NEWS ROUND UP

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IMF in wait-and-see mode on political uncertainty
The Central Bank yesterday reduced the Statutory Reserve Ratio (SRR) by 1.50 percentage points with the aim of injecting Rs. 90 billion into the market to spur growth and shrink the output gap, but raised the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) to counter a possible hike in inflation.

Preserving the neutrality of its Monetary Policy, the Central Bank sought to stay true to its fiscal consolidation policies. Central Bank Governor Dr. Indrajit Coomaraswamy explained the thought process behind the move and said adjustments were also expected to narrow the spread between deposit and lending rates in the market.

In order to neutralise the impact of the SRR reduction and maintain its neutral monetary policy stance, the Monetary Board decided to increase the Standing Deposit Facility Rate (SDFR) of the Central Bank by 75 basis points to 8.00% and the Standing Lending Facility Rate (SLFR) of the Central Bank by 50 basis points to 9.00%.

"Despite the political uncertainty the Central Bank has been operating business as usual. The Monetary Board decision made yesterday was in line with the proactive and evidence-based monetary policy formulation followed by the Central Bank. When the Monetary Board deliberated, it had to take into account two key issues; one was the acute shortage of liquidity of markets and the other was to determine whether the neutral monetary policy stance adopted in April should be continued," he said.

Among the factors considered was sub-par growth as the Central Bank had reduced its economic expansion estimate to 3.6% from 4% for 2018. The Central Bank also noted that a significant output gap remained in the economy that called for loosening monetary policy. However, these were weighted against high interest rates, moderating monetary growth, and low core inflation.

Rising international interest rates, which had triggered more outflows from emerging markets, as well as a widening trade deficit also argued for tightening, Dr. Coomaraswamy pointed out. Despite concerns of a widening trade deficit the Monetary Board had felt that the recent tax increases on vehicles and gold were adequate to address those concerns. Reduced oil prices along with strong rains augured well for a positive boost to the economy, which made future prospects rosier, he observed.

"There is always the risk of fiscal slippage, though for the moment there isn't much evidence of that. The Monetary Board took the view that they have to take some action to infuse liquidity into the system and therefore decided on the 150 basis points reduction in the SRR. The Monetary Board also took the view it should maintain its neutral policy view. In order to do that it had to adjust the policy rates upwards to mitigate for the loosening SRR, which is why you have this combination of measures."

Acknowledging that prolonged political unrest could be challenging for the economy Dr. Coomaraswamy was nonetheless sanguine about policy changes since 26 October.

When questioned about the fuel price formula, Dr. Coomaraswamy contended that it had not been dispensed with completely and only the calculation of prices and the dates of price announcements had changed. He stated that as long as the policy of having a transparent mechanism that passes through international prices remained, then a change in the calculation was not a significant problem.

“Any government would want to have its own imprint on policy but what is important is that it takes place within the framework which does not cause macroeconomic instability.”

Tax changes and revisions that were announced a day after Finance Minister Mahinda Rajapaksa assumed duties would require Parliamentary approval and are unlikely to be passed till next year, he said.

Other changes such as the Telecommunications Levy, which has been implemented, would only have an impact of 0.03% of GDP. He recalled that even though the Finance Ministry had announced tax cuts, it remained committed to meeting the 4.8% budget deficit for 2018, which was a positive point, and allowed optimism that the fiscal consolidation path would be largely followed.

Business confidence would need a boost through political stability and more consistent policies, he noted.

“Business confidence is low. From the time of the Local Government elections, there has been some uncertainty in the system. This could be a reason as to why growth has not been as high as we hoped it would be. But there are some positive signs because FDI this year is going to be a record and exports are probably going to be a record as well. So growth will certainly be above 4%, somewhere between 4%-4.5% for 2019. One of the big boosts to growth is when you have a large hydro growth. Not only does it save foreign exchange but it’s a very high value addition activity.”

The Central Bank is also continuing to engage on the $ 1.5 billion Extended Fund Facility (EFF) with the International Monetary Fund (IMF) with developments expected once the political situation settles.

“As of October there was a staff level agreement, which means that the Government of Sri Lanka was able to agree on a program that satisfied the IMF in terms of its Extended Fund Facility (EFF) and from that point the path would have entailed the staff of the IMF presenting a paper about the middle of November and the Board of the IMF was to meet in the first week of December. But that is delayed now because the IMF would want to see what the Government in place would want to change any of the elements of what was agreed on 26 October. So we have to wait and see.

“But even if one does not have a vote of account, the Government of Sri Lanka is ready to meet its debt obligations. The repayments on existing borrowings can go ahead. There is no need to have a vote on that.” (DailyFt)

CB ready to meet $ 1.5 b debt repayments in Jan. and April

Central Bank Governor Dr. Indrajit Coomaraswamy yesterday assured multiple provisions were being made to raise money to meet 2019 debt repayments through a variety of borrowings, swaps and even a possible international sovereign bond.

Emphasising on the need for Sri Lanka to maintain adequate reserves to prevent the disorderly adjustment of the rupee as well as build buffers for debt repayment next year, the Governor said the

Central Bank had not ruled out the possibility of issuing an international sovereign bond but was currently focusing on several other options.

“The message I would like to convey is while we have large external obligations next year we have been proactive and we have lined up various sources of funding and we feel we will be able to raise the money that is required for Sri Lanka to continue its record of never having missed a single payment,” he said.

Describing the situation as “very manageable,” he noted the Central Bank was trying to maintain its reserves at about $ 8 billion. As of Wednesday reserves were at $ 7.2 billion, which had reduced from $ 7.7 billion earlier due to an Asian Clearing Union settlement, Dr. Coomaraswamy said. However the Central Bank anticipates reserves will end the year at about $ 7.8 billion.

In a recent mission to Oman, Qatar and Abu Dhabi by the Central Bank team and the chairmen and CEOs of five banks including Bank of Ceylon, National Savings Bank and People’s Bank, it was assured they would be able to raise between $ 750 million-$ 1 billion before the end of the year.

“In addition there will be $ 645 million left over from the Hambantota Port lease and the China Development Bank (CDB) loan, which would be available for debt servicing this year. This carryover and what is raised by the State banks together will enable us to meet the $ 1 billion repayment of an International Sovereign Bond, which is due on 15 January. In addition there is another $ 500 million sovereign bond, which is due for repayment in April. The earlier CDB loan of $ 1 billion can be up-scaled to $ 1.5 billion so the Government has decided to do that and that money is expected in February. This will come well in time to meet the April repayment.”

The passage of the Active Liability Management Act raised the borrowing limit to Rs. 310 billion ($ 1.7 billion). This would be the first set of borrowings under the new legislation. Efforts to raise funds via Samurai and Panda bonds have been slow as the Central Bank was awaiting clearance from Cabinet and parliament, which can now be mobilised, the Governor said.

The Central Bank is also in consultation with the Central Bank of Qatar with a senior official flying to hold discussions next week to follow up on the possibility of a swap arrangement between the two Central Banks. The Central Bank is also working on a swap arrangement with the Central Bank of Oman.

“There has been a swap arrangement with the People’s Bank of China, which expired last year but we are now beginning to reopen discussions to see whether the a new swap can be arranged, which can be more flexible than the previous one. The advantage of those swap arrangements is they come to the reserves but they are in the Central Bank’s books and not the Government’s books so therefore the borrowing limit that is set by the Liability Management Act will not be affected.”
(DailyFt)

Ceylinco Life’s 9-month net profit up 62% to Rs. 3.28 billion

Ceylinco Life has carried its strong first half performance into the third quarter of the year, posting impressive top and bottom line growth for the nine months ending 30 September 2018.

Sri Lanka’s life insurance market leader has reported profit before tax of Rs. 3.734 billion for the period, reflecting growth of 48% over the corresponding nine months of 2017. Net profit improved by an even stronger 62% to Rs. 3.28 billion.

Total income for the nine months was up 10% to Rs. 20.6 billion, with net premium income growing by 12.7% to Rs. 12.588 billion and investment and other income increasing by 6% to Rs. 8 billion, the company said.

Ceylinco Life's investment portfolio grew by 14% to Rs. 105 billion, while its Life Fund stood at Rs. 86.7 billion as at 30 September 2018, a growth of Rs. 2.36 billion over the third quarter alone, and an increase of Rs. 5 billion over the nine months since the end of 2017.

Total assets increased by Rs. 12.29 billion or 11.6% from end 2017 to stand at Rs. 118.38 billion at the end of the period under review.

"Overall, the year to date has been extremely satisfactory for the company, especially in the context of the rather mercurial conditions that prevailed in the country," Ceylinco Life Managing Director R. Renganathan commented.

"Constant fluctuations in the prices of essential commodities and political instability are not conducive to most businesses, and sectors like insurance are more vulnerable than others when there is pressure on incomes. Sustaining healthy growth in such an environment is therefore a noteworthy achievement."

Ceylinco Life paid net claims and benefits totalling Rs. 7.18 billion for the nine months reviewed, on par with the corresponding period of last year.

Basic earnings per share for the period increased by Rs. 25.14 from Rs. 40.59 for the nine months ending 30 September 2017.

Ceylinco Life commenced operations on 14 January 1988, and has been the market leader in Sri Lanka's life insurance industry for 14 of the 30 years it has been in operation. Adjudged Sri Lanka's Best Life Insurer by World Finance for the past four years, the company has close to a million lives covered by active policies and is acknowledged as a benchmark in the local insurance industry for innovation, product research and development, customer service, professional development and corporate social responsibility. (DailyFt)

MSCI adds more China stocks to global emerging markets index

MSCI Inc on Tuesday said it would add several onshore Chinese stocks to its closely watched and widely duplicated emerging-markets index.

The financial data company said it would add S.F. Holding Co Ltd., 360 Security Technology Inc and China Shipbuilding Industry Corp, among other names, to the benchmark.

MSCI has been broadening exposure to stocks traded onshore in the world's second-largest economy in its indexes after announcing it would do so last year. That move has lent a hand to one of the poorer performing equity markets worldwide this year, the victim of concerns about slowing growth.

Trillions of dollars follow MSCI's indexes, including funds that mimic its benchmarks. Foreign investors previously focused primarily on Chinese stocks traded offshore, for instance in Hong Kong, but have made use of new programs granting access to onshore markets in Shanghai and Shenzhen.

As part of its semi-annual review, MSCI will also implement a previously announced move to broaden its prior telecom sector, now called "Communication Services," to include market-leading names once grouped as consumer or technology stocks. The stocks now in the rebooted index include Netflix Inc, Google parent Alphabet Inc and Facebook Inc.

MSCI also said it would add Polymetal International Plc and delete Rushydro from its Russia index.

The changes will take effect at the end of November.
(DailyFt)

Emerging stocks falter on growth concerns, FX lifts

Plunging oil prices and a weaker dollar lifted most emerging currencies on Wednesday, but failed to boost emerging shares weighed down by Chinese growth concerns.

The emerging currency index firmed with the extended oil slide boosting currencies of big energy importers such as India, Turkey, Indonesia and the Philippines.

"Two key things driving FX markets in particular; one is the news yesterday on the potential easing of trade tension between US and China, and secondly, the continued decline in oil prices which benefit net importers such as the Indian rupee," said ANZ Head of Asia Research Khoon Goh.

US-China trade tensions enjoyed a reprieve on Tuesday as negotiations between the world's two largest economies appeared to be making headway, with a US adviser saying the countries' two leaders would meet at the G20 meeting later this month.

"So, we are seeing a divergence between FX and equities in Asia where the equity moves are being driven by what is happening in the US, while FX is driven by oil prices and ongoing developments in the US-China trade relationships," added Goh.

Overnight, Wall Street reversed early gains that were driven by trade optimism as energy stocks dragged.

The MSCI index for stocks was lower by 0.4%, its fifth-straight session of losses as most Asian indices came under pressure from mainland Chinese equities, which fell about 1% each.

Losses in China came after new data underscored concerns about weaker economic growth, and as energy producers slipped on plunging oil prices.

Indices in Hong Kong and South Korea also fell by 0.5 and 0.15 respectively.

The Russian stock index fell 1.2% dragged by energy stocks, but, the rouble was slightly firmer supported by upcoming local tax payments which offset the plunge in benchmark oil prices.

Stock in South Africa were trading at their lowest levels since the beginning of the month, down 1.3%, while the rand climbed 0.5% as investors awaited the release of retail sales figures which are expected to rise by 2.2%, as per a Reuters Poll.

The Czech crown hit a four-month low against the euro after theirs quarter economic growth came in below analysts' expectation.

Other Eastern European currencies remained little changed against a steady euro.

News that United Kingdom and European Union struck a Brexit divorce deal which, however, may face hurdles getting through the House of Commons, kept the dollar's European rivals at bay. (DailyFt)

Rupee hits record low on political uncertainty, stocks down

The Sri Lankan rupee fell to a record low of 176.60 to the U.S. dollar on Wednesday, as political uncertainty outweighed the positive impact of a policy rate hike, sources said.

Stocks closed weaker due to political uncertainty and the policy rate hike.

Before the market opened, the Central Bank unexpectedly raised its key policy rates, in a move aimed at defending a faltering rupee as foreign capital outflows pick up amid an escalating political crisis and rising U.S. interest rates.

Soon after the market opened, the parliament passed a no-confidence motion against newly appointed Prime Minister Mahinda Rajapaksa, a day after the Supreme Court stayed President Maithripala Sirisena's decree to sack the parliament and call for early general polls, presenting a standoff with the opposition and throwing the country deeper into turmoil.

The parliament was dissolved on Friday, two weeks after Sirisena sacked Ranil Wickremesinghe as prime minister and appointed former president Mahinda Rajapaksa in his place.The rupee ended at 176.50/60 per dollar on Wednesday, compared with the previous close of 176.05/30. It has weakened more than 1.7 percent since the political crisis began on Oct. 26 and more than 14.7 percent so far this year.

Foreigners bought a net 26.8 million rupees worth stocks on Wednesday, but have offloaded equities worth 7.7 billion rupees since the political crisis started on Oct. 26.The bondmarket saw outflows of about 21 billion rupees between Oct. 25 and Nov. 7, central bank data showed. This year, there have been 17.1 billion rupees of outflows from stocks and 110.8 billion rupees from government securities, bourse and central bank data showed.

The Colombo stock index fell 0.77 percent to 5,947.36 after falling 1.9 percent last week.

Heavy retail investor buying had lifted it 4.5 percent in the week before. It has slipped over 6.6 percent so far this year. Stock market turnover was 729.2 million rupees ($4.15 million) on Wednesday, less than this year's daily average of 846.4 million rupees.
(DailyFt)

Monetary policy rates change for first time in five announcements

The Central Bank of Sri Lanka (CBSL) was seen changing its policy rates for the first time in five announcements yesterday. Policy rates were increased by 75 basis points and 50 basis points on its Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) to 8% and 9%, respectively, narrowing down the corridor to 1% from its previous 1.25%. The previous change was at its April announcement where its Standing Lending Facility Rate (SLFR) was reduced by 25 basis points to 8.50%.

However, in a boost to the prevailing liquidity shortfall in the system, the CBSL was seen reducing its Statutory Reserve Ratio (SRR) applicable for all licensed commercial banks by 150 basis points to 6% from its previous 7.50%. This is expected to release a substantial amount of rupee liquidity to the banking system according to CBSL.

At yesterday's weekly Treasury bill auction, weighted averages increased for a third consecutive week with the 91-day bill increasing by 42 basis points to 10.07%, recording a weighted average above 10% for the first time since 19 December 2012 while the 364-day bill increased by 36 basis points to 11.25%, recording a weighted average above 11% for the first time since 26 April 2017. Only an amount of Rs.9.85 billion was accepted in total against its total offered amount of Rs.14 billion while all bids received for the 182-day bill were rejected. The total bids received to offer ratio was seen increasing to a three-week high of 2.74:1.

Activity in the secondary bond market was seen picking up yesterday, mainly on the 15.06.27 and 01.05.29 maturities within a tight range. The 15.06.27 was seen changing hands within the range of 12.24% to 12.30% while the 01.05.29 changed hands within the range of 12.25% to 12.40%. On the short end of the curve, the 01.05.20 maturity was seen changing hands within the range of 11.45% to 11.50% while the 364-day bill was traded from 11.20% to 11.15%.

The total secondary market Treasury bond/bill transacted volumes for 13 November was Rs.0.64 billion.In the money market, the base rate increase resulted in overnight call money and repo rates increasing yesterday to average 8.97% and 8.98%, respectively, as against its previous day's average of 8.49% and 8.50%. The OMO Department of the Central Bank infused liquidity by way of an overnight and a two-day term repo auction for successful amounts of Rs.31.45 billion and Rs.18.59 billion, respectively, at weighted average yields of 8.74% and 8.95% as the net liquidity shortage in the system stood at a high of Rs.82.98 billion yesterday.

Rupee continues its slide

The downward trend in the rupee value continued as the USD/LKR rate on spot contracts were seen closing the day at Rs.176.45/55 against its previous day's closing levels of Rs.176.15/25 on the back of continued buying interest from banks. The total USD/LKR traded volume for 13 November was $ 60.75 million.Some of the forward USD/LKR rates that prevailed in the market were 1 month – 177.50/80, 3 months – 179.65, and 6 months – 182.60. (DailyFt)

LB Finance records Rs 4.5 billion profit before tax in 1H 2018

LB Finance PLC, Sri Lanka's leading non-banking financial service provider, showcased a resounding growth for the first six months of the year as at end-September 2018, with Operating Profit Before Tax on financial services recording a 31.7% increase to 4.5 billion, from Rs 3.4 billion for the same period last year. Profit before taxes increased to 3.7 billion from 2.8 billion, with a recorded increase of 32%. The total comprehensive income for the period, net of tax is Rs 2.4 billion, up 24.5% from Rs. 1.9 billion in 2017. The growth demonstrates stability, customer trust, and strength of the company.

The recorded growth in gross earnings was driven by an outstanding 22.6% increase in interest income, to 13.2 billion in 2018 from Rs. 10.8 billion in 2017. The Net Interest Income in the first six months of 2018 increased 31.3% to Rs. 7.0 billion from Rs. 5.3 billion in the first six months of 2017. Demonstrating customer loyalty, deposits with LB Finance showed an above-average 13.7% growth, up from Rs. 68.5 billion in 2017 to an impressive Rs. 78.0 billion in 2018.

LB Finance's Tier 1 core capital has increased 20.8% to Rs. 14.6 billion, from Rs. 12 billion in the previous corresponding period. Gross Non Performing Accommodations ratio has marginally increased to 2.78% in the period under review compared to 2.14% in 2017, but well within the norm for non-bank financial institutes.

The changing landscape of the country with the volatility in the foreign exchange, changes in duties and taxes, and the lowered investor confidence makes this performance estimable. The results once again prove that LB Finance retains the top position in non-banking solution providers in the country.

The annualised return on average shareholders' funds after tax has increased to 29.15%, from 28.72% in 2017. The available amount of liquid assets is Rs. 15.0 billion, a 79% phenomenal surplus over the requirement of Rs. 8.4 billion.

LB Finance has an A- (lka) rating from Fitch Ratings Lanka Ltd. with a stable outlook, pointing to low default risk and strong capacity for repayment of commitments. LB Finance Managing Director Sumith

Adhihetty declared, “Once again we have been able to make significant strides in achieving our strategic goals and milestones as we have been continuously doing so in the past few years. I am extremely pleased to note that our financial performance for the first six months of year as at September 2018, we have overcome market challenges and have accomplished considerable progress in continuing to create wealth and value for all our stakeholders.”

With a rich history over four decades, LB Finance PLC is licensed by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and listed on the Main Board of the Colombo Stock Exchange. The company offers a variety of financial services including leasing, factoring, hire purchasing, micro finance, mortgage loans, housing loans, education loans, gold loans, currency exchange and Western Union Money Transfer services through an island-wide branch network and Gold Loan Centres, offering unparalleled convenience to all customers. (DailyFt)

HNB posts 9 month Group PAT of Rs 14.5 b

Hatton National Bank PLC (HNB) has reported a Profit after Tax (PAT) of Rs. 14.5 billion at Group level for the nine months to September 2018 recording a growth of 23% YoY, while the Bank’s PAT for the period amounted to Rs. 13.1 billion growing by 21% YoY.

Prudent asset and liability management facilitated a 15.5% YoY growth to Rs. 34.2 billion in Net Interest Income (NII) for the period, despite challenging market conditions.

Net Fee and Commission Income grew moderately by 10.8% YoY to Rs. 6.8 billion in the period to September with Credit Cards, Trade Finance & Remittance businesses contributing to more than 50% of the fee and commission income.

Net losses from trading, reflecting principally the revaluation of forex swaps, reduced significantly by 55% to Rs. 1.2 billion from a higher depreciated rupee and low volumes of swaps compared to the previous year. Other operating income too witnessed a sizable growth of 23% to Rs. 3.4 billion, as a result of exchange gains on position revaluations and higher exchange income from forex transactions.

Reflecting on macro and industry conditions which have precipitated delays across the industry in collections, the Bank’s Gross NPA ratio as at the end of the third quarter increased to 3.1% from 2.9% reported in June, albeit remaining below industry norms. The resulting increase in provisioning requirements led to impairment on facilities deemed individually significant, rising by 49.0% YoY to just under Rs. 1.5 billion for the period ending September, whilst collective impairment charges rose to Rs. 2.1 billion, from Rs. 1.3 billion in the commensurate period of 2017.

The sustained pursuit of the Bank’s initiatives in centralisation and digitalisation has yielded a continuous improvement in HNB’s Cost to Income ratio, which improved to 36.9% for the nine months ending September 2018, exceeding that recorded during the corresponding period of 2017 by 360 bps. The Total Operating Expenses for the nine months increased to Rs. 16.0 billion with growth being contained at 10.0% YoY.

Bank made a Profit before Tax (PBT) of Rs. 19.3 billion during the period while the Rs. 13.1 billion PAT generated a Return on Assets (ROA) of 1.76% and Return on Equity (ROE) of 15.57% for the period.

Total advances grew to Rs. 717.8 billion, supported by a nine month growth of 10.7% in the deposit base to Rs. 776.3 billion. The Bank remains strongly capitalised with Tier I Capital at 13.02% and Total Capital ratio at 15.62%, 415 bps and 275 bps above the respective regulatory requirements.

Commenting on the Bank's performance HNB MD/CEO Jonathan Alles stated: "We are once again pleased with our performance amidst challenging market and economic conditions. The sustained level of performance delivered by the Bank is a testament to the dedicated efforts of the 'HATNA Family' in persistently raising the bar in excellence."

Alles added that "In the current backdrop we will continue our intense focus on NPA management, mobilising CASA and diligently forging ahead with digital transformation while continuing to enhance the overall value proposition to all our stakeholders. Moreover, as a foremost financial institution in Sri Lanka we are committed to establish ourselves as a true 'partner in progress' to the nation."

All Group companies were profitable during the period and contributed to HNB Group profitability with PBT rising to Rs. 21.5 billion. The Group PAT of Rs. 14.5 billion represented a Group ROA and ROE of 1.84% and 14.62% respectively. Group assets reported a nine month growth of 8.2% to Rs. 1.1 trillion.

In 2018 HNB was placed first, in over ten banking awarding forums in Retail, Forex, Payments, Cash Management, SME Banking, Digital Banking, Sustainable Reporting, Islamic Finance and the 'Best Sharia compliant window' by the Banker Magazine. The Bank was also recognised as the 'Best private sector organisation for promoting women in the workplace' at the Women in Management, Top 50 Professional & Career Women Awards 2018.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA- (lka) from Fitch Ratings Lanka Ltd. In 2018, HNB had the distinction of becoming the No. 1 Bank in Sri Lanka in the Top 1000 World Banks 2018, ranked by the UK's 'The Banker' magazine and the No. 1 Bank in Business Today rankings for 2017/18. (DailyFt)

Seylan Bank appoints two new directors

Seylan Bank PLC announced the appointment of Krishan Thilakaratne and Ravi Abeysuriya to its director board with effect from 1 October and 17 October respectively.

Abeysuriya was appointed as an Independent Director while Thilakaratne will play his role as a Non-Executive Non-Independent Director.

Ravi Abeysuriya is the Group Director of Candor Group, owned by National Industries Group (NIG), one of the largest listed companies (Assets over $ 4.7 b) in Kuwait. Formerly, he was the Head of Strategic Business Development at Hayleys Group, Managing Director of Amba Research Lanka and Managing Director of Fitch Ratings Lanka.

Ravi was responsible for private equity investments for a 200 million Dollar PE Fund. Previously he was responsible for establishing Candor Group of Companies, Amba Research, a pioneer global investment research outsourcing company and the first credit rating agency in Sri Lanka as CEO/MD. Prior to that, Ravi was the Head of Corporate Finance at JP Morgan, where he handled international equity placements and restructuring of companies. He has held senior roles in private equity investment, consulting for the World Bank and the Government of Sri Lanka. Ravi is a Fellow Member of the Chartered Institute of Management Accountants, UK, and a Chartered Financial Analyst, USA and has an MBA from Monash University, Australia.

Krishan Thilakaratne is the Director/CEO of Commercial Leasing and Finance PLC and is a member of the senior management team of LOLC PLC.

Thilakaratne serves on the Boards of Prasac Micro Finance Cambodia and Commercial Insurance Brokers Ltd. He also serves as a Director of the Credit Information Bureau of Sri Lanka (CRIB) and is the Chairman of the Finance Houses Association of Sri Lanka, the apex body for Non-Bank Financial Institutions (NBFIs) in Sri Lanka.

Prior to being appointed as the Non-executive Director of Seylan Bank, Thilakaratne functioned as the Alternate Director to I.C. Nanayakkara until his resignation on 31 August.

Thilakaratne holds an Associate Membership of the Institute of Bankers of Sri Lanka (AIB) and has also followed a Strategic Leadership Training Programme in Micro Finance at the Harvard Business School, USA. He counts over 25 years of experience in management, credit, channel management, marketing, factoring, portfolio management and Islamic finance. (DailyFt)

Aitken Spence improves performance in the second quarter

Leading conglomerate Aitken Spence PLC's financial results, released to the Colombo Stock Exchange, revealed quarterly revenue increasing year-on-year (YoY) to Rs. 12.41 billion from Rs. 12.27 billion, while revenue for the six months was Rs. 22.98 billion. The Group also recorded an improved net assets per share value of Rs. 112.30.

Profits-before-tax (PBT) for the six months ended 30 September was Rs. 1.45 billion while the quarterly PBT was recorded as Rs. 971 million, both recording decreases over the previous year. After discounting the exceptional gain on disposal of Hotel Hilltop in September 2017, the Group has recorded a PBT growth of 19% year on year in the second quarter and registered a significant improvement over the performance of the first quarter of the current financial year.

Earnings per share for the quarter was reported Rs. 1.19 while Rs. 1.71 was reported for the six months.

The tourism sector reported a decrease in profits-after-tax of Rs. 594 million YoY. This was mainly owing to the significant gain from divesting in Hotel Hill Top, which amounted to Rs. 307.6 million last year. The devaluation of the rupee had a negative impact on the translation adjustment of foreign currency loans taken by the tourism sector, which also witnessed a drop in the contribution from Meedhuparu resort in Maldives due to its investment made in the new resort Aarah. However, the revenue of the tourism sector was up 8.4% YoY to Rs. 12.06 billion from Rs. 11.12 billion.

During the quarter, Aitken Spence-owned Turyaa Chennai won the Leading Designer Hotel – India (South) 2018 award at the South Asia Travel Awards, while Heritance Ayurveda Maha Gedara won the Silver Award (hotels category) for excellent contribution towards environmental conservation at the Presidential Environmental Awards conducted by Central Environmental Authority (CEA).

There were significant improvements in the maritime & logistics and services sectors. The turnaround of cargo sector and improved performance of the ship agency operation resulted in an increase in profit-before-tax for the maritime & logistics sector. The sector revenue increased by 10.2% to Rs. 5.62 billion from Rs. 5.10 billion. The quarterly profit-after-tax of the sector increased by 24.9% to Rs. 711 million from Rs. 569 million, over the previous year.

Capital expenditure incurred on the construction of Aarah Resort in the Maldives and the waste-to-energy power plant in the north of Colombo resulted in an increase in property plant and equipment of the Group by approximately Rs 3.5 billion. Heritance Aarah is expected to open in February in 2019. It will be the first resort outside Sri Lanka to be branded as 'Heritance', introducing a premium all-inclusive offering with elegantly designed villas.

The landmark waste-to-energy project is expected 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.

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, Financial Outsourcing, Insurance, IT, Printing 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 12 consecutive years. (DailyFt)

Hayleys surpasses Rs. 100 b turnover in first half

Fuelled by topline growth across all of its key business segments, leading diversified conglomerate Hayleys Plc posted a 65% Year-on-Year (YoY) increase in turnover up to Rs. 103 billion for the six-month period ending 30 September 2018.

The group posted strong operating profits which expanded to Rs. 6.8 billion from Rs. 3.2 billion in the corresponding period. The group incurred an increased net finance cost of Rs. 5 billion, mainly due to the inclusion of the Singer Group, financing costs of the recent acquisitions and exchange rate fluctuation. However, the Group Profit Before Tax (PBT) for the period improved to Rs. 1.8 billion from Rs. 1.4 billion in 1HFY18/19 while Profit After Tax (PAT) also improved to Rs. 769 million from Rs. 719 million.

All segments except for plantations have contributed to the healthy expansion in turnover for the group during the period under review. Revenue within the Consumer and Retail segment expanded substantially from Rs. 2.7 billion to Rs. 31.5 billion in 1HFY18/19, bolstered by the contributions of Singer (Sri Lanka) Group which were acquired by Hayleys at the end of 2Q18, generating Rs. 2.4 billion in operating profits. Commenting on the group's performance over the first half, Hayleys Plc Chairman and Chief Executive Mohan Pandithage said: "The group was able to achieve significant growth driven by the investments we have made towards the acquisition of Singer (Sri Lanka), where the Consumer and Retail sector has spearheaded the improvement of the topline during 1HFY18/19."

"While anticipating further improvement of results from this sector, the group's continuous investments and efforts to improve quality and efficiency through well-placed processes across every business sector will yield greater results for Hayleys Plc in the future."

During the first half, the group's Transportation and Logistics segment, supported by its recent acquisitions, posted turnover of Rs. 22.7 billion, compared with Rs. 16.4 billion in the previous period, leading to an operating profit of Rs. 1.4 billion from a previous Rs. 1.1 billion.

Turnover in the group's Eco Solutions segment rose from Rs. 2.1 billion to Rs. 3.4 billion while operating profits of the sector rose significantly from Rs. 70 million to Rs. 193 million. Meanwhile, turnover in the group's Purification Products segment expanded from Rs. 7.1 billion to Rs. 9 billion while operating profits increased from Rs. 358 million to Rs. 614 million.

Similarly, the group's Hand Protection segment posted revenue of Rs. 8.4 billion, against a previous Rs. 8 billion and operating profits rising significantly to Rs. 521 million, compared with Rs. 98 million in 1HFY18/19.

The Agriculture sector's turnover expanded to Rs. 5.8 billion, compared with Rs. 5.5 billion, while operating profits improved to Rs. 462 million from Rs. 234 million in the corresponding period. Following a series of climate-impacted yields, Sri Lanka's Agricultural sector is forecast to rebound in the Maha season with the timely rains experienced in the past few weeks which augurs well for the Hayleys Agriculture sector.

Poor weather conditions and world market prices have hampered the Plantations sector, resulting in reduced turnover and operating profits, which ended the first half at Rs. 6.4 billion and Rs. 29 million respectively.

Hayleys Global Beverages Ltd. (HGBL), a unit of diversified conglomerate Hayleys Plc, announced a joint venture partnership with Germany's botanicals giant Martin Bauer Group (BMG). With the demand for tea and herbal ingredients forecast to grow, this collaboration is expected to harness the immense potential of HGBL for the group.

Celebrating 140 years this year, Hayleys, as one of the most iconic diversified multinational conglomerates in Sri Lanka, has retained the no. 1 slot in the 25th edition of Sri Lanka's pioneering Listed Company rankings of LMD business magazine for the Financial Year 2017/18. The group accounts for 3.29% of Sri Lankan export earnings with products that are sold to over 7.6 million customers in five regions across the globe.

The Board of Directors of Hayleys Plc comprises Chairman and Chief Executive Mohan Pandithage, Co-Chairman Dhammika Perera, Sarath Ganegoda, Rajitha Kariyawasan, Dr. Harsha Cabral PC, Lalin Samarawickrama, Ruwan Waidyaratne, Hisham Jamaldeen, Aravinda Perera, Noel Joseph and Jayanthi Dharmasena. (DailyFt)

Most Asia Stocks Drop; Powell Downplays Volatility: Markets Wrap

Most Asian stocks dropped after another slide in U.S. equities overnight, with Federal Reserve Chairman Jerome Powell giving no indication recent volatility will play into the U.S. central bank's next policy decision. Oil prices held above their recent low.

Japanese and Australian equities fell, while Hong Kong stocks found some support from Tencent Holdings Ltd. earnings that beat expectations. The Aussie advanced after a strong local jobs report. Treasuries were little changed. S&P 500 stock futures retreated, suggesting further declines in the U.S. after a slide of almost 4 percent in the past week.

Powell in a question-and-answer session Wednesday played down recent turbulence in the stock market, saying equity volatility was only one of many factors that the Fed takes into account. Policy makers raised interest rates three times this year and a fourth increase is projected for next month.

Powell on Markets:

"Our plan to normalize the balance sheet is going very well. We were concerned in the run-up to announcing it that there would be strong market reactions and tightening of financial conditions more than we would like or expect. That hasn't happened. And so it's very important that we return the balance sheet to a smaller size."
"The equity markets get a lot -- it's a very high profile thing -- and it does matter for the economy."
"When prices get down or go down or go volatile we do pick up an effect. But it's one of many many factors that go into a very large economy. And so I'd just say it's one of many factors."
"Credit spreads have been very tight."
"It's just something that we monitor. When credit spreads are low they can sometimes move up quickly and that can have negative effects."
Why the S&P 500 Won't Retest the October Low

On this edition of "Smart Charts," Fairlead Strategies founder Katie Stockton examines the S&P 500 Index.

The pound was flat after gains as U.K. Prime Minister Theresa May secured backing from her cabinet for a withdrawal agreement with the EU, though doubts remain on the U.K.'s path out of Europe. Earlier in Europe, Italian 10-year bonds slipped after the government submitted a defiant budget to the European Commission on Tuesday. Natural gas surged as unseasonably cold weather threatens the U.S. Northeast.

Coming Up

Policy decisions are coming from central banks in Mexico and the Philippine.

These are the main moves in markets:
Stocks

- Japan's Topix index fell 0.4 percent as of 10:32 a.m. in Tokyo.
- Australia's S&P/ASX 200 Index fell 0.2 percent.
- Hong Kong's Hang Seng Index advanced 0.5 percent.
- Shanghai Composite Index rose 0.3 percent.
- S&P 500 futures were little changed. The S&P 500 fell 0.8 percent.

Currencies

- The yen was steady at 113.59 per dollar.
- The offshore yuan was stable at 6.9396 per dollar.
- The Bloomberg Dollar Spot Index was little changed.
- The euro traded at $1.1318.
- The British pound traded at $1.2994.
- The Aussie rose 0.6 percent to 72.72 U.S. cents.

Bonds

- The yield on 10-year Treasuries held at 3.12 percent.
- Australia's 10-year bond yield rose two basis points to 2.72 percent.

Commodities

- West Texas Intermediate crude fell 0.3 percent to $56.09 a barrel.
- Gold fell 0.2 percent to $1,208.76 an ounce.
- Natural gas futures surged 16 percent.

(Bloomberg)