NEWS ROUND UP

Monday, November 12, 2018

Contents

Expolanka continues on strong growth track with Q2 performance

A focus on its fundamental logistics business has enabled Expolanka Holdings PLC to post promising growth for the second quarter of 2018, with a Year on Year (YOY) revenue growth of 15%. This quarter saw Expolanka record an impressive 617% YoY growth in Profit After Tax as a result of expanding business and improving efficiency during the period.

In a message to shareholders, Executive Director and Group CEO Hanif Yusoof noted that the group's financial stabilisation was a result of continued efforts to improve margin efficiency coupled with growth in revenue. During this quarter the company recorded a revenue of Rs. 25 billion, and a gross profit of Rs. 4.4 billion. The logistics sector generated Rs. 23.9 billion of the revenue.

Expolanka marked this robust growth streak by focusing on growing volume and market share in its key business sectors of logistics and leisure.

This growth strategy aligned well with a global upturn in the logistics sector; the Trans-Pacific trade lane in particular saw strong growth during the period contributing to the sector's overall performance.

Expolanka's core air export product remained strong, and the ocean product was able to sustain the growth momentum it has recorded over the last several quarters.

The operating environment for the business overall remains competitive and challenging, noted Yusoof. "However, bringing in focus and implementing pre-emptive strategies has enabled the group to deliver this good performance. We will endeavour to continue focusing on key business drivers such as volume, procurement, and operational efficiencies with a view to mitigating challenges from the external environment."

In leisure, consolidation and sustainable earnings was the key growth focus that paid off with a 56% YoY Profit After Tax growth for the quarter. This figure was in line with expectations, noted Yusoof. "We are seeing a tremendous growth in our core corporate travel business, which is driving growth in the leisure sector. This is complemented by the management team's continued implementation of plans to optimise the performance within these businesses," he said.

In Investments, export operations continued to remain stable, delivering projected results. IT operations (that primarily provide internal services) maintained its cost structures from the previous year with a focus on creating strategic value to the group. The sector's overall contribution to the topline was Rs. 774 million.

Yusoof reiterated the group's commitment to the fundamentals. "This year we have focused on growing key business lines, and that strategy is delivering results," he noted.
(Dailyft)

Economic sentiment improves slightly: Survey

Sentiment surrounding the economy witnessed a marginal uptick in October, according to the latest LMD-Nielsen Business Confidence (BCI) poll. The survey reveals that eight percent of corporate respondents expect the economy to improve over the next 12 months compared to five percent in September. However, a majority (60%) of businesspeople surveyed expect conditions to deteriorate with one executive lamenting: "There is nothing positive to speak of with regard to the economy. The government does not seem to have a long-term plan; everything seems to be for short-term gains."

Short-term business prospects also appear grim as 46% of poll participants expect their sales volumes to decline over the next three months (compared to 39% in September).

An executive explains that "the depreciation of the rupee has impacted many establishments that rely on the import of raw materials and goods for their operations."

As for the investment climate, a notable majority (69%) of those consulted consider it to be 'poor' or worse in contrast to a mere five percent of respondents who view it as 'good' or better, LMD reports.

"It is important that the Government safeguards investments that are currently taking place as well as builds trust among potential investors," asserts one businessperson.

Media Services, the publisher of the pioneering business magazine, says the November edition of the magazine has been released to leading supermarkets and bookstores in Colombo and the outstations. (Dailyft)

Vallibel Finance nets interest income of Rs. 3.67 b

- Assets grow by 31.9%
- Deposits grow by 21.0%

Vallibel Finance PLC has returned yet another impressive report card with profits before tax (PBT) for the six months ending September, 2018 reaching a record high of Rs. 1.03 billion.

Acclaimed as one of the most respected finance companies in Sri Lanka, the name-bearer of the Vallibel Group continued its now customary outstanding financial performance with PBT recording a growth of 28.2% over the same period of the preceding year, growing to the current high from a previous Rs. 807 million.

Profits after tax (PAT) grew by 21.7% over the corresponding period of the previous financial year, reaching Rs. 527 million with other key indicators also showing strong growth, thus affirming the company's far-sighted vision and prudent financial stewardship which have seen it emerging as finance sector's standard-bearer.

Deposits, the barometer of public confidence amassed to Rs. 23.9 billion, yet another all-time record, growing exponentially by 21% over the previous period under spotlight. "We have been able to record impeccable performance, both qualitative and quantitative during a very challenging and daunting period of time. This is a testament to the ability of our remarkable workforce, our strength, our dedication, our constant need to better ourselves and implementations of our high performing strategies," said Vallibel Finance Managing Director Jayantha Rangamuwa.

Further, the impact of the new tax structure, as well as the challenging local environment affected the financial industry adversely but Vallibel Finance has proven its mettle with a creditable performance, said Rangamuwa.

"We kept our focus on mid and long-term vision of the company while initiating revolutionary and resourceful strategies that helped us through difficult times. The result is continued confidence of the public," he said.

The loan book stood at Rs. 35.7 billion at the end of the period under review, growing 32.7% from a previous Rs. 26.9 billion, thus affirming the faith Sri Lankans have placed in the company as their catalyst of development. Interest income was again on the rise, reaching Rs. 3.67 billion, a growth of 26.7% against the preceding period with the corresponding figure recorded as Rs. 2.90 billion.

Balance sheet make for outstanding reading with total assets climbing to Rs. 43.2 billion, firmly establishing Vallibel as one of the largest finance companies in terms of total assets. Total assets grew by 31.9% over the corresponding period of the previous year, where the figure stood at Rs. 32.8 Billion. Vallibel Finance kept its eye on the Non-performing loans column keeping it at 3.17%, highlighting the company's efforts during highly volatile conditions in the market.

LMD adjudged Vallibel Finance as the most respected finance company in Sri Lanka while Brand Finance upgraded its brand rating to – "A", further enhancing the company's Brand Reputation which is widely established as a household name in finance in the country, achieved within relatively a short period of time.

Vallibel Finance is credited with the development of the revolutionary products Vallibel Auto Draft and Vallibel Wheel Draft, complimented by a host of other standard-bearing financial services delivered with the kind of speed, efficiency and ease never seen before.

Offering his customary tribute to his high-riding finance company, founding Chairman Dhammika Perera said that the exceptional financial and operational acumen of Vallibel Finance has been proven beyond doubt through a succession of outstanding performances achieved through difficult times. "The operational performance of Vallibel Finance and the way it responds to the pulse of Sri Lankans amplify the vision and values of the entire Vallibel Group," he said.
(Dailyft)

Haycarb records turnover of Rs. 8.9 b & profit before tax of Rs. 502 m for H1 2018/19

Sri Lankan multinational Haycarb Plc reported revenue of Rs. 8.9 billion and profit before tax of Rs. 502 million for the six months ending 30 September 2018.

The profit after tax stood at Rs. 428 million.

Haycarb Plc Managing Director Rajitha Kariyawasan said that the adjustment of sales prices due to the sharp increases in raw material cost resulted in the growth in turnover. As the shortage and cost escalation of raw material coconut charcoal continued during the first half of the year in most of the supply locations, Haycarb focused on its lean platform, targeted cost-saving initiatives and process improvements to minimise price escalations to its customers while protecting the group's profitability.

Considerable success achieved from product development efforts to expand its value-added product portfolio strongly contributed to the overall business performance.

Kariyawasan said: "Though we are expecting improved coconut crop and charcoal availability in most of our locations in the 2019 coconut season, the company is expecting a challenging period due to the increased competition from key coconut carbon-producing countries."

He further noted that Haycarb's strategy of broad-basing the raw material supply network and support for environmentally friendly charcoaling methods under its flagship initiative 'Haritha Angara' had contributed to the improvement of sustainable charcoal supply, which will be continued as a core supply chain strategy of the group.

Kariyawasan noted that Puritas Ltd., the environmental engineering business segment, is expected to continue to be a key contributor to the group's performance during the second half of the year, with projected growth in its business in water and waste water treatment systems in Sri Lanka and the region.

In the background of increasing emphasis on environmental sustainability worldwide, Haycarb remains positive in its medium to long-term outlook in its activated carbon and water treatment systems businesses.

Haycarb is the pioneer manufacturer of coconut shell activated carbon in any coconut producing country with manufacturing facilities in Sri Lanka, Thailand and Indonesia supported by marketing offices in the UA, UK and Australia. The company contributes net foreign exchange revenues with its value-adding processes whilst remaining a leading and technologically superior manufacturer in its chosen segment.

The Board of Directors of Haycarb Plc comprises Mohan Pandithage – Chairman, Rajitha Kariyawasan – Managing Director, Dhammika Perera, Arjun Senaratna, Sarath Ganegoda, Jeevani Abeyratne, Dr. Sarath Abayawardana, Sujeewa Rajapakse, M.S.P. Udaya Kumara, Brahman Balaratnarajah, Ali Asgar Caderbhoy, Sharmila Ragunathan, James Naylor and M.H. Jamaldeen. (Dailyft)

Strategic consolidation in FMCG sector boosts Sunshine Holdings' EPS by 23.3% in 1HFY19

Diversified Sri Lankan conglomerate Sunshine Holdings PLC reported top-line performance growth of 5.7% YoY to stand at Rs.10.9 billion for the six months period ending 30 September 2018 (1HFY19).

The top line increase was mainly due to strong performances in the consumer and healthcare sectors and despite a contraction within the agribusiness sector. The company also reported a 23.3% growth in earnings per share (EPS), stemming from the strategic consolidation of its consumer goods sector during the latter part of FY18.

Profit after tax (PAT) for the period in review declined by 30% to Rs. 804 million and profit margins have also reduced to 7.4% compared to last year's (1HFY18) 11.1%, mainly due to lower profitability in the agribusiness sector and holding company's higher finance cost. The group's healthcare business emerged as the largest contributor to Sunshine's top-line performance, accounting for 40% of total revenue, while agribusiness and consumer goods sectors of the group contributed 32% and 25% respectively of the total revenue.

Profit after Tax and Minority Interest (PATMI) increased by 20.5% YoY to Rs. 424 million with the agribusiness sector, represented by Watawala Plantation PLC and Hatton Plantations PLC, making the largest contribution to PATMI, accounting for 46% of the total. Net Asset Value per share increased to Rs. 52.72 as at end 1HFY19, compared to Rs. 46.74 at end of 1HFY17.

"Our continuous focus on improving quality and internal efficiency through well-placed strategies has yielded strong results for the group, transforming another quarter into a successful one," said Sunshine Holdings PLCGroup Managing Director VishGovindasamy. "Throughout the period, key business sectors of the Group have faced notable challenges but however we are pleased to note that the Sunshine Group continues to display a resilient and entrepreneurial spirit in the face of such difficulties."

“Our continued growth success reflects the dedication of our employees to deliver the best products and unmatched service and convenience to our customers. I would like to commendour dynamic team of employees, and our network of business partners and valued customers for their role in driving outstanding performance despite a number of challenges,” stated Govindasamy further.

In total, the group’s healthcare segment grew by 11.5% YoY, generating Rs. 4.4 billion in turnover during 1HFY19. The growth was witnessed on the back of volume increase in the pharma sub-sector and footfall growth in retail. Revenue for the current period was negatively impacted by the second round of drug price control which came into effect in September 2018.

The pharma sub-segment which represents 65% of Healthcare revenue grew 8.1% YoY for 1HFY19, due to higher sales volumes. Growth in other sub-sectors were: Medical devices (+19.4% YoY) and retail (+9.9% YoY). The Group expects the growth of the medical devices sector to be driven by the recent partnerships with 3M Global Channel Services and ErbaLachema while newly acquired pharma agencies from Hayleys Consumer division will enhance pharma division’s revenue. “In healthcare, we expect strong growth momentum in volumes to continue into 2HF19. Revenue over the next six months will be challenged by the second round of drug price control which came into effect from 1 September 2018. The depreciation of the Sri Lankan Rupee against the US Dollar continues to impact the margins of the entire industry,”Govindasamy commented.

Sunshine’s Consumer business thrived with an impressive topline of Rs. 2.8 billion in 1HFY19, up 15.8% YoY, on the back of both volume and price growth. It also accounted for 25% of group revenue for the period. Moreover, PAT from the FMCG segment saw a significant increase of 134.9%YoY, to stand at Rs. 236 million for 1HFY19. The increase was mainly driven by the lower input costs resulting in a higher gross profit margin.

The Group’s Agri business sector saw a revenue decline of 7.9% YoY to Rs. 3.5 billion. This was mainly due to unfavourable weather conditions impacting the tea plantations managed by Hatton Plantations (HPL). However, palm oil sub-sector reported an increase in revenue of 4.8% YoY due to the increase in net sale average (NSA) and a marginal increase in crop. Tea volumes were contracted by 26.8% YoY, resulting in a revenue drop of 17.9% YoY. Due to lower yields, PAT for Agri sector1HFY19 amounted to Rs. 453 million, contracting 39.0% YoY.

In the context of Sunshine’s performance over the last quarter, VishGovindasamy expressed strong confidence over the outlook of the group over the coming year. While acknowledging the continuing impact of the price controls on its healthcare business, he noted that the potential for further growth, supported by increased volumes to offset the reduced prices and greater attention to its growing surgical and medical devices sub-sector. Healthcare’s retail chain Healthguard focuses to develop specialty Beauty and Wellness product range as the Group looks to introduce newer, exciting ranges of products to the Sri Lankan consumer, while attracting more customers to the chain by increasing the presence in the digital platform.

Similarly, the Group’s consumer business would continue investments into its brands to scale both domestic and expect strong margins for the second half with weak tea prices at the auction during the first half. In the tea segment, Group expects profitability to be further challenged due to low crop on the back of adverse weather in Hatton and Lidula regions. However, a moderate growth in volumes for the palm oil segment is expected while prices are expected to increase with the currency depreciation.

During 1HFY19, Group’s renewable energy division saw a revenue increase of 89.4% YoY to Rs. 197 million as a result of higher rainfall in the catchment areas. The sector made a profit of Rs. 102 million for 1HFY19, compared to a profit of Rs. 15 million in the same period last year. The construction of Sunshine’s third plant, which was planned to be commissioned during October 2018, has been postponed to end November 2018 due to slow progress on account of inclement weather.

The overall operation of the dairy segment of Sunshine Holdings is steadily growing to the target of 1,000 milking cows. The total milking cows have reached 991 and the total number of animals has increased to 1,536. However, Govindasamy noted that the interim cost of feeding the whole herd would have a negative impact on the group's agri profitability.

(Dailyft)

Emerging stocks and currencies fall as Fed stays hawkish

Emerging market shares and currencies fell to their lowest in a week on Friday, tracking a global downturn in sentiment after the US Federal Reserve reaffirmed its stand on tightening monetary policy, strengthening the dollar.

A string of rate hikes by the Fed has sucked money out of emerging markets this year, and, with another rise priced in for December, currencies across the developing world are likely to weaken further.

"It is generally a bit of a risk off day today. Markets were expecting a hike in December and there hasn't been any significant shift in their (Fed) stance," said Paul Fage, senior emerging markets strategist at TD Securities.

"EM is going to take its cue from what euro/dollar is doing," added Fage. The euro was 0.26% lower against the dollar.

The emerging market currencies index was down 0.5%, on track for its worst day in over a month with the Turkish lira leading losses, down 0.8% after the Turkish treasury cancelled bond issues for next week due to savings measures.

The South African rand also weakened, down 0.7%, giving back gains from earlier this week, as investors took profits and awaited the next market catalyst.

The MSCI's benchmark emerging equity index fell 1.5% with Chinese equities falling for their fifth-straight session.

Over the week, mainland China stocks were weighed down by a mix of weak data, rising pressure on financial companies and concerns of a new board in Shanghai disrupting the already weak A-share market amid looming trade tensions with the US.

Hong Kong faced its worst intra-day fall in over two-weeks, down 2.4%.

Stocks in Russia declined more than one% led by energy stocks, while Johannesburg's blue chips fell for the second consecutive day.

The Polish zloty was on pace to post its biggest weekly decline since late September, while Hungary's forint clocked weekly loses for a second straight week.

Hungarian Prime Minister Viktor Orban on Friday said the country must be cautious about adopting the euro and should remain open towards other parts of the world.

The Czech Koruna fell 0.2% as data showed the consumer price rise in October to be below forecast but in line with the Central Bank's target.
(Dailyft)

Amãna Bank honoured as Islamic Bank of the Year for third consecutive year

The Banker' Magazine, the renowned expert in providing economical and financial intelligence recently recognised Amãna Bank as Islamic Bank of the Year in Sri Lanka for the third consecutive occasion when it concluded its global search for the best financial institutions operating in the unique non-interest based Islamic banking and finance space.

Commenting on the accolade, the Bank's Chief Executive Officer Mohamed Azmeer said, "It is truly an honour to be adjudged by the Banker Magazine as the Best Islamic Bank in Sri Lanka for the third consecutive year which attests to the growth momentum Amãna Bank has recorded. Being the pioneer in Sri Lanka and a leader in the region in Islamic Finance we continue our commitment to provide the people friendly banking model aided by digital innovation and introduction of pioneering products and services. We are grateful to our customers, staff and all other stakeholders, for their confidence and commitment throughout our journey."

Amãna Bank is the country's first and only Licensed Commercial Bank to operate in complete harmony with the globally growing non-interest based banking model. With the mission of Enabling Growth and Enriching Lives, the Bank reaches out to its customers through a growing network of 29 branches, 14 Self Banking Centres and 4000+ ATM access points and has introduced an array of customer conveniences such as Internet and Mobile Banking, Debit Card with SMS alerts, Online Account Opening, 365 Day Banking, Saturday Banking, Extended Banking Hours, 24x7 Cash Deposit Machines and Banking Units Exclusively for Ladies.

Amãna Bank PLC is a stand-alone institution licensed by the Central Bank of Sri Lanka and listed on the Colombo Stock Exchange with Jeddah based IDB Group being the principal shareholder having a 29.97% stake of the Bank. The IDB Group is a 'AAA' rated multilateral development financial institution with an authorised capital base of over $ 150 billion which has a membership of 57 countries. Fitch Ratings, in June 2018, affirmed Amãna Bank's National Long Term Rating of BB(lka) while upgrading its outlook to Positive from Stable. Amãna Bank does not have any subsidiaries, associates or affiliated institutions representing the Bank.

(Dailyft)

Asian Stocks Mixed as Investors Pause; Pound Slips: Markets Wrap

Stocks were mixed in Asia and futures pointed to higher starts for equity markets in London and New York as investors assessed whether the recent rallies can endure. The pound slipped as U.K. Prime Minister Theresa May fought to keep her Brexit divorce plan alive.

Shares barely budged in Japan, Hong Kong and China, while they dipped in Australia. Asian equities shrugged off leads from a weak U.S. session on Friday when large-cap tech stocks dragged the Nasdaq 100 Index to a loss of more than 1.5 percent. Oil prices snapped a 10-day sell-off after the bear market for crude spurred OPEC and its allies to start laying the groundwork to cut supply in 2019. Yields on 10-year Treasuries, which don't trade Monday thanks to a U.S. holiday, ended just below 3.2 percent on Friday.

China's economy will be in focus this week, with key monthly data due Wednesday. Chinese stocks showed signs of rebounding Monday morning after tumbling last week amid mounting signs of a slowdown, seen in earnings outlooks and moves by regulators to sustain credit flows. While Alibaba Group Holding Ltd. logged another record in its Singles' Day online-sales extravaganza, that may not be enough to shift sentiment.

“Clearly there’s a deceleration due to the soft macro” picture for the economy, Junheng Li, founder of JL Warren Capital LLC in New York said in reference to Singles’ Day. “But where we can get some comfort from this number is that Chinese consumers are slowing, not collapsing.”

Global stocks are facing pressure again, from China and worries that the most recent earnings season could prove to be a peak. There’s also a renewed debate on the direction of bond yields, with investors dialing down inflation expectations. U.S. consumer prices due this week may offer further hints on the trajectory of costs.
Markets Have Become Quite Bullish, Says Tribeca Investment's Liu

Jun Bei Liu, portfolio manager at Tribeca Investment Partners, discusses the recent selloff in equities.
Source: Bloomberg

Elsewhere, the offshore yuan held on to last week’s drop, with little sign of an end to the U.S.-China trade war in the wake of the midterm elections.

Coming Up

- U.S. bond markets are closed Monday in observance of Veterans’ Day
- San Francisco Fed President Mary Daly speaks on the economic outlook at a regional development conference in Idaho Falls, Idaho
- Tuesday marks the deadline set by EU for Italy to revise its budget
- Chinese industrial production and retail sales data due Wednesday
- Fed Chairman Jerome Powell discusses national and global economic issues with Dallas Fed President Robert Kaplan at an event hosted by the Dallas Fed
- U.S. consumer inflation probably rebounded in October after easing in September. The consumer price index data is projected to show a 0.3 percent increase for the prior month.
- Policy decisions are coming from central banks in Mexico, Philippines, and Thailand

These are the main moves in markets:
Stocks

- Japan’s Topix index was flat as of 11:27 a.m. in Tokyo.
- Hong Kong’s Hang Seng Index rose 0.3 percent.
- Australia’s S&P/ASX 200 Index was little changed.
- Shanghai Composite Index rose 0.4 percent.
- S&P 500 Index futures rose 0.3 percent. The S&P 500 fell 0.9 percent.
- FTSE 100 index futures gained 0.7 percent.

Currencies

- The yen dipped 0.1 percent to 113.99 per dollar.
- The offshore yuan was steady at 6.9468 per dollar.
- The Bloomberg Dollar Spot Index ticked higher.
- The euro declined 0.1 percent to $1.1327.
- The pound fell 0.3 percent to $1.2939.

Bonds

- The yield on 10-year Treasuries declined about six basis points on Friday to 3.18 percent.
- Australia’s 10-year bond yield fell two basis points to 2.74 percent.

Commodities

- West Texas Intermediate crude climbed 0.9 percent to $60.75 a barrel. It's dropped about 20 percent from an Oct. 3 peak.
- Gold was steady at $1,210.64 an ounce, after sinking 1.2 percent Friday to hit the weakest in a month

(Bloomberg)