

NEWS ROUND UP

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Expolanka posts strong consolidation on top and bottom line performances in 3Q

- Revenue surges by 32% YoY up to Rs. 27.7b
- PAT increases by 39% YoY up to Rs. 591m
- Strong performance driven mainly by logistics and leisure sectors

Delivering on its ambitious growth targets, Expolanka PLC yesterday announced its third quarter results showing another quarter of strong top and bottom line performance.

For the third quarter of FY2018/19 (3Q19), turnover at Expolanka increased by 32% Year-on-Year (YoY) up to Rs. 27.7 billion, powered by continued consolidation of its freight forwarding and logistics business and further bolstered by the group's growing leisure operation.

Expanded turnover coupled with a continuing focus on stabilisation of margins through optimisation of procurement functions resulted in an increased gross profit of Rs. 5.1 billion, reflecting an impressive growth rate of over 37% YoY. Ultimately, this continuing consolidation of market share and internal efficiencies enabled a drastic increase in Profit After Tax (PAT), which expanded by a substantial 39% YoY up to Rs. 591 million. Expolanka has diligently pursued a balanced strategy that emphasises not only growth by maximisation of revenue, but also concentrating on improving internal efficiencies. This focus on fundamentals continued to yield positive returns to the group and our valued shareholders over the last quarter as well as cumulatively over FY 19. "Our logistics sector remains our strongest contributor to group revenue and our efforts to enhance margins and improve efficiencies while expanding capacity have yielded sustainable results. Our Leisure business is going through a period of consolidation within its operations and the sector is further strengthening its business and processes to meet the challenges that the industry is faced with. We hope that the focus that we are bringing into the business will help us sustain our performance in the future as well," Expolanka Group CEO Hanif Yusoof stated.

During the quarter, the group's logistics sector posted a 32% YoY increase in revenue up to Rs. 26.5 billion while improved capacity management and yield improvement in its procurement functions enabled the sector to sustain its margins throughout 3Q19. This resulted in the sector posting a remarkable 40% YoY growth rate in gross profits, which closed the quarter at Rs. 4.8 billion.

All core freight products remained strong, with Air Export continuing to remain as the largest contributor to Expolanka's top line. While the sector continued to face challenges in the Ocean Freight business segment, it was nevertheless able to maintain stability across its global operations while key origins for the group – South Asia and the Far East – continued to see growth and improvement within targeted margins.

The group's North American and European trade lanes also recorded improved performances over the quarter while the Intra-Asia trade lane operation remained stable. Similarly, the group's contract logistics operations and transport operations also recorded stable growth having successfully overcome challenges faced in their initial operations.

Consequently, Expolanka's logistics sector closed the quarter with a Profit After Tax (PAT) of Rs. 710 million, reflecting growth of 36% YoY.

Similarly, the group's operational consolidation also carried through to its burgeoning leisure sector. Despite challenging operating conditions and stiff competition, the sector continued to achieve post gradual improvements, and over 3Q19, was able to generate a PAT of Rs. 66 million, reflecting growth of 38% YoY.

Within the Leisure Sector, Expolanka will continue to focus on the core, corporate travel business, while also incorporating value added services, solutions and technologies to enhance its overall service portfolio and maintain its differentiation strategy.

Meanwhile, the group's investment sector – which is primarily linked to export operations – also contributed positively towards group performance while the sector's IT operations helped to maintain cost structures from the previous year with a focus on creating strategic value to the group. In total, the sector contributed Rs. 835 million towards the top line performance. (Dailyft)

Biz confidence improves post-Supreme Court ruling

The LMD-Nielsen Business Confidence Index (BCI) climbed 11 notches to register 101 in January, according to the latest edition of LMD.

This puts the index only one basis point shy of its average of 102 for the last 12 months. Nielsen's Managing Director Sharang Pant explains: "Following two months of uncertainty, stability seems to be returning to the Sri Lankan political scenario. This has had a certain impact on [business] sentiment."

Furthermore, he notes that "the rupee continues to slide due to dollar pressure but inflation is under control. Sentiment regarding the tourism industry is positive as well – this despite the short-term impact on tourist arrivals late last year."

LMD reports that the economy, politics and corruption are considered to be among the main concerns for the nation. Meanwhile, the value of the rupee and inflation are the notable sensitivities in corporate circles.

"Sri Lanka is currently in a debt trap and the depreciation of the rupee is pushing the country further into debt. The authorities should act first on strengthening the value of the rupee; or else the economy will be adversely impacted," observes one corporate executive.

Regarding the outlook for the index, a spokesperson for Media Services, the publisher of the leading business magazine, says: "It is anybody's guess as to what the future holds for business and the BCI, given that the pre-constitutional crisis status quo has been restored to some degree, and that we may witness one or more elections this year."

Media Services says the latest edition of the magazine will be released to leading bookstores and supermarkets on 8 February (for the full BCI report, visit www.LMD.lk). (Dailyft)

Rupee ends firmer; CSE gains

Sri Lanka's rupee ended slightly firmer yesterday due to exporter dollar sales, while a trade union strike at customs dampened importer demand for the greenback.

Stocks snapped a five-session winning streak to end lower as foreign investors exited from risky assets. A strike by Sri Lanka customs officers that left 6,000 containers stranded at the country's main port and put pressure on food prices, had dampened the demand for dollars from importers.

The rupee closed at 177.65/85 per dollar, compared with Wednesday's close of 177.70/178.00, market sources said.

The Colombo Stock Index ended 0.04% firmer at 5,959.79 yesterday, edging up from its lowest close since 23 January hit on Wednesday. Stocks declined 1% in January.

Turnover was Rs. 797 million (\$ 4.49 million), less than last year's daily average of Rs. 834 million. Foreign investors net sold Rs. 685.1 million worth shares yesterday. They have been net sellers of Rs. 3.4 billion worth of stocks so far this year, and Rs. 16.8 billion since the political crisis began on 26 October 2018.

The bond market saw inflows of Rs. 924.7 million in the week ended 30 January, the latest Central Bank data showed.

Rupee posted a weekly gain of 2.8% last week as exporters converted dollars and foreign investors purchased government securities after a statement from the International Monetary Fund (IMF) and Government's \$ 1 billion debt repayment boosted confidence.

The currency has appreciated 2.8% so far this year.

Investor confidence in Sri Lanka is stabilising after the country repaid a \$ 1 billion sovereign bond in mid-January, Central Bank of Sri Lanka Governor Indrajit Coomaraswamy said last week.

Worries over heavy debt repayment after a 51-day political crisis that resulted in a series of credit rating downgrades dented investor sentiment as the county is struggling to repay its foreign loans, with a record \$ 5.9 billion due this year, including \$ 2.6 billion in the first three months.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows.

The political crisis had dented investor sentiment and delayed Sri Lanka's borrowing plans. Sri Lanka had plunged into political turmoil when President Maithripala Sirisena abruptly removed Prime Minister Ranil Wickremesinghe and then dissolved Parliament. Wickremesinghe was later reinstalled as premier. A court ruled the dissolution was unconstitutional. (Dailyft)

Sri Lanka rupee closes weaker, bond yields rise on political uncertainty

Sri Lanka's rupee closed weaker on Thursday at 177.75/85 to the US dollar in the spot market and bonds yields ended marginally higher amid political uncertainty while stocks gained 0.04 percent, dealers said.

The rupee was 177.65/80 to the US dollar in the spot market on Wednesday.

Finance Minister Mangala Samaraweera had said the rupee was strengthening due to inflows into government securities and he expected further appreciation.

Bonds were being sold, leading to rising yields after a 300 million dollar syndicated loan from the Bank of China was delayed due to the Lunar New Year holiday, dealers said.

Political uncertainty also saw bonds being sold, as the government did not to bring a motion in parliament to create a coalition government.

Investors were concerned over this, as the government may not be able to get a majority vote to pass the budget next month, dealers said.

Twelve month bills were quoted at 10.70/80 percent on Thursday, up from 10.65/75 percent yesterday. At a bill auction Wednesday, 12-month bills were sold at a weighted average of 10.69 percent.

A bond maturing on 01.08.2021 closed at 10.90/97 percent on Thursday, up from yesterday's closing of 10.85/95 percent.

A bond maturing on 15.12.2023 saw foreign buying interest, closing at 10.97/02 percent, falling from 11.00/03 percent at Wednesday's close.

A 7-year bond maturing on 01.08.2026 was quoted at 11.20/28 percent, wider from 11.20/24 percent a day earlier.

A bond maturing on 15.01.2027, was quoted at 11.27/30 percent, flat from Wednesday

A bond maturing on 01.09.2028 was quoted at 11.35/45 percent, with no change from yesterday.

At the Colombo Stock Exchange, the All Share Price Index closed with a marginal gain of 0.04 percent or 2.38 points to 5,959.79 on Thursday, while the more liquid stocks in the S&P SL20 Index were down 0.15 percent or 4.50 points to 3,053.25.

Market turnover was 797 million rupees with foreign selling.

There was 685.1 million rupees in net foreign outflows from the market.

Distilleries Company of Sri Lanka share, up 50 cents to 16.30 rupees, contributed to the All Share's gain along with Ceylinco Insurance, up 79 rupees to 1,999 rupees per share.

There was selling in John Keells Holdings, down 90 cents to 156 rupees per share, and Dialog Axiata, down 10 cents to 10 rupees per share.

Softlogic Life Insurance and Commercial Bank shares were also lower.(Dailyft)

Sri Lanka tourism campaign to go ahead with new promotions head

Sri Lanka's delayed three billion rupee, three year main tourism promotional campaign is expected to get off the ground soon with the appointment of Kishu Gomes as chairman of the state promotions agency, the tourism minister said.

"Now that there is a new chairman and in place at the Sri Lanka Tourism Promotions Bureau, the campaign can go ahead," Minister John Amaratunga said after appointing the new chairman on February 06.

Industry players were worried that the mega campaign would be delayed further, and not build up on the momentum of Sri Lanka being named Lonely Planet's top country to travel to in 2019 as well as smaller campaigns conducted in 2018.

Sri Lanka has not done a multiple media platform mega promotions campaign to take advantage of the arrivals boost the country received in 2010 after the ending of a 25-year civil war in 2009.

Arrivals growth has slowed since 2010.

The new mega campaign, targeting India, China, Europe and Australia, was stuck at the board level without approval, as the previous chairman Dehan Seneviratne had resigned when a political crisis started in October.

Kishu Gomes was appointed the Chairman of Sri Lanka Tourism Promotions Bureau and the top regulatory body, the Sri Lanka Tourism Development Authority.

There was a delay in his appointment as well, since Prime Minister Ranil Wickremesinghe said he needed to approve state appointments after the President's approval.

Gomes said he needs one or two weeks to get oriented with the processes at the state office, after transitioning from a corporate environment.

"I need a week or two, because I need to know what are the processes here and to examine them," he said in Sinhala after taking over the state office.

"After that I will announce my plans, what strategies will be used to achieve them, and responsibilities that will fall on each person."

He said although tourism is Sri Lanka's third-largest foreign exchange earner, much more could be done to increase the industry's contribution to the country.

Gomes resigned as the chief executive and managing director of the local unit of the multinational Chevron Lubricants in May 2018.

In late 2018, he was the lead juror for the Sri Lanka Tourism Awards.

"In that capacity, I met a lot of hoteliers, and I had a chance to speak about my experiences at the awards ceremony," he said.

"I think that may have played a part in me being recommended to take up this office," he said. (Colombo/Feb07/2019 - SB) (Economynext)

Sri Lanka's Teejay Lanka December quarter net profit up 12-pct

Teejay Lanka's net profit rose 12 percent to 551 million rupees in the December 2018 quarter from a year ago with higher sales, better capacity use especially in India and a weaker rupee, although in dollar terms earnings were flat.

The Sri Lankan fabric supplier's sales in the third quarter of 2018-19 were up 28 percent to 8.48 billion rupees, interim accounts filed with the stock exchange showed.

Quarterly earnings per share were 78 cents. Teejay Lanka's share closed at 34 rupees Thursday, down 40 cents or 1.16 percent.

In the nine months to December 2018, EPS was 1.79 rupees with sales up 26 percent to 23 billion rupees and net profit up 16 percent to 1.26 billion rupees.

Teejay Lanka chairman Bill Lam said in a statement this was the fifth consecutive quarter of sales and profit growth, "demonstrating its resilience during a period of higher raw material and utility costs."

The growth was achieved by operating at optimal capacity with the margin for the quarter improving to 12.3 percent from 11.2 percent on a quarter-on-quarter basis “as a result of better loading and an improved mix via the group’s US and EU business units,” he said.

“Additionally, improved capacity utilisation across the group, mainly with Teejay India’s expanded capacity exceeding expectations with optimum production and capacity utilisation, had contributed to the performance,” he said.

“The depreciating rupee and cost reduction initiatives also helped to keep overhead cost increases below revenue growth, Lam explained.

Teejay Group had a strong order book for the final quarter of 2018-19, projecting strong numbers for the group, he said.

“While we continue to see growth opportunities for Teejay Group, we also see challenges, foremost among them sale mix and raw material price volatility and increases in utility costs,” Lam said.

“Despite the challenging market conditions, the group is optimistic that with a strong order book, capacity optimisation and the depreciation of the rupee it will end the financial year on a strong footing.”

In dollar terms, December 2018 quarter profit growth was flat at 3.3 million.

A Weft knit fabric specialist with manufacturing operations in Sri Lanka and India, Teejay is one of the region’s largest textile manufacturers, and supplies fabric to some of the top international brands, a statement said.

One of Sri Lanka’s largest apparel exporters, Brandix Lanka 33 percent stake in Teejay Lanka and Pacific Textiles of Hong Kong 28 percent.
(Colombo/February 07/2019)

CREDIBILITY:

What Sri Lanka can do to improve the credibility of its dollar soft-peg: Bellwether

SOFT PEG:

Sri Lanka’s central bank caught between peg and a hard place
(Economynext)

Asian Stocks Slide Most in a Month; Aussie Sinks: Markets Wrap

Asian stocks tumbled Friday on worries that the U.S. and China won’t reach a trade deal before another round of tariff hikes are set to kick in. The Australian dollar sank after the central bank slashed its economic outlook.

Japanese shares led declines in Asia, and Hong Kong stocks slumped as they reopened after a three-day holiday. Australian equities came off their lows as the Aussie tumbled toward its worst week since 2016, bolstering the country’s export competitiveness. U.S. futures dropped after the S&P 500 sank with Treasury yields overnight, following news that President Donald Trump [is unlikely to meet](#) Chinese President Xi Jinping before the March 1 deadline for more tariffs. China’s markets remain shut for Lunar New Year.

With Hong Kong traders back at their desks Friday and mainland China returning from holidays Monday, volumes will be ramping up again just as global growth concerns are rising. The European Commission made sweeping downward revisions to most of the region’s major economies and the Bank of England

said it expected the U.K. economy to grow at its slowest pace in a decade. India's central bank cut interest rates Thursday.

The Reserve Bank of Australia downgraded its growth and inflation forecasts Friday, following the central bank governor's declaration of a shift to a neutral policy stance earlier in the week.

Elsewhere, crude slumped below \$53 a barrel in New York and gold edged higher. Iron ore futures topped [\\$90 a ton](#) to hit the highest level since 2014 on concern that the increasingly severe crisis at top producer Vale SA will reduce global supplies.

EM Asset Class 'Undervalued, Underheld,' Says Bulltack's Rooney Vera

Kathryn Rooney Vera, head of global research at Bulltack, discusses EM and opportunities in Venezuela.

These are the main moves in markets:

Stocks

- The MSCI Asia Pacific Index fell 1.2 percent as of 10:25 a.m. Hong Kong time, the most since Jan. 2.
- Futures on the S&P 500 dipped 0.4 percent. The underlying gauge on Thursday fell 0.9 percent.
- Japan's Topix index lost 1.7 percent.
- Hong Kong's Hang Seng dropped 1.1 percent.
- Australia's S&P/ASX 200 Index was down 0.5 percent.

Currencies

- The yen rose 0.1 percent to 109.73 per dollar.
- The offshore yuan dipped 0.1 percent to 6.7915 per dollar.
- The Aussie fell 0.5 percent to 70.66 U.S. cents.
- The euro bought \$1.1339, little changed.
- The British pound traded at \$1.2944, down 0.1 percent.

Bonds

- The yield on 10-year Treasuries dipped one basis point to 2.65 percent.
- Australia's 10-year bond yield slid about six basis points to 2.08 percent.

Commodities

- Gold was little changed at \$1,309.51 an ounce.
- West Texas Intermediate crude slid 0.5 percent to \$52.33 a barrel.

(Bloomberg)