

NEWS ROUND UP

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Sri Lanka rupee ends flat, gilts yields up on profit taking

Sri Lanka's rupee closed steady at 176.30/45 to the US dollar in the spot market on Friday and gilt yields moved up, market participants said.

The rupee closed at 176.30/40 to the greenback on Thursday.

Liquidity in money markets grew to 15.8 billion rupees from 10.6 billion rupees a day earlier.

The central bank mopped up 24.1 billion rupees in liquidity through term repos, while 15 billion rupees in term repos matured, and 12.8 billion rupees in inflows came from banks through the window.

In bonds, yields rose in an active market, dealers said.

After rates fell over the past few weeks, investors sought profits, leading to yields increasing, dealers said.

A bond maturing on 15.12.2021 closed at 9.40/55 percent on Friday, steady from 9.40/50 percent at Thursday's close.

A bond maturing on 15.03.2023 closed at 9.85/95 percent, up from 9.80/88 percent.

A bond maturing on 15.03.2024 closed at 10.02/10.08 percent, up from 9.92/10.00 percent.

A bond maturing on 01.08.2026 closed at 10.25/35 percent, gaining from 10.23/30 percent.

A bond maturing on 15.01.2027 closed at 10.33/40 percent on Friday, up from Thursday's 10.26/32 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.55/65 percent, up from 10.53/60 percent. (EconomyNext)

Sri Lanka's JKH group March net profit down 68-pct

Sri Lanka's John Keells Holdings group net profit fell 68 percent to 3.2 billion rupees in the March 2019 quarter from a year ago, interim accounts showed.

Quarterly sales rose eight percent to 36.2 billion rupees over the period while cost of sales rose by 10 percent to 27.5 billion rupees with gross profit virtually flat at 8.6 billion rupees.

Earnings per share for the March 2019 quarter were 2.41 rupees. The share closed at 138 rupees Friday, down 50 cents or 0.4 percent.

EPS for the year to March 2019 fell to 11.13 rupees with net profit down 27 percent to 15.3

billion rupees while sales rose 12 percent to 135.5 billion rupees.

JKH's finance costs shot up 900 percent to 1.2 billion rupees.

A company statement said the lower quarterly profit was mainly due to the one-off surplus and optimal surplus transfer in 2017/18 by the Life Insurance business, Union Assurance (UA), which cumulatively amounted to seven billion rupees.

The annual life insurance surplus of UA was 1.1 billion rupees in 2018/19.

"Profits of UA were further impacted by mark-to-market losses on its equity investment portfolio due to a decline in the stock market," the statement said.

JKH's hotel business was impacted by lower occupancies in the city hotels sector due to the increase in room inventory within Colombo and the closure of Cinnamon Hakuraa Huraa Maldives for the construction of a new hotel.

JKH's property business was impacted since the previous year included a one-off revenue recognition at Rajawella Holdings Limited on the sale of leasehold rights and lower fair value gains on investment property in 2018/19 in comparison to 2017/18.

"The performance for the quarter also included an exchange loss at the holding company as a result of the appreciation of the rupee, in comparison to an exchange gain in the fourth quarter of 2017/18." (EconomyNext)

Sri Lanka's Cinnamon Life project costs rise amid delay

Cinnamon Life, promoted by Sri Lanka's John Keells Holdings Plc, said cost were up 10 from the original 805 million US dollars and the commercial, hotel and residential development would be completed by 2021.

"The date for project completion now takes into account the staggered opening of some elements of the project and completion of all works including the detailed interior design work," Chairman Krishan Balendra told shareholders.

"Accordingly, the completion dates of the residential and office towers will be March 2020, whilst the operations of the hotel and retail mall are expected to commence in March 2021."

In 2013 the project was expected to finish in 2018.

The 805 million US dollar estimated was without taxes and interest costs he said.

In 2013, the firm said the cost is estimated at 820 million US dollars.

At the time the rupee was at 131 to the US dollar. Since then the central bank has busted the rupee to 176 to the US dollar, through a combination of policy errors and deliberate real effective exchange rate targeting.

The central bank with its unstable soft-pegged exchange rate is perhaps the biggest economic challenge to the people, analysts have said now that a 30 - year civil war has ended.

John Keells said its apartments priced in dollars was seeing weaker demand after a recent rupee collapse.

The pre-sales of the Residential Towers; "The Suites of Cinnamon Life" and "The Residencies at Cinnamon Life" was 65 percent of total floor area, despite the general slowdown in the residential market.

"Given the steep depreciation of the Rupee and the political disruption in the country during the last quarter of 2018, the traction on the apartment and office sales has been subdued," Balendra said. "The momentum is expected to improve as completion draws nearer.

The total revenue from the sales of the residential apartments and 10 floors of the commercial office space of the "Cinnamon Life" project is estimated to be 250 million US dollars.

The dollar sale price however hedges the US dollar borrowings. The repayments of a 395 million US dollar loan has been had also been delayed to match the delay, he said. (EconomyNext)

Sri Lanka's Cinnamon to lease new Maldives resort

Sri Lanka's Cinnamon Resorts, a unit of John Keells Holdings Plc is in talks to wrap up a 10 - year renewable lease for a new resort in the Maldives, the firm said.

...[T]he Group has entered in to a Memorandum of Understanding (MoU) and is currently in the process of finalising

a sublease agreement for a new property under the "Cinnamon" umbrella," Chairman Krishan Balendra told shareholders in the annual report.

"In line with the Group's asset light strategy for the expansion of rooms under management, the property will be subleased for a period of 10 years with the option for further extensions."

A water bungalow property 'Ellaidhoo Maldives by Cinnamon' was closed during the last financial year after closing it between May and October to build a new hotel. It will be positioned as premium luxury beach resort at a higher price.

Average room rates at "Cinnamon Dhonveli Maldives", after refurbishment in 2017/18 are above expectation, Balendra said.

JKH has 304 rooms in the Maldives.

Average room rates at Maldives resorts had climbed to 320 US dollars in the year to March 2019, from 309 dollars a year ago.

The average rate of Sri Lankan resorts were 90 US dollars and it was 128 for city hotels without Cinnamon Red. The group runs 2,087 rooms in Sri Lanka. (EconomyNext)

Sri Lanka low grown tea recovery expected in 2019 despite Iran sanctions

Sri Lanka's low grown tea is expected to recover in 2018 despite sanctions on Iran, a top producer has said as a demand from countries that were hit by currency collapses in 2018 stabilizes, a producer has said.

"Key exporting markets such as Russia, Turkey and Iran are expected to increase their demand for tea," Tea Smallholder Factories, which accounts for over 5 percent of Sri Lanka's low grown tea production said.

"China has also been increasing black tea imports year on year and the trend is expected to continue in 2019, while Syria recovering from the crisis is expected to increase imports as well.

"The US sanctions on Iran will remain a challenge in the coming year."

Tea Small Holder Factories, operates 7 plants in mainly low grown areas, buying from an estimated 5.7 percent of total small farmers in the country.

In 2018, Sri Lanka's overall tea production had fallen 3 percent to 303 million kilograms, while low grows fell to 191 million kilograms from 197.

The Turkish Lira fell sharply in 2018, while disruptions were also seen in Russia, where the central bank also intervenes in the forex markets and then prints money, without free floating, leading to frequent economic instability.

Sri Lanka's rupee also collapsed while the central bank printed 246 billion rupees after intervening, which tends to push up the rupee price of tea.

But the national sale average had fallen by 36 rupees.

Sri Lanka had been hit by US sanction on Iran and chemical residues found in tea, after a ban on the use of glyphosate weedicide, the firm said.

In 2018, demand from Syria may also recover, the firm said. (EconomyNext)

Modi kept his job, Indians worry about theirs

Asad Ahmed, one of about 1.2 million young Indians entering the cutthroat job market each month, diligently scribbles notes at a computer class in New Delhi.

While nationalist Prime Minister Narendra Modi won a new five-year term promising to step up his campaign for a "new India", 18-year-old Ahmed is pessimistic about getting a new job.

"There are so many people in Delhi and the competition is intense," said Ahmed, dressed like the other students in a black-and-white uniform at the three-month community course run in a police station in Old Delhi.

"I know this stint may not be enough for me to get a job but I am trying my best."

Modi came to power in 2014 promising jobs, but delivering on that has been a challenge.

And as soon as the election euphoria settles, Modi's government will have to find ways to boost investment and revive manufacturing to create new jobs.

Like Ahmed, most of the other 60 students at the government-sponsored "skill development" classes at the Old Delhi police station, all from poor families, were also apprehensive.

Nudrat Akram, 19, signed up for the course because her family could not afford to pay for higher education.

"I want a job in the retail sector where I can earn 10,000 rupees (\$143) a month," Akram said, as she practised speaking English with pretend customers.

- More jobs, more debt -

India's conservative prime minister came to power in 2014 on a pro-business platform, promising to create 10 million jobs a year.

The world's fastest-growing major economy has grown about 7 percent a year since, but jobs have been elusive.

The promise was barely mentioned in Modi's triumphant re-election campaign.

Nearly two-thirds of India's 1.3 billion population are of working age, between 15 and 64, but an

increasing number are in the unemployed list.

No official data has been released for more than two years but a recent leaked report -- denied by the government -- put the unemployment rate at a 45-year high of 6.1 percent.

The Centre for Monitoring Indian Economy, a private research firm, estimates the jobless rate rose to 7.6 percent in April.

"The economy is going to be a huge problem. The government simply cannot create jobs for millions entering the workforce," said political analyst Parsa Venkateshwar Rao.

"Modi will rely on businesses but they are also struggling so he has a real problem on his hands."

- 'Not easy to survive' -

Unemployment is particularly dire for women.

A Deloitte consultancy report in March said female labour force participation fell to 26 percent in 2018 from 36 percent in 2005 because of poor education and socio-economic barriers.

The manifesto of Modi's Bharatiya Janata Party (BJP) promised a \$1.4-trillion infrastructure boost to create jobs if it won the election. It offered metro trains for 50 cities and to double the national highway network.

But analysts say the government, which has drastically increased its debt over the past five years, will have to borrow huge new amounts to pay for the works.

In 2015, Modi launched a Skill India programme aiming to train 500 million people by 2022. But the results have been mixed.

According to 2018 data, only a quarter of people who joined the scheme found jobs.

"The Skill India mission has not had as much success as say the highway programme," said economist Arvind Virmani.

"The real crisis is about job skills and basic education."

India's rural jobs guarantee programme offers work to about 70 million people at a minimum wage for 100 days a year, but there is no equivalent for the growing numbers of urban youth.

Experts say the government must consider an urban employment guarantee scheme in order to reap the true benefit of its economic growth.

At the Delhi classes, 18-year-old Sehar, who uses one name, is worried about helping her poor family, including four younger sisters.

Her father, who works at a hospital, is the only earner.

"I am the eldest and I want to help my family, it's not easy to survive in this city." (AFP)