NEWS ROUND UP

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No cash crunch for development projects: President

President Maithripala Sirisena on Tuesday assured that there was no cash crunch in the Government, nor lack of support from multilateral donors to fund much-needed and multi-faceted development projects.

This declaration by President Sirisena was during a meeting with editors and heads of electronic media, to announce the launch of the second phase of the Rs. 23 billion worth Moragahakanda-Kaluganga reservoir tomorrow in the North-Western Province.

In response to a query from the media whether the Government has enough resources to finance and complete such large scale projects, given the perceived cash crunch within the Treasury, the President reassured that this wasn't an issue.

"For development, we have money," asserted President Sirisena, and added that the Moragahakanda-Kaluganga reservoir project has received funding from the Asian Development Bank, World Bank, China, OPEC fund, Kuwait, Saudi Arabia, and Japan among others.

He said that funding for this and other development projects were long-term and concessionary. It was emphasised that these projects benefits a plethora of socio-economic sectors.

The construction of the Moragahakanda-Kaluganga reservoir is the largest multi-purpose development project in Sri Lanka, completed spending Rs. 23 billion.

As part of the project is to provide safe drinking water, as well as supplying water for irrigation for those in the North-Western Province via the Matale-Kurunegala link, the launch of second phase tomorrow will enable irrigation of 12,500 hectares and the development of eight large-scale tanks and 353 small-scale tanks. The project will provide direct dividends to 13,500 farmer families, and indirect benefits to another 80,000 farmer families.

At present, a mega development project is being implemented to fulfil the water needs of the people in the Wayamba Province, ending a long-term water shortage, under the guidance of President Sirisena.

Even though various irrigation projects were implemented in the country, the people living in the Wayamba Province faced many difficulties, as all the Government's power failed to provide a solution for their water issue. The living standard of the people in the region decreased as the farmers suffered from a severe shortage of water for their cultivation activities, and the clean drinking water shortage led to the proliferation of kidney diseases in the region.

In 2016, the Wayamba Ela project launched under the guidance of the President, with the aim of providing a solution for the shortage of water for irrigation of cultivation lands in both seasons, without any shortage.

The second phase also involves moving water from the Mahaweli River of the Eastern province towards the Northern region. The surplus water of Nalanda reservoir is being turned towards Wamadilla reservoir. Under the first stage, it is expected to provide infrastructure to carry this water towards the Wamadilla project and Devahuwa reservoir, and to carry water of the Mahaweli Canal and the Nalanda reservoir to the Kurunegala district.

Under the second stage, it is expected to build facilities and infrastructure to construct canals to channel water from the Kurunegala district towards the small river systems of Polpithigama, Ahatuwewa, Galgamuwa and Mahawa, to send the water of the Mahaweli River carried towards Bowaththenna reservoir towards Dambululu Oya, and to channel this water towards the canal systems built in the first stage.

Under the mega plan to renovate 2400 tanks in the rural areas under the Ellanga system, the reconstruction of 353 tanks of the North-Western province will also commence under the patronage of the President.

Thus, 91 tanks of Ahatuwewa Divisional Secretariat, 119 tanks of Polpithigama Divisional Secretariat, 107 tanks of Mahawa Divisional Secretariat, 30 tanks of Galewela Divisional Secretariat, one tank at Palagala Divisional Secretariat and 5 tanks in Dambulla Divisional Secretariat will be developed. (Daily FT)

CB hopeful SL will be out of FATF grey list by February 2019

Central Bank Governor Dr.Indrajit Coomaraswamy this week expressed confidence that by early next year Sri Lanka will be able to move away from the Financial Action Task Force (FATF) grey list.

“A great deal of work has been done under the guidelines of FATF. We are hopeful that by February next year, Sri Lanka will be able to move away from the FATF grey list. I believe this will give some room for us to manoeuvre in terms of moving forward digital transformation and particularly in Know Your Customer (KYC) requirements,” he told addressing at the CIO Confluence 2018 in Colombo on Tuesday.

In today’s world, he said this delicate balancing act is made more complex by the need to meet global standards related to Anti-Money Laundering (AML) and countering the Financing of Terrorism (CFT) measures.

“Sri Lanka’s presence on the FATF grey list constrains our room to manoeuvres at present,” he added.

In February this year, the European Parliament rejected the inclusion of Sri Lanka, Tunisia, and Trinidad and Tobago in the European Commission’s list of non-EU countries considered to have strategic deficiencies in their anti-money laundering and terrorism financing regimes.

Sri Lanka has been given time till March 2019 to fulfil the requirements by the FATF.

FATF, the global policy setter, has introduced 40 recommendations on AML and CFT in order to combat money launderingterrorist financing and other related offences globally. (Daily FT)

FTAs are here to stay: Harsha

The Sri Lanka – Singapore Free Trade Agreement is now in force despite a committee appointed by President Maithripala Sirisena to analyse the deal, State Minister of National Policies and Economic Affairs Dr. Harsha de Silva said, condemning attempts by the Opposition to create a “bogeyman” of the Singapore trade deal.

Speaking at a press conference held at the United National Party Head Quarters, Sirikotha, the State Minister said that, although the President has appointed a committee to analyse the trade agreement, the FTA, which was signed in March this year, is already in effect.

“The agreement was approved by the Cabinet, and the appointed committee will give its report, but it is in force now,” he said.

Refuting claims by the Opposition about plans by the Singapore Government to use Sri Lanka as a waste disposal ground, de Silva insisted that the country is protected by international treaties and regulations to control cross boundary movement of waste.

"We have protected our interests. There are regulations, such as the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, which we are signatory to. Custom duty is not the only way to prevent such issues. The law of the country prevails. There are quarantine laws and other non-tariff measures imposed to ensure this," he said.

The State Minister, stressing the need to enter into trade agreements with different countries to penetrate trade networks, said that the country needs FTAs to enter global trade blocks to prevent being side-lined.

"By the end of the year, there will be a trade block formed called 'Regional Comprehensive Economic Partnership' with all ASEAN countries, plus six others: Australia, New Zealand, Japan, South Korea, China and India. The only ones which will be out of it will be Bangladesh and Sri Lanka. If we cannot even have a FTA with Singapore, how will we manage to have agreements with 15 other countries?" de Silva questioned.

Accessing the trade network in the ASEAN and ASEAN plus region is a must, he said, pointing out that the Sri Lankan economy depends on how well the country is able to penetrate the global market.

"There is no way that we can develop the economy by just trading in the Sri Lankan market alone. We need to look beyond narrow political interests."

The State Minister also dispelled arguments that nationals from other countries will flood Sri Lanka. (Daily FT)

Lanka Milk Foods to invest Rs. 2 b more to boost dairy biz

Lanka Milk Foods (CWE) PLC is to invest Rs. 2 billion to boost the Group's dairy business further.

The company has floated a new subsidiary, United Dairies Lanka Ltd., at Ambewela in the Nuwara Eliya District.

The venture plans to rear 2,000 cows in four new cow barns and two ultra-modern milking parlours.

The purpose of this subsidiary is to increase the quantity of good quality milk to be utilised in the production of fresh milk and milk-based products, focusing on developing marketing strategies to meet the ever-increasing demand.

The company's flagship brand, 'Lakspray' is a household name in Sri Lanka which has nourished generations of Sri Lankans for over 50 years. In addition, the Company markets many other leading brands, including Ambewela, Daily and My Juicee.

In FY2017, the Group reported a revenue of Rs. 5.25 billion, up by 4% from the previous year, and pre-tax profit was Rs. 548.7 million, up by 359%.

In the Company's last Annual Report, Chairman Harry Jayawardena said the Ambewela brand is driving the trend of liquid milk consumption in the country. "This not only benefits our business, but also supports the nation to become self-sufficient in liquid milk in time to come," he said.

Jayawardena also emphasised that every government needs to reiterate its unconditional support for the dairy industry, since it saves foreign exchange, contributes to jobs, investment and, most important of all, an industry which provides the nation with a wide range of nutritious foods.

"The total national milk production continued to expand, mainly due to government efforts to achieve self-sufficiency in liquid milk. However, the domestic milk production is not yet sufficient to meet the total demand at present," he added.

The Group's ultra-modern, sophisticated dairy factory, Ambewela Products Ltd., built in the farm premises at a cost of Rs. 1 billion, adds value to the farm milk, producing Ambewela Yoghurt, Ambewela Cheese and flavoured milk. Ambewela Fresh Milk 1l and 200ml packs are the market leaders in Sri Lanka in the fresh milk category. In addition, the Daily 200ml flavoured milk pack, which is also UHT processed and packed in tetra paper, is a popular value-added product of Ambewela milk.
(Daily FT)

PM seeks Japanese assistance to develop Trincomalee Port

Prime Minist-er Ranil Wickre-mesinghe on Tuesday emphasised the significance of a Memorandum of Understanding (MOU) on strengthening defence cooperation between Sri Lanka and Japan with the visiting Defence Minister of Japan.

During a meeting between the visiting Japanese Defence Minister Itsunori Onodera and Prime Minister Ranil Wickremesinghe held at Temple Trees on Tuesday Wickremesinghe pointed out that Sri Lanka has always been committed to free maritime movement in the Indian Ocean.

The Premier pointed out that, as the Bay of Bengal countries develop rapidly in the next 20 years, Sri Lanka's Trincomalee Port in the East would become the central port in the region. He stressed that Sri Lanka expects Japan's assistance to develop the Port.

The Japanese Defence Minister said he hopes to visit Trincomalee to observe and get an understanding of the Port and the area.

Minister Onodera, who appreciated Sri Lanka's support for the development that Japan has achieved in the past, gratefully acknowledged former President J. R. Jayewardene's speech at the San Francisco Conference in 1951 on the Japanese Peace Treaty.

The Prime Minister and the Japanese Minister also discussed maritime security cooperation between Sri Lanka and Japan, and regional peace.

The Japanese Ambassador in Sri Lanka Kenichi Suganuma, Director General of the Japanese Defence Policy Bureau Akihiro Tsuchimichi, Vice Chief of Staff of Joint Staff Lieutenant General Takashi Motomatsu, and State Minister of Defence Ruwan Wijewardene joined this event. (Daily FT)

AIA fails to get majority support for delisting at EGM

AIA Insurance Lanka PLC has failed to secure the required majority for the delisting move from shareholders.

When the special resolution came up for vote at an EGM on 20 August, the required majority of 75% of shareholders in number, present and voting, didn't materialise.

The resolution was to offer Rs. 1,000 per share as part of voluntary delisting. AIA last traded on 20 July at Rs. 525.20. Net asset value per share as at 30 June was Rs. 542.46, down from Rs. 564.53 as at 31 December 2017.

However, the Company got the listing exemption from the Insurance Regulatory Commission of Sri Lanka in July.

AIA Holdings Lanka Ltd. holds 87.28%, and related party AIA Company Ltd. holds 9.88%.

The percentage of shares held by the public is a mere 2.84%.

However, AIA had 1,857 shareholders as at end-2017 of whom, 1,847 are resident. Of total shareholders, 1,683 hold shares between 1 and 1,000, and a further 164 hold shares between 1,001 and 10,000. Total individual shareholders amount to 1,796.

In the July announcement, AIA Insurance Lanka Director and Chief Officer Legal Chathuri Munaweera said: "The Regulation of Insurance Industry (Amendment) Act No. 23 of 2017 enables local subsidiary insurance companies of foreign companies listed on a stock exchange outside Sri Lanka to be exempted from their obligation to be listed – if the Insurance Regulatory Commission of Sri Lanka is satisfied that such subsidiary meets specified statutory criteria. As already disclosed to the CSE on 20 July, AIA Insurance Lanka's application for exemption from being listed on a licensed stock exchange (based on the strength of its ultimate holding/parent company AIA Group Ltd., which is listed on the Hong Kong Stock Exchange) has been approved by the Insurance Regulatory Commission of Sri Lanka."

AIA Insurance Lanka CEO Pankaj Banerjee added: "As disclosed by AIA Group in its voluntary offer during 2013, it has been AIA Group's ultimate objective, subject to legal and regulatory requirements and having obtained all necessary regulatory approvals, to delist AIA Insurance Lanka from the CSE. This is consistent with the target operating model followed by AIA Group, where its insurance operating units are held as wholly owned subsidiaries wherever possible and permissible, with the parent company being the only publicly listed entity."

AIA Insurance Lanka Chairman William Lisle reiterated AIA Group's commitment to Sri Lanka, saying: "AIA is fully committed to continued growth and investment in Sri Lanka for the benefit of our customers, as well as for the local community and economy. Our intent to delist is a reaffirmation of our commitment to the Sri Lankan market, which has very good growth potential. We have invested heavily to provide our customers with leading products and services, and we will continue to help many more people here live healthier, longer and better lives." (Daily FT)

Govt. seeks investors for UL with $1 b of debt

Sri Lanka has revived the process of privatising the state-run carrier that is saddled with at least $1 billion of debt, a year after talks with sole bidder TPG Capital collapsed following due diligence of the struggling airline.

The island nation's Finance Ministry will seek preliminary bids for SriLankan Airlines Ltd. by September or October, Mano Tittawella, an advisor to the Ministry, said in an interview on 20 August. There has been "fairly serious" interest in the sale, and the Government expects to be in talks with at least two parties by the first quarter of next year, he said.

SriLankan Airlines is competing with Gulf carriers like Etihad Airways PJSC and Emirates Airline for customers in the local market, and years of losses have prompted the Government to look for a buyer and offer to absorb all the company's debt. In the latest attempt that started in 2016, at least eight parties showed interest in a sale. Those included US buyout firm Blackstone Group LP and TPG, Bloomberg News reported at the time.

Emirates held 44% of SriLankan Airlines until 2010, when the Government bought the stake following the end of a 26-year civil war. The allure of buying into an airline in the tourism-dominated nation primarily lies in its proximity to India, the world's fastest growing aviation market, where an emerging middle class is increasingly flying overseas for work and leisure.

The company's accumulated losses stood at Rs. 141.1 billion ($879 million) as of March 2017, according to its annual report. (Daily FT)

Melstacorp to enter healthcare biz

Business tycoon Harry Jayawardena-controlled Melstacorp PLC is to enter into the booming healthcare industry.

The Company said it will set up a subsidiary shortly to foray into healthcare, including management of hospitals, operating diagnostics centres, and involvement in related healthcare institutions, as and when opportunities arises. Initially it will set up a diagnostic infrastructure and management of selected hospitals.

A holding company, Melsta Health Ltd., has been incorporated, through which investments in health related fields would be made.

At present, Melstacorp is a diversified conglomerate with business interests spanning beverages, plantations, telecommunication, financial services and other diversified sectors.

Previously, the Group partly-owned Lanka Hospitals Corporation PLC, and within the Group has much healthcare expertise and has been looking for new opportunities. A deal on managing a small yet renowned private hospital is on the cards, the Daily FT learns.(Daily FT)