decided to form the coalition before the end of August,” Prime Minister Wickremesinghe said in the statement.

Even though the formation of the DNF has been postponed, it will not hinder the day-to-day functions and activities of any party, Wickremesinghe noted, adding that the process to create the DNF would also not undermine individual party independence or their distinctive political ideologies.

“We will create a national policy framework for the Democratic National Front. Our future plans will be formed based on this policy framework.”

Wickremesinghe also acknowledged that election wins in the last decade had shown that coalition parties had more capacity to reach across vote bases than traditional single parties and as such forming a coalition was a sound strategy to face a national election.

“Anyone who has an understanding of recent political developments accepts that it is difficult to win a Presidential Election without a coalition. This is why in the past I have worked hard to find ways to build a broad coalition that can propel us towards victory. Neither I nor other party leaders will move away from this aim. We are determined to achieve our goal of winning the next Presidential Election through a coalition led by the UNP. Subsequently we will win the next Presidential Elections and move the entire country forward on a victorious path. We must all join in this task,” the statement added. (Daily FT)

Mahen buys control of KIA Motors for Rs. 714 m

Mahen Thambiah is to buy the control of KIA Motors (Lanka) Ltd., for Rs. 714 million.

The stake amounting to 42 million shares or 70% was sold by CM Holdings PLC. The deal works to a pricing of Rs. 17 per share. The net asset value per share of CM Holdings as at 31 March was Rs. 103, up from Rs. 99 from a year earlier. At Group level it was Rs. 199, down from Rs. 203.

Parent Colombo Fort Land and Building PLC said its subsidiary CM Holdings PLC entered into an agreement on 2 August for the sale of control of KIA Motors (Lanka) Ltd., subject to the fulfilment of identified terms and conditions. The filing to the Colombo Stock Exchange, however, did not list what there were.

Kia Motors together with Carplan Ltd., in 1996 introduced the Kia brand to Sri Lanka, providing sales and services to the brand since then. Gaining customer confidence in the Sri Lankan market, Kia is rapidly moving forward on the strength of a “DESIGN” driven brand and recognised as a quality product.

Colombo Fort Land & Building held 64.5%, whilst several related parties such as Lankem Ceylon, Ceylon Investment Trust etc. held smaller stakes. The second largest shareholder is Sri Lanka Insurance Life Fund with 2.6% stake. The number of public shareholders as at 31.03.2019 was 895.

In the year ended 31 March 2019, CM Holdings’ revenue amounted to Rs. 1.63 billion down by 32% from the previous year and gross profit declined by 7% to Rs. 423 million. Pre-tax loss was Rs. 585 million, as against Rs. 212 million in FY18.

Net revenue from motor trade and related services was Rs. 1.6 billion, down from Rs. 2.3 billion and after tax loss was Rs. 410 million as against Rs. 276 million in FY18. Property Holding and investment posted a Rs. 175 million loss in comparison to a profit of Rs. 65 million. (Daily FT)

No change in 15% interest given to senior citizens

Although the Central Bank has reduced the rates for deposits maintained in commercial banks, the special interest rate of 15% offered by the Government for senior citizens has not been changed, the Finance Ministry said yesterday.

“There is no truth in the media reports published by various media saying that the 15% special bank interest rate which has granted by the Government for senior citizens has been reduced,” the Finance Ministry said in a statement.

The special interest rate of 15% that has been granted for the fixed deposits which are maintained by senior citizens was introduced by Budget 2015 and, it has been continuing with effect from 13 March 2015 without any change.

The income from the interest of senior citizens up to Rs. 1 million was exempted from Withholding Tax by Budget 2015. Budget 2018 increased the threshold of this interest income for senior citizens up to Rs. 1.5 million.

Accordingly, with the aim of continuing further the concessions to senior citizens, the annual interest income of senior citizens up to Rs. 1.5 million has been exempted from Withholding Tax.

The Treasury has been paying nearly Rs. 16 billion annually to commercial banks to provide the increased interest rate of 15% to senior citizens. (Daily FT)

Chemanex exits insurance broking with Rs. 250 m profit

Chemanex PLC has sold its stake in the insurance broking arm to Commercial Bank PLC at a near Rs. 250 million profit.

It said it transferred 239,999 shares of Commercial Insurance Brokers Ltd. amounting to 40% stake to Commercial Bank PLC for Rs. 250 million. The sale resulted in a profit of Rs. 249.8 million for the Company and Rs. 157 million for the Group.

CIC Group in FY19 underwent a process of rationalisation of its operations and ceased its export business entirely during the preceding year. In line with the said decision, the Company divested Cal

Exports Lanka Ltd in FY19. Winding up operations of Chemanex Exports Ltd., is in progress. (Daily FT)