NEWS ROUND UP

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Singer 9 month revenue up 13% to Rs. 44.5b

Singer (Sri Lanka) PLC has announced its results for the first nine months of 2018/19. Revenue for the nine months amounted to Rs. 44.5 billion, a notable increase of 13% compared to the same period in the previous year.
Excluding the impact of exchange loss of Rs. 355 million which arose from the dollar denominator supplier credits, Group Net Profit for the nine months was Rs. 608 million and Profit Before Tax was Rs. 950 million. Group Earnings Before Interest, Tax , Depreciation and Amortisation (EBITDA) for the nine months was Rs. 2,889 million against Rs. 2,567 million in the previous year which was above the prior year by 12.5% . The third-quarter Group Revenue increased by 10% while Group Operating Profit increased by 21% excluding the impact of exchange loss, Group Net Profit for the quarter was Rs. 152 million. Business conditions remain challenging due to sluggish market demand and low consumer spending on durable goods that were further burdened by the import restrictions and currency devaluation impact on selling prices.

However, the company anticipates improvement in market conditions resulting from improved harvest and growth in agriculture related industries in coming months.

Group Chief Executive Officer Mahesh Wijewardene commenting on the results said:"While the business environment for consumer durables continues to be challenging, Singer Sri Lanka is confident of maintaining market leadership and increasing our market share." Group Chairman Mohan Pandithage said: "Hayleys Group, as the major shareholder, looks forward to contributing to Singer's continued growth and leadership in the consumer durables industry. Combined synergies of Hayleys Group and Singer Group will undoubtedly contribute to significant growth due to our ambitious key business initiatives."

Singer (Sri Lanka) is the largest retailer, financier and manufacturer of consumer durables in Sri Lanka. The company has 437 retail stores as well as a fast growing e-commerce platform. The company also serves over 2800 dealers/sub retailers. It is also renowned for its after sales service network with 14 Regional Service Centres and over 300 service agents. Apart from its house brands, the company is the exclusive distributor for many well-known international consumer durable brands.

The Board of Directors of Singer (Sri Lanka) comprises Chairman Mohan Pandithage, Co-Chairman Dhammika Perera, Group Chief Executive Officer Mahesh Wijewardene, Stephen Goodman, Deepal Sooriyaarachchi, Dumith Fernando, M. H. Jamaldeen, Sarath Ganegoda, Dilip de S. Wijeyeratne and Otara Gunewardene. (Dailyft)

Hemas operating profit soars 46%, bottom line up 19%

Hemas Holdings PLC has reported a consolidated revenue of Rs. 48 billion for the nine months ended 31 December 2018, up 37.8%, primarily driven by our acquisition of Atlas.

Group operating profit stood at Rs. 4.3 billion, a growth of 45.8%.

CEO Steven Enderby

The profit attributable to equity holders of the parent at Rs. 2.5 billion was up 19.2%.

Hemas delivered year-to-date organic revenue growth of 15.7% and a recurring organic operating profit growth of 2.6%, excluding Atlas performance and the disposal gain arising from the Galle Hospital divestment.

“Organic profitability growth remains a challenge due to unprecedented rupee depreciation coupled with price controls at pharmaceutical distribution and Morison,” Hemas Holdings CEO Steven Enderby said.

“Unrealised forex losses arising from the translation of foreign currency denominated loan at our Anantara Peace Haven Tangalle hotel made a negative contribution to operating profit of Rs. 174 million, 5.7% of recurring operating profit,” he said.

According to the CEO, overall, the macro environment was challenging during the quarter with significant currency depreciation impacting profitability and political uncertainty eroding consumer and business confidence.

HHL achieved higher revenues and profit growth primarily due to the solid performance at Atlas, during its critical Q3 peak season. The quarter recorded a revenue and operating profit of Rs. 18 billion and Rs. 1.9 billion, a YoY growth of 46.8% and 92.6% correspondingly.

“The group has performed robustly during a period of unprecedented currency devaluation and political uncertainty. We anticipate a challenging last quarter for our businesses as the full impact of devaluation hits cost structures. However, we continue to work hard to sustain our strong growth in the final quarter of the financial year,” Enderby said.

Following is a review of Hemas Holdings Sectoral performance by the CEO:

During the period under review, our consumer business recorded a revenue of Rs. 20.3 billion, indicating a YoY growth of 73.0%. Operating profit of Rs. 2.8 billion grew by 100.1% during the nine months ended December 31, 2018 compared to last year. Over 85.0% of the revenue growth was driven by Atlas, which performed well during its back-to-school season. We have seen sustained growth momentum in our domestic personal care segment year-to-date with many of our core personal care categories recording market share gains. Further, we are also seeing the benefits of our profit improvement program initiated last year improving operating margins. The performance in our Bangladesh personal care business is now stabilising with year-to-date revenues recording a modest growth of 4.4%. Profit growth continues to be a challenge due to new promotional campaigns to combat competition. Atlas has recorded a solid performance during Q3 with year-to-date revenues up by 13.0% over the same period last year. Atlas market share increased in its core categories and has also seen growth in its new back-to-school segment comprising school bags.

The healthcare sector achieved a consolidated revenue of Rs. 20.5 billion, a YoY increase of 23.6% while operating profit and earnings indicated a decline of 10.3% and 13.8% respectively. The Hemas pharmaceutical distribution operation registered strong revenue growth stemming from the latest addition of new principals last year. However, the impact of price regulation and significant currency depreciation continues to compress margins. Additionally, the increase in interest costs from working capital funding added to pressure on earnings. Hemas Hospitals achieved an average occupancy of 57% across the two hospitals, Wattala and Thalawathugoda. Hospitals experienced a surge in channelling, surgical and inpatient volumes in the first nine months. Both EBITDA and EBIT margins have continuously improved from FY15/16 to date as a result of increasing market share and lean projects carried out at hospitals. During the quarter, the hospital group divested the Galle hospital so that we can focus management in transforming Thalawathugoda and Wattala into super-specialty medical and healthcare. Group recorded a disposal gain of Rs. 73.6 million from the divestment. Our pharmaceutical manufacturing business, Morison posted a revenue of Rs. 2.5 billion and an operating profit of Rs. 186.4 million for the nine months ended December 31, 2018. Morison’s underlying revenue growth, excluding Alcon distribution business, which we exited during the latter part of FY2017/18, was 7.0%. Operating profit has been impacted by weaker performance in our OTC Pharma segment which has resulted in earnings recording a decline of 46.6% excluding the loss of Alcon distribution agency.

Hemas Leisure, Travel and Aviation (LTA) sector achieved revenues of Rs. 3.1 Billion, reflecting a growth of 19.3% for the nine months under consideration. Serendib Hotels recorded a strong quarter, with an average occupancy reaching 86% across its own managed hotels, 5% growth over same quarter last year. Similarly, profitability improved during the quarter over last year due to exchange gains and stringent cost controls coupled with increases in ARRs at Dolphin and Sigiriya. During the review period, Anantara Peace Haven Tangalle improved performance with occupancy at 53% although the exchange losses arising from the foreign currency loan was a drag on group profitability. Travel and Aviation grew steadily through the year and recorded a growth in revenue of 25.1%, driven by newly secured agents and contributed to a significant improvement in profitability. However, overall sector profitability remained a challenge, declining by 39.1%, due to the partial closure of Avani Bentota in Q2 for soft refurbishment, coupled with exchange losses attributed to forex loan at Anantara.

Hemas Logistics and Maritime sector recorded a revenue growth of 6.3% over last year with revenues of Rs. 2.2 Billion. During the period in review, Port of Colombo was ranked as the world's fastest growing port with a growth of 15.6% in container handling during the first half of 2018, fuelled by 20% growth in transshipment volumes. Year-to-date profitability of the maritime sector increased as a result. However, Q3 experienced a sudden drop in seasonal import cargo resulting from the rupee depreciation which impacted profitability. Our logistics business experienced a modest growth in 3PL and warehousing segments. The new logistics park facility is now up and running with newly secured customers moving in from August.

Our technology business, N*able reported significant growth in the third quarter with increased revenues over last year by 81.1%. However, profitability continues to be a challenge due to previously recorded losses during the first half of the financial year.

Our balance sheet has a significant increase in trade debtors primarily due to increased receivables from Government and the seasonal impact of Atlas sales in Q3. (Dailyft)

Economic sentiment improves in January: Survey

The latest LMD-Nielsen Business Confidence (BCI) poll reveals that sentiment surrounding the economy improved in January with 11% of respondents expecting it to get better in the next 12 months.

One businessperson states that "we expect some healthy and positive reforms by the Government which will help drive the economy forward this year." However, the majority (58%) of respondents hold a negative outlook while 31% feel that conditions will remain the same. When it comes to short and long-term business prospects, a majority (78% and 76% respectively) of those consulted by the pollsters expect sales volumes to remain the same or improve.

To this end, one corporate respondent says: "Our management has taken certain strategic decisions to push the company forward. Therefore, we expect business to improve both in the short as well as the long term."

In the meantime, the investment climate remains muted as only 4% of poll respondents consider this to be a good time to invest.

One such executive asks: "How can we say the investment climate or even the economy is in a good state when there is increasing doubt among investors and businesses due to the uncertainty with regard to the political situation in the country?"

Media Services, the publisher of LMD, says the February edition of the magazine has been released to leading supermarkets and bookstores in Colombo and the outstations.

Its Cover Story features the Chairman of John Keells Holdings Krishan Balendra – he shares insights on the state of business in Sri Lanka as well as other macroeconomic concerns. For the full story, log onto www.LMD.lk. (Dailyft)

Aitken Spence records significant growth

Aitken Spence PLC has recorded impressive growth in financial results for the nine months ending on 31 December 2018 with a 21.3% year-on-year growth in profits-before-tax from Rs. 3.28 billion to Rs. 3.97 billion.

Deputy Chairman and Managing Director J.M.S. Brito

The leading conglomerate recorded an increase in revenue of 1.5% over the previous year, from Rs. 36.2 billion to Rs. 36.7 billion for the nine-month time period.

The diversified group's profits-before-tax increased by 52.9% from Rs.1.47 billion to Rs. 2.26 billion in the third quarter, over the previous year. Revenue increased by 12.1% from Rs. 12.2 to Rs. 13.7 billion.

Earnings per share for the nine months increased by 25.4% from Rs. 4.31 to Rs. 5.41, while it increased by 56% from Rs. 2 to Rs. 3.12 for the third quarter, year-on-year.

"We are pleased to announce that Aitken Spence has recorded considerable growth in profit-before-tax and revenue for the nine months and quarter. All our four sectors – tourism, maritime & logistics, strategic investments and services – showed significant growth in profit-before-tax and revenue during the third quarter," said Deputy Chairman and Managing Director J.M.S. Brito.

The tourism sector growth was driven by a strong performance by the destination management segment consisting of Aitken Spence Travels which has increased the number of tourists handled steadily over last few years. Whilst Aitken Spence resorts in the Maldives continued to perform well in spite of increased international competition, the Sri Lankan hotels segment improved its financial results over the previous year, during period under review.

The company's latest addition to its hospitality portfolio, Heritance Aarah that presents a premium all-inclusive offering is expected to open next month as the first Heritance property in the Maldives.

The maritime & logistics sector posted growth in both top and bottom lines with improved results from maritime services, cargo and logistics segments. Aitken Spence is one of the largest integrated logistics service providers in Sri Lanka.

The strategic investments sector that includes power generation, plantations, printing and garments segments also showed considerable growth over the previous year for the period under review. The 10MW waste-to-energy project under construction is expected to help solve both the waste disposal and energy supply challenges in the country at present. The project would be equipped to convert municipal solid waste to electricity, aimed at greatly relieving the Colombo City of its waste disposal burden. The waste-to-energy plant will add to the current portfolio of hydro, thermal and wind power plants developed and run by Aitken Spence.

In a landmark move, Aitken Spence recently commenced a joint venture with Fijian Holdings – one of Fiji's leading conglomerates – to invest in and manage the government printery in Fiji. Aitken Spence will be providing the expertise in management and leadership to upgrade the government printery with new technology to make it one of the best in the region.

Listed in the Colombo Stock Exchange since 1983 and marking its 150th year milestone in 2018, Aitken Spence is a blue-chip conglomerate with a strong regional presence in the Hotels, Travels, Maritime Services, Logistic Solutions, Plantations, Power Generation, Printing, Insurance and Apparel sectors. Aitken Spence is the reigning winner of the Ceylon Chamber of Commerce Best Corporate Citizen Sustainability award while being the only company in Sri Lanka to be ranked as a “Best Corporate Citizen” by Sri Lanka’s leading chamber for 13 consecutive years. (Dailyft)

Sri Lanka sets guaranteed prices for paddy ahead of 2019 harvest

Sri Lanka's Finance Ministry had allocated 5.0 billion rupees to buy rice at guaranteed prices from farmers ahead of the upcoming major harvest season, the government said.

Under scheme operated by district secretaries, Samba rough rice (paddy) would be bought at 38 rupees a kilogram and Nadu and other varieties at 38 rupees a kilogram.

The cabinet of ministers had approved the proposal by Finance Minister Mangala Samaraweera to provide 5.0 billion rupees for paddy purchases.

In the 2018 Maha (major) cultivation season Sri Lanka's rice crop is expected to fully recover from multiple years of drought. (Colombo/Feb10/2018) (Economynext)

Stocks Mixed as China Returns, Rally Fizzles: Markets Wrap

Stocks in Asia traded mixed Monday as doubts on the possibility for progress ahead of a potentially pivotal week for U.S.-China trade talks crept back into markets.

Resurgent worries on global growth are driving bonds higher and threatening to dent this year’s rally in riskier assets, with stocks dipping last week. Equities rallied in China where exchanges reopened after a one-week holiday, and edged higher in Hong Kong. Shares in Sydney ticked lower along with those in South Korea. Japan is shut for a holiday, so Treasuries won’t trade until the London open after 10-year yields edged down to 2.63 percent last week.
Global shares post first weekly decline since late December

The U.S. and China may struggle to reach a deal before the March 1 deadline for higher tariffs, while warnings mount that the dispute is curbing the global economic expansion and denting corporate profits. Chinese Vice Premier Liu He will join Treasury Secretary Steven Mnuchin and Trade Representative Robert Lighthizer in Beijing for high-level trade talks this week. In Washington, the U.S. government could be headed for another shutdown as political tensions flare between Congress and the president.

“We still have concerns about global growth and that centers on those U.S.-China negotiations,” Kerry Craig, global market strategist at JPMorgan Asset Management, told Bloomberg TV from Melbourne. “We’re unlikely to see any massive moves this week saying we’re going to get a deal on that.”
Chinese Market Has Stopped Making New Lows, Says Bocom’s Hong

Hao Hong at Bocom International discusses China’s stock market as it opens following the Lunar New Year holiday.

Elsewhere, iron ore is being rocked by the crisis at Brazil’s Vale SA, with prices surging to the highest in years on concern over a supply crunch. The New Zealand dollar edged up from a two-week low, while crude held below $53 a barrel.

Here are some key events coming up:

- Earnings season continues with reports from companies including Vivendi, Nvidia, Cisco, Nestle, Coca-Cola, Credit Suisse, Michelin and Nissan.
- Sweden's Riksbank is expected to keep interest rates at minus 0.25 percent on Wednesday after the first increase in more than seven years in December.
- Data Wednesday is expected to show U.S. consumer prices rose 0.1 percent in January, after falling 0.1 percent in December.
- If no deal is reached on the U.S-Mexico border wall, parts of the federal U.S. government may shut down again later this week when stopgap government funding expires.

These are the main moves in markets:
Stocks

- The MSCI Asia Pacific ex Japan Index was little changed as of 11:11 a.m. in Hong Kong.
- Hong Kong's Hang Seng Index gained 0.3 percent.
- Shanghai Composite Index climbed 0.9 percent.
- Australia's S&P/ASX 200 Index slid 0.4 percent.
- Futures on the S&P 500 Index slipped 0.1 percent. The underlying gauge rose 0.1 percent Friday.

Currencies

- The yen slid 0.2 percent to 109.92 per dollar.
- The offshore yuan added 0.2 percent to 6.7732 per dollar.
- The euro was flat at $1.1321.
- The British pound bought $1.2938.

Bonds

- Australia's 10-year bond yield held at 2.10 percent.
- The yield on 10-year Treasuries declined two basis points to 2.6375 percent Friday.

Commodities

- West Texas Intermediate crude slid 1.2 percent $52.01 a barrel.
- Gold lost 0.2 percent to $1,313.91 an ounce.
  (Bloomberg)