

# NEWS ROUND UP

*Tuesday, August 14, 2018*

## Contents

|  |   |
|--|---|
| Tourism bets big with Alibaba .....                                    | 2 |
| 783 business plans for 'Enterprise Sri Lanka and Thurunu Diriya' ..... | 4 |
| Sri Lanka's Central Finance June quarter profits up 23.4-pct .....     | 4 |
| Markets rattled as Turkish lira dives.....                             | 5 |
| Sri Lanka Index of industrial production up 0.4-pct in June .....      | 6 |
| Piramal Glass Sri Lanka unit June net down 55-pct .....                | 7 |
| US to give Sri Lanka \$39mn in maritime security aid .....             | 8 |

## ***Tourism bets big with Alibaba***

A tie-up with Chinese e-commerce giant Alibaba to attract 1,000 travellers weekly, launching the long delayed \$ 3.5 million digital campaign, extending the CNN promotion and launching special offers to fatten the off-peak season are part of a bouquet of new policies planned for the industry, a top official said yesterday.

Tourism Development Minister John Amaratunga yesterday said the Sri Lanka Tourism Promotion Bureau (SLTPB) will ink an agreement with Alibaba's travel arm, Fliggy, to bring down 1,000 travellers weekly to Sri Lanka. "In terms of the Alibaba proposal, we have submitted a Board paper, and if it has been approved at the meeting held on Monday (13), we can sign the memorandum of understanding (MoU) next week," the Minister emphasised.

Supreme Global Holdings Ltd., the local company that has tied up with Alibaba, will work closely with SLTPB on the project implementation, which is expected to result in a positive large-scale impact on Sri Lanka's tourism.

Fliggy, launched the 'Sri Lanka Pavilion' in its tourism platform at a grand launch made in Beijing early this year. As part of Alibaba Group, Fliggy has access to more than 500 million mobile monthly active users on Alibaba's China retail marketplaces. Supreme Global intends to promote 'Alipay' actively in Sri Lanka upon receiving the necessary clearances, eliminating this barrier, thus taking Sri Lanka Tourism to new heights.

In addition, SLTPB will also launch the long-delayed \$ 3.5 million digital promotional campaign by the end of this month. The Minister noted the bureau was gearing up for a television advertising campaign on a number of international channels to woo travellers from all over the world.

"The digital promotion campaign has obtained all the basic approvals and the proposal will be submitted to the Cabinet next week. It will start by end of August, followed by the global promotional campaign, which has now reached Board level. All that will be done in the next couple of months," the Minister told journalists in Colombo.

Acknowledging that the digital promotion campaign was long overdue, Amaratunga said complex and time-consuming procedures and change of personnel at the tourism institutions contributed to the overall delays.

The Minister also said that they were going to extend the period of the three-month \$ 650,000 CNN global advertising campaign which showcases Sri Lanka's identity to the world as a tourism hotspot.

In addition, he said SLTPB is planning to telecast the same in key markets such as the UK, China, India and the Middle Eastern countries through BBC, CCTV, NDTV and Al-Jazeera.

"We have to submit it to the Board, but the procedures are taking so long. There is so much funding, part of it is taken by the Treasury at the end of every year," he said.

He also said SLTPB has worked out a model to entice travellers to visit the country during lean months or the off-peak season through special offers and tie-ups with partners.

"We are now working out a package for the lean period to bring down the hotel rates as well as the airline rates. It is being worked out and it will be operated from September," he said.

Considering the tourist arrival growth numbers during the year, he expressed confidence that Sri Lanka will comfortably achieve the 2.5 million target set for this year, while noting that the country could achieve 3.5 million arrivals in 2019 provided global tourism outlook remains favourable.

However, the Minister said that he was not satisfied with the 2.5 million tourist arrivals. “Compared to the rest of the Asian countries, I am not satisfied at all with the numbers that are coming to Sri Lanka, particularly when considering what we have and what we can offer,” he added.

According to him, poor capacity management at the Bandaranaike International Airport (BIA) and limited road and air connectivity were major drawbacks when prompting tourists to explore new destinations within the country.

“Arrivals at the BIA is one of the major problems. BIA cannot take on the capacity that is coming in now. Aviation Minister Nimal Siripala de Silva is working very hard to expand, but there are other problems of tender procedures. First impression of the efficiency levels at the airport is an important factor and thus, lots of methods have been looked at in order to avoid the undue delays at the airport,” he added.

The Minister said Sri Lanka needs more air strips, local flight operators and good road connectivity to bolster tourism.

Given the structural problems and facilities needing improvement at Mattala airport, he said it can be developed for use in the future. (DailyFT)

### ***SLT goes for 4.74% stake private placement to secure public float***

Sri Lanka Telecom (SLT) yesterday announced plans to go for a private placement of 4.74% stake to local and foreign institutional investors to comply with minimum public shareholding to remain a listed entity.

The stake amounts to 89.766 million shares. The price at which the shares to be issued has not been determined yet. SLT said it will be announced after a share valuation, feedback from potential investors and resolution by SLT Directors.

Trading of SLT shares were suspended to facilitate the announcement. After it resumed SLT closed the day a Rs. 23.50, down by 20 cents. Its highest share price in the quarter ended June 30 2018 was Rs. 30 and the lowest was Rs. 23.70. Net asset per share of SLT as 30 June was Rs. 32.18, and at Group level it was Rs. 40.10.

In a filing to the CSE, the Company said the primary purpose of carrying out the private placement is to meet the minimum public shareholding requirement as per the listing rules.

At present Secretary to the Treasury holds 49.50% of the issued share capital while Global Telecommunications Holdings NV holds 44.98%. The company’s present public holding is at 5.52% held by 12,299 Public shareholders.

Funds expected to be raised through the issue will be utilised to restructure the debt portfolio of SLT by refinancing short term borrowings. As at June 30 2018, SLT Group had Rs. 19.3 billion in short term borrowings and Rs. 25.6 billion in long-term tenure.

Acuity Partners Ltd., a leading Sri Lankan investment bank has been mandated as the Financial Advisor and Manager to the Transaction.

On Friday, SLT said it has continued its growth momentum across all key business areas including Fixed, Mobile, Broadband, Enterprise Solutions, Wholesale and PayTV to record a consolidated revenue of Rs. 39.4 billion for the first half of 2018, demonstrating a growth of 5.5 % Year-on-Year.

The Group reported a Rs. 2.8 billion net profit during the first half of 2018, demonstrating a 13.5% growth compared to the same period in the previous year. The operating cost for the period is Rs. 27.2 billion, with a lower Year-on-Year increase of 3.3%. Disciplined cost management and operational efficiencies together with revenue growth show the group EBITDA reaching Rs. 12.2 billion with an improved margin of 30.9% compared to 29.4% the year before. The Fibre-To-The-Home (FTTH) services is noteworthy, having shown very strong growth potential, it has almost doubled its revenues compared to the first half of 2017.

During the period under review, the group invested Rs. 10.8 billion for the acquisition of property, plant and equipment as well as intangible assets aimed at technology upgrades, infrastructure expansions, new connections, IT and system upgrades, etc.

In line with increasing investments, the group depreciation increased by 10.2% to Rs. 9.1 billion. The group reported an operating profit of Rs.3.1billion during the first half of 2018 and Profit before tax of Rs. 3.6 billion with a 12.9% and 16.2% Year-on-Year increase respectively. (DailyFT)

### ***783 business plans for 'Enterprise Sri Lanka and Thurunu Diriya'***

As of August 2018, the Small Enterprises Development Division (SEDD) of the Ministry of National Policies and Economic Affairs has prepared 783 business plans for the 'Thurunu Diriya' loan scheme from all corners of Sri Lanka. Meanwhile, 1,030 young entrepreneurs eligible to receive this loan have already been identified and 390 business plans have been handed over to the Bank of Ceylon (BOC) branches island-wide.

BOC, with the assistance of the Policy Development Office (PDO) of the Prime Minister's Office and the Central Program Management Unit (CPMU) of the Ministry of National Policies and Economic Affairs, implemented the Thurunu Diriya loan scheme with the aim of assisting to boost the economy of young Sri Lankan entrepreneurs. This is a special loan scheme designed for potential young entrepreneurs under 35 years of age, possessing a degree or a recognised vocational certificate, and being in the business for a minimum of three years. To date, it has attracted a large number of young entrepreneurs around the country due its unique and attractive benefits, such as the granting of loans without a guarantor and collateral or with lenient guarantor conditions.

Provincial progress meetings to review the progress of granting Thurunu Diriya loans are currently underway. Progress review meetings related to the Western, Central and North Western provinces were already held and the progress review meetings of the rest of the provinces are scheduled to be concluded by the beginning of October.

Further details related to this loan scheme can be obtained from the nearest BOC branch or the divisional secretariat office. ." (DailyFT)

### ***Sri Lanka's Central Finance June quarter profits up 23.4-pct***

Profits at Sri Lanka's Central Finance Company, a non-bank lender, grew 23.4 percent from a year earlier to 1.4 billion in the June 2018 quarter helped by higher net interest income, interim results showed.

The company reported earnings of 6.35 rupees a share in the June quarter, interim accounts filed with the Colombo Stock Exchange showed. The share closed 1 rupee higher on Monday at 97 rupees.

Net interest income rose 12.21 percent in the quarter to 2.9 billion rupees, with interest income growing 12.70 percent to 4.3 billion rupees and interest expenses growing at a faster 13.76 percent to 1.4 billion rupees.

Leases and hire purchase loans grew to 63.7 billion rupees from 61.3 billion rupees. Bad loans provisioning increased to 36.96 percent to 312.8 million rupees.

Other operating income grew 36 percent to 245 million rupees.

Income from related companies in healthcare, power generation, manufacturing, insurance broking and real estate, rose 37 percent to 312.2 million rupees.

The finance company's deposit base increased to 41.4 billion rupees at end June 2018, up 2 percent from three months earlier.

Group gross assets grew to 95.8 billion rupees by end June 2018 from 92.68 billion rupees in March and net assets grew to 29.2 billion rupees from 27.84 billion rupees. ." (Economy Next)

## ***Markets rattled as Turkish lira dives***

Turkey's troubled lira tumbled Monday to fresh record lows against the euro and dollar, piling pressure on stock markets on fears the country's crisis could spill over into the world economy.

The country's troubles already sparked a sell-off on stock markets late last week, but the lira crisis did more damage to equities in Europe and on Wall Street.

The US dollar, Japanese yen and the Swiss franc have been the preferred safe havens for scared investors.

The lira dived to record lows of 7.24 to the dollar and 8.12 against the euro very early in the day, then recovered somewhat after Turkey's central bank announced a raft of measures aimed at calming markets, only to slip back again late in the session.

"The attempts by Turkey to halt the demise of the lira and the country's soaring bond yields have proven inadequate thus far," said David Cheetham, chief market analyst at XTB.

Worries were focused on the possible impact on some European banks, including Spain's BBVA, Italy's UniCredit and France's BNP Paribas.

US banks also had a bad session on Monday, with JPMorgan Chase, Citigroup and Bank of America all losing more than 1.5 percent.

"Investors remained fearful on Monday (over) the Turkish lira's precipitous plunge -- and the concerns that a financial crisis in the country would ripple through the rest of Europe," Spreadex analyst Connor Campbell said.

- 'Limited impact so far' -

"So far the impact of the lira crash has been limited in Europe and the rest of the world," said Agathe Demarais, Turkey analyst at The Economist Intelligence Unit, in comments emailed to AFP.

"However, within a few months Western banks that have strong ties with Turkey will feel the impact of the crisis as Turkish corporates will struggle to repay debt in foreign currency.

"The sharp depreciation of the lira has almost doubled the local currency value of external debt repayments since the start of the year," Demarais added.

The lira had tumbled some 16 percent against the dollar on Friday, after US President Donald Trump said he doubled tariffs on steel and aluminum from Turkey.

The crisis has been sparked by a series of issues including a faltering economy -- the central bank has defied market calls for rate hikes -- and tensions with the United States, which has hit Turkey with sanctions over its detention of an American pastor.

Investors are now fretting over potential economic contagion.

In its first statement since what was dubbed "Black Friday" in Turkey, the nation's central bank said Monday it was ready to take "all necessary measures" to ensure financial stability, promising to provide banks with "all the liquidity" they need.

The central bank also lowered reserve requirement ratios for banks, in a move also aimed at staving off any liquidity issues.

But to the dismay of markets, the statement gave no clear promise of rate hikes, which is what most economists say is needed.

- Bayer stock plunges -

In Frankfurt on Monday, investors fled shares in German chemicals and pharmaceuticals giant Bayer, fearing a massive damages ruling against one of newly-acquired US firm Monsanto's flagship products could signal a wave of costly lawsuits.

Tesla Motors advanced 0.3 percent after Chief Executive Elon Musk said he was in talks with the Saudi Arabian sovereign wealth fund to financing his plan to take the electric car maker private.

The statement comes as Musk faces questions over his claim last week that he had "secured" financing for the deal. ." (Economy Next)

### ***Sri Lanka Index of industrial production up 0.4-pct in June***

Production in Sri Lanka's industrial sector increased by 0.4 percent in June 2018 from a year earlier, data from the government statistics office showed.

The Index of Industrial Production, compiled by the Census and Statistics Department, recorded a value of 104.8 in June.

Index points over 100 shows an increase in industrial activity during a time period, compared to the index's base year of 2015.

Food production, which makes up 35.2 percent of the index according to weightage, increased 0.8 percent to 102.7 points in June from a year earlier.

Manufacture of wearing apparels, comprising 19.8 percent of the index, fell 3.6 percent in June to 113.6 points to 92.7 points from a year earlier.

Manufacture of coke and refined petroleum products, which makes up 7.4 percent of the index, increased 33.7 percent in June from a year earlier.

Rubber and plastic production, weighing 5.4 percent of the index, increased 5.6 percent to 116.8 points in June from a year earlier.

Two biggest gainers during the month were fabricated metal and textile production compared to 2017.

Tobacco, paper, pharmaceuticals and machinery and equipment manufacturing fell during June from a year earlier.

Meanwhile, industrial production in June was 0.8 percent lower from a month earlier. For the second quarter of 2018, the index fell 0.3 percent from a year earlier. ." (Economy Next)

### ***Piramal Glass Sri Lanka unit June net down 55-pct***

Piramal Glass Ceylon said net profit fell 55% to Rs47 million in the June 2018 quarter from a year ago as despite exports almost doubling domestic sales shrank for the second straight year and costs rose.

Overall sales of Sri Lanka's sole container glass maker, a unit of India's Piramal Group, rose 17.5% to Rs1.6 billion during the period, according to interim results filed with the stock exchange.

Earnings per share were five cents in the June quarter. The stock closed Monday at Rs4.30, down 10 cents or 2.27%.

A statement said domestic sales fell 8% to Rs1,016 million from the same quarter in 2017, the second straight year in which sales fell.

"The major impact came through the liquor segment. Over the past two years a shift of consumption was observed from the high end locally filled foreign liquor segment to the low end liquor. This was further aggravated with heavy taxes imposed on the liquor industry," it said.

"The high end liquor segment uses new bottles whilst the low end uses used, scrapped bottles. Thus this shift has impacted the demand of fresh bottles."

The company said it has entered into the retail segment with the launch of glass bottles for food and water for house hold consumption, opening a new category of business and providing alternatives to plastics and PET.

Export sales for the quarter grew by 98% to Rs633 million from a year ago.

"This is 39% of the overall sales value as against 23% in the previous year first quarter," the statement said.

"The company did its best to fill the excess capacity created with the decline in the domestic market through exports. Most of the orders obtained at short notice from the mass market as capacity fillers did not yield the same attractive margins as the domestic and high niche segment of the exports."

The company said it continuously strives towards gradually shifting the volumes from the mass market to the premium segment.

Presently company is exporting to USA, Canada, New Zealand, Australia, India, Pakistan, Myanmar and several other markets. A significant growth has been experienced in the USA and Canadian markets.

Piramal Glass Ceylon said gross profit for the period fell to Rs286 million from Rs351 million the corresponding period the previous year.

“Whilst product mix being one of the reasons for low margins, the other factors were the energy costs and other input cost increases,” the statement said.

“The LPG rate was an all-time high for the past three years. Diesel rate increased by Rs. 24/= per litre impacting cost of production in several fronts including increases in raw material prices, packing material cost and transportation costs.” (Economy Next)

### ***US to give Sri Lanka \$39mn in maritime security aid***

The United States government is to give Sri Lanka about \$39 million in Foreign Military Financing under its Bay of Bengal maritime security initiative, the US embassy in Colombo said.

The US is to hold talks with the Sri Lankan government on how the funds, which are pending Congressional approval, can support its Bay of Bengal initiative and Sri Lanka’s humanitarian assistance and disaster response priorities.

The funding is part of \$300 million in additional funding intended for South and Southeast Asia announced by the US earlier this month under the administration’s Indo-Pacific strategy, a statement said.

The US Secretary of State traveled to Indonesia, Singapore, and Malaysia last week for bilateral and multilateral meetings to advance the security of the United States and the region, it said.

The talks were also to “underscore our support for a rules-based order, reaffirm our commitment to friends and allies, and demonstrate the robust engagement in the Indo-Pacific,” it said.

“As part of the maritime security theme, we launched the Bay of Bengal Initiative to help enhance the capacity of civilian and military maritime actors in this vital region, which is home to important sea lanes linking the Indian Ocean to East Asia.”

The statement said the funding represents a significant investment in American security relationships with Bangladesh, Indonesia, Mongolia, Nepal, the Pacific islands, the Philippines, Sri Lanka, Vietnam, and others.

“The investment focuses on four key areas that are critical to ensuring a free, open, and rules-based order in the Indo-Pacific region.

“This includes maritime security, humanitarian assistance, and disaster response, also peacekeeping capabilities and countering transnational crime.” (Economy Next)