

NEWS ROUND UP

Tuesday, August 07, 2018

Contents

SriLankan probe finds BoC letter requesting shares be registered to EPF, state banks.....	2
Sri Lanka's CIC group losses down in June 2018 quarter.....	3
Turkey lira crashes to new record lows on US strains.....	3
Indian Oil's Sri Lanka unit back in profit in June quarter.....	4
Approval documents on Rs. 46.4 b of UL bonds missing: Official.....	5
Aban Pestonjee named Woman Entrepreneur of the Year.....	5
Fin Min says no change in income tax for docs.....	6

SriLankan probe finds BoC letter requesting shares be registered to EPF, state banks

A former Chairman of Bank of Ceylon had written to then Treasury Secretary PB Jayasundera asking shares of SriLankan Airlines be registered with the Employees Provident Fund and state banks that had contributed money, evidence presented to a commission of inquiry showed.

At a Presidential Commission of Inquiry into irregularities at SriLankan Airlines and Mihin Lanka, Company Secretary Dalrene Thirukumar provided documents filed by her predecessor.

She said then Bank of Ceylon Gamini Wickramasinghe had written to then Treasury Secretary P. B. Jayasundera in August 2010, saying the bank had completed the purchase of shares held by Emirates.

Wickramasinghe had told Jayasundera that BOC wishes to register shareholding in SriLankan as owning 12.1 million shares worth 28.6 million US dollars.

Thirukumar said that she could only find documents giving cabinet approval for BOC to purchase 22.3 million shares worth 53 million US dollars held by Emirates.

She said that Wickramasinghe had requested for People's Bank to be registered as a SriLankan shareholder with 4.2 million shares at it had contributed 10 million US dollars to the transfer.

National Savings Bank (NSB) too had contributed 10 million US dollars, and was requested to be registered as owning 4.2 million SriLankan shares, she said.

She said that the letter also calls for the Employees' Provident Fund (EPF) to be registered as owning 1.8 million SriLankan shares, for its contribution of 4.3 million US dollars.

Wickramasinghe had referred to a letter from Jayasundera in June 2010 in completing the transfer, Thirukumar said.

However, she said that even this letter had only given authorization for BOC to purchase the shares after the BOC board had approved such a decision.

No Monetary Board approval had also been given for the EPF to purchase the shares from Emirates, Thirukumar said based on available documents.

In an earlier testimony, she had said that the cabinet had been informed of the possibility of state financial institution owning SriLankan shares.

The SriLankan board required a proper instrument of transfer to register the shares held by BOC, People's Bank, NSB and EPF according to the articles of association of the airline, Thirukumar said.

However, she could only find one incomplete instrument of transfer, she said.

Thirukumar presented an original of the instrument of transfer to the commission, upon a request a commissioner had made last week.

When asked, she said that she could not find a taxpayer identification number, company number or any other numbers identifying SriLankan on the instrument, and the 'number of units' was also missing.

She said that she could not find any company numbers identifying Emirates, BOC, People's Bank, NSB and the EPF on the instrument. Company seals were also missing, she had said in a previous testimony.

The articles of association and the Companies Act No. 7 of 2007 also require a board approval for registration of shares, Thirukumar said.

She said that while the instrument had been tabled with the SriLankan board by 20 August 2010, there are no board minutes approving the transfer of shares from Emirates to BOC.

By 2013, the budget for 2014 read by then President Mahinda Rajapaksa had sought approval for the Treasury to buy back the shares held by the three state banks, as the SriLankan shares were a burden on the banks, Thirukumar said.

The EPF continues to hold a minority stake in SriLankan, she said.(Economy Next).

Sri Lanka's CIC group losses down in June 2018 quarter

Sri Lanka's CIC Holdings group reduced losses in the June 2018 quarter to 23 million rupees compared with a loss of 87 million the year before, interim accounts showed.

Sales fell 12% to 6.7 billion rupees, according to the accounts filed with the stock exchange.

The firm's loss per share fell to 24 cents from 92 cents a year ago. The stock closed unchanged at 49.70 rupees.

The accounts showed CIC had booked a loss of 73 million rupees on available for sale financial assets compared with a gain of 17 million rupees the previous year.

Profits more than tripled in CIC's crop solutions business, its largest business in terms of both revenues and profits.

In CIC's health and personal care business, with products from baby care to medical devices and pharmaceuticals, profits were slightly lower, while livestock business profits fell sharply.

Profits were also lower in the group's industrial solutions business while its agri produce businesses losses increased.(Economy Next).

Turkey lira crashes to new record lows on US strains

The Turkish lira on Monday tumbled to new record lows against the dollar and euro as strains caused by a diplomatic spat with the United States compounded concerns over domestic economic policy.

President Recep Tayyip Erdogan on Saturday said Ankara would sanction two American officials in response to a similar move by the United States against Turkish ministers over the detention in Turkey of pastor Andrew Brunson.

Analysts say that while the sanctions themselves are almost meaningless, the tensions risk hurting the already embattled currency and could be a harbinger of tougher measures to come from Washington.

The lira, which last week hit five to the dollar for the first time in history over the sanctions, was trading at 5.35 to the dollar, a loss of 5.5 percent on the day.

Against the euro, the lira was trading at 6.2, a loss of 5.5 percent on the day, the first time it has ever broken through the 6.0 ceiling.

The currency was also pressured by an announcement by the Office of the US Trade Representative that it was reviewing Turkey's eligibility of a scheme which allows the export of certain products to the US duty free.

In an apparent bid to limit the lira's losses, the Turkish central bank said it modified its foreign currency reserves rules for private banks to allow them another 2.2 billion US dollars of liquidity.

But after the briefest of rallies, the move appeared to only hurt the lira more, with markets despairing over the central bank's apparent reluctance to use interest rates as a monetary policy tool.

"It was another step that has proven that for some reason the central bank is reluctant to use the one single 'clean, normal' instrument -- the key interest rate," said Ulrich Leuchtmann, head of forex and emerging market research at Commerzbank.

Lukman Otunuga, research analyst at FXTM added: "The Turkish lira simply can't catch a break, and there is really no clear end in sight to prevent the currency from further dramatic weakness."

- 'Not in position to raise rates' -

The row with the US had added to concerns about economic and monetary policy in Turkey after the re-election of Erdogan for a new term with strengthened powers on June 24.

One of Erdogan's first moves after his inauguration was to jettison the relatively trusted economic policymaking team and hand a newly expanded finance ministry to his son-in-law Berat Albayrak.

Meanwhile, Turkey's central bank -- which is theoretically independent -- disappointed markets on July 24 by leaving rates unchanged despite inflation that has now reached almost 16 percent.

Erdogan has repeatedly urged the central bank to lower rates to boost growth, baffling markets by expressing the unorthodox view that lower interest rates can help bring down inflation.

"The current level of real policy rate is insufficient to compensate for the heightened geopolitical risk premium after US sanctions, which will keep the lira vulnerable to a further escalation of geopolitical tensions," said Inan Demir, economist at Nomura, in a note to clients.

He added the central bank's latest comments indicate that it is "not in a position to raise rates and the most that can be expected is to keep rates unchanged for an extended period."

"This means the risk-reward profile for the lira is still unattractive," he added .(Economy Next)

Indian Oil's Sri Lanka unit back in profit in June quarter

The Sri Lankan unit of Indian Oil Corporation (IOC) returned to profit in the June 2018 quarter with net earnings of 246 million rupees compared with a loss of 135 million rupees a year ago, interim accounts showed.

Sales of Lanka IOC fell 6.7 percent to 19.1 billion rupees in the quarter, according to the accounts filed with the stock exchange.

Earnings per share for the quarter were 46 cent compared with a loss of 25 cents the year before.

The stock closed at 32.10 rupees Monday, down 40 cents (1.23%).

In March LIOC had raised 92 Octane petrol by 9 rupees a litre to 126 and auto diesel by 5 rupees to 100 a litre.

The June 2018 quarter accounts showed a fall in sales of auto diesel and a big increase in stocks. Standard petrol sales also fell slightly but LIOC increased fuel oil sales and bitumen.

In July the government introduced a fuel pricing formula under which retail prices will be changed according to international oil price fluctuations with state-run Ceylon Petroleum Corporation and Lanka IOC raising prices.(Economy Next)

Approval documents on Rs. 46.4 b of UL bonds missing: Official

SriLankan Airlines issued bonds worth over Rs. 46.4 billion from 2011 to 2013, but the documents pertaining to the issuer currently could not be found, the Presidential Commission of Inquiry (PCoI) to investigate and inquire into alleged irregularities in connection with SriLankan Airlines, SriLankan Catering, and Mihin Lanka heard

yesterday.

SriLankan Airlines Company Secretary Dalrene Thirukumar, testifying before the PCoI, provided further documents pertaining to the purchase of shares under the reacquisition of the Airline from Emirates by SriLankan Airlines. Several irregularities of the deal and other matters were discussed at the PCoI.

The documents presented by Secretary Thirukumar noted that, from 2011 to 2013, the national carrier had issued bonds worth over Rs. 46.4 billion, although correspondence pertaining to the issuer of the bonds or the approval taken to issue the bonds were not found.

Thirukumar, presenting documents on the bond issue, said: "In 2011, Rs. 14.62 billion bonds were issued. In 2012, a total of Rs. 12.46 billion bonds were issued. In 2013, Rs. 19.5 billion worth of bonds were issued. A total of Rs. 46.4 billion worth of bonds were issued during the three years."

When the PCoI inquired whether there were any documents relating to the issuer of the bonds or the approval taken to issue them, Thirukumar failed to answer as the documents related to the matter were not found. The PCoI later gave the company's Secretary time to produce any documents pertaining to the events. (DailyFT)

Aban Pestonjee named Woman Entrepreneur of the Year

Abans Group of Companies Chairperson and Founder Aban Pestonjee was adjudged Woman Entrepreneur of the Year at the Women's Chamber of Industry and Commerce (WCIC) 'Unstoppable – The Future Belongs to Her' Woman Entrepreneur of the Year 2017 awards, which held on 4 August at Taj Samudra, Colombo. She also attained the 'Gold' award for her ingenious entrepreneurial skills in the extra large business enterprise category.

The illustrious occasion saw the gathering of the upper echelons of Sri Lanka's business community and important Government dignitaries.

Several luminaries from the Abans Group also attended the event.

The Woman Entrepreneur of the Year Awards was a premier event of WCIC, a preeminent non-profit organisation that predominantly focuses on empowering female business owners across Sri Lanka, and improving the overall work environment for women. The primary aim of this awards function was to recognise the outstanding contributions of women entrepreneurs in their respective fields.

“When I started (this) business, there were hardly any women in business. Today we have women who are leading most fields in the Government sector, the corporate sector and they are all doing very well. I also know that WCIC is helping the women in need to bring up their lives and to start businesses. I wish them all the best, and I deeply thank WCIC for the awards,” said Pestonjee upon receiving these milestone awards.

Determined to fulfil the goal of making the lives of homemakers like herself easier, Aban Pestonjee founded the Abans Group as a modest corner store at Galle Road, Bambalapitiya in 1968. Purchasing quality home appliances put out for sale at auctions, especially conducted by embassies, and reselling them with a guarantee were the core operations of her business.

In 1978, when Sri Lanka emerged into an open economy, Pestonjee began writing regular letters to large British companies that distributed popular international brands to import their respective white goods. At first, several refused. However, her strong persistence led to Electrolux representatives visiting her store and service centre, which was then located in her home garage. Deeply impressed, Electrolux became the first brand to join hands with Abans to enter the Sri Lankan market. Soon, other famous British brands including Hoover, Pyrex, and Russell Hobbs started knocking on her door.

Guided by the simple business model of honesty, hard work, and perseverance, Aban Pestonjee’s tireless efforts has resulted in the Abans Group being the corporate giant it is today. The conglomerate is currently divided into five strategic business categories encompassing retail, services, logistics, manufacturing, real estate, and infrastructure. Brands such as LG, Apple, SKECHERS, Haier, Dell, and many others currently form a part of Abans’ extensive brand portfolio. The Abans Group also possesses over 400 showrooms and more than 15 service centres island-wide. Abans’ transformation into Sri Lanka’s most trusted household name remains a singular account of how a resolute woman’s sheer tenacity, integrity, willingness to take risks, and passion for innovation can guarantee true success in business.

Under the benevolent guidance of Aban Pestonjee and the other preeminent Directors, the Abans Group will make a pioneering venture into real estate with its mixed-use BOI project, Colombo City Centre. Divided into three phases including a mall, hotel and high-end residences, Colombo City Centre stands to become an iconic landmark of Colombo and revolutionise the local urban lifestyle. (DailyFT)

Fin Min says no change in income tax for docs

The Finance Ministry yesterday noted the income tax level of doctors had not been reduced from 24% to 15%, but an agreement had been reached to amend the expenditure calculation process.

Responding to a report attributed to Health Minister Dr. Rajitha Senarathne, which said income tax for doctors had been reduced from 24% to 15%, the Finance Ministry said there has been no changes in the tax rate for the calculation of Income Tax or the PAYE tax.

“The members of the Association of Medical Specialists held a discussion with the Minister of Finance and Mass Media Mangala Samaraweera, where agreement was reached to amend the process of the expenditure calculation for the purpose of income tax payment,” the Ministry said in a

statement.

State Minister for National Policies and Economic Affairs Dr. Harsha de Silva also expressed his views on Twitter.

“Dr Rajitha says PAYE for specialist doctors in Sri Lanka capped at 15%. I am shocked! What about other doctors, pilots, lawyers? We had made some revisions in discussing expanding slabs so ALL hard working MIDDLE CLASS would BENEFIT; w progressive principle of taxation,” the State Minister said in a Twitter post.(DailyFT)