

# NEWS ROUND UP

*Thursday, February 28, 2019*

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## ***Siyapatha Finance records PBT of Rs. 833.79 m in the face of a challenging 2018***

- PBT Rs. 833.79 m
- PAT Rs. 516.52 m
- Total asset base Rs. 36.16 b
- Cost to income ratio 40.46%

Leading financial entity, Siyapatha Finance PLC, a fully-owned subsidiary of Sampath Bank, recorded a pre-tax profit and a post-tax profit of Rs. 833.79 m and Rs. 516.52 m respectively by 31 December 2018, despite the macroeconomic challenges faced by the industry during the year.

Chairman

As a result of the sound growth of the loan book by 20.9% and improved margins in 2018, the interest income grew by 39% YoY to reach Rs. 6.395 b. Nevertheless, interest expenses increased at a lower rate of 33% YoY, which contributed to the Net Interest Income of Rs. 2.715 b, an increase of 48% YoY, due to prudent ALCO management.

Efficient cost management initiatives taken by the company resulted in the improvement of the cost to income ratio to 40.46% in 2018 from the previous year's (2017) recorded ratio of 45.56%.

Impairment charges were recorded at a higher level during the year under review as a result of asset quality deterioration, which was due to a higher Non-Performing (NPA) ratio across the industry and the adoption of a new accounting standard – SLFRS 9, effective from 1 January 2018.

The total tax expense, including taxes on financial services, showed an increase of 18% to reach Rs. 608.52 m in 2018. Taxes on financial services grew by 26% with the introduction of the Debt Repayment Levy (DRL) from 1 October. The total asset base grew by 21% to reach Rs. 36.16 b as of 31 December 2018. In terms of Capital Adequacy Ratios, the Core Capital ratio and Total Capital ratio were recorded at 9.40% and 12.21%, which were well above the prescribed minimum ratios set by the Central Bank of Sri Lanka.

During the year Siyapatha Finance has opened four new branches in Kiribathgoda, Wattala, Maharagama and Hatton, bringing the total number of branches to 30 at the end of 2018.

(Dailyft)

### ***364 day bill weighted average dips for the first time in three weeks***

The 364 day bill weighted average at yesterday's weekly Treasury bill auction was seen decreasing, reversing two consecutive weeks of increases. The 364 day bill recorded a weighted average of 10.67% following a 06 basis point decrease while all bids received for the 91 day and 182 day bills were rejected. The total offered amount of Rs. 24 billion was accepted only on the 364 day maturity as its total bids received stood at Rs. 50.34 billion against its offered amount of Rs. 15 billion.

The secondary bond market remained active yesterday as yields dipped marginally across the yield curve. The maturities of 01.05.20, two 2021's (i.e. 01.05.21 & 01.08.21), 15.07.23, 15.03.25, two 2027's (i.e. 15.01.27 and 15.06.27) and 01.05.29 were seen changing hands at levels of 10.50% to 10.65%, 10.80%, 10.80% to 10.83%, 11.03% to 11.05%, 11.15%, 11.20% to 11.25%, 11.23% to 11.25% and 11.38% to 11.40% respectively.

The total secondary market Treasury bond/bill transacted volumes for 26 February was Rs. 2.63 billion.

In the money market, the overnight call money and repo rates averaged 8.97% and 8.98% respectively as the OMO Department of Central Bank was seen infusing liquidity by way of an overnight and a seven day term reverse repo auction for successful amounts of Rs. 24.3 billion and 5 billion, at weighted average yields of 8.95% and 9.00% respectively. The net liquidity shortfall stood at Rs. 56.67 billion yesterday.

Rupee remains mostly unchanged

The USD/LKR rate on spot contracts remained mostly unchanged yesterday to close the day at levels of Rs. 179.85/00 as markets were at equilibrium.

The total USD/LKR traded volume for 26 February was \$ 80.80 million. Some of the forward USD/LKR rates that prevailed in the market were 1 month - 180.80/95; 3 months - 182.70/90 and 6 months - 185.45/75.

(Dailyft)

### ***Mangala to keynote and head top panel at FT-Colombo Uni. MBAA Budget Forum on 6 March***

Finance Minister Mangala Samaraweera will keynote the first public post-Budget Forum, organised by the Daily FT and the Colombo University MBA Alumni Association, on Wednesday 6 March from 9.30 a.m. to 12 noon at Kings Court, Cinnamon Lakeside.

Finance Minister Mangala Samaraweera

The most sought-after post-Budget forum, held for the seventh consecutive year, is backed by Standard Chartered Bank as strategic partner.

The forum this year features the best mix of private sector leaders and professionals providing a comprehensive view point on the Budget, which many expect to be progressive, though 2019 is an election year.

Experts include: John Keells Holdings Chairman Krishan Balendra, speaking at a public forum for the first time since assuming duties as the head of Sri Lanka's premier blue chip; former Central Bank Deputy Governor and popular Daily FT columnist W.A. Wijewardena; Chevron Lubricants Lanka PLC Managing Director and CEO Patrick McCloud who will share insights from a multinational corporate perspective; and National Chamber of Exporters first woman President Ramya Weerakoon, who will comment from an exporter and SME and women entrepreneur perspective. Technical partner PwC Director Tax Advisory Charmaine Tillekeratne will analyse the 2019 Budget's fiscal and tax proposals among others, whilst Standard Chartered Bank CEO Bingumal Thewarathanthri will be another panellist providing key perspectives from a global bank with over a century of presence in Sri Lanka.

(Dailyft)

### ***Port City gets ISO 9001:2015 certification***

CHEC Port City Colombo has been awarded ISO 9001:2015 certification for the Quality Management System (QMS), adopted by the project company.

The certification, given by internationally recognised testing entity TÜV SÜD PSB, who have 40 years of expertise in helping organisations achieve business excellence, covers the Project Management, Administration and Supervision aspects of the project.

Port City Colombo Director (Capital Operation) and Deputy CFO Michael Chiam, who spearheaded the certification process, commended the efforts of the implementation team for their hard work in preparing the certification audit, as well as implementing the quality management system. “After going through the ISO certification audit over the last week of November 2018, we have now been officially conferred with ISO 9001:2015 certification. Many thanks for the hard work and perseverance of everyone, particularly the leadership given by our Managing Director, Mr Jiang, in achieving this standard.”

Chiam added that whilst looking forward to applying the QMS which they had implemented to every future aspect of the project, the implementation process had been a learning experience for everyone. “Each individual department has set up, reviewed, revised and/or standardised their respective operational processes and procedures, in order to self-review and self-detect issues that may come up. This is done with a view towards continuously improving themselves.”

The Deputy CFO says that the system of continual improvement encourages a higher degree of leadership commitment, and a significantly greater staff engagement, as they seek better ways to achieve work objectives. “This means we as the project management company, have committed to provide a higher level of management, administration, and supervision of the Colombo Port City overall.”

Port City Managing Director Jiang Houliang said that achieving the ISO quality certification at the initial stages of the project is a further testament to the international standards that would be applied in the construction and maintenance of Port City. “Our commitment towards quality management is proof of the high standards we apply to every aspect of our operations. This certification is an important signal to every one of our associates, suppliers and future developers, that we are committed towards achieving the highest levels of compliance and standardisation for the benefit of all. We will continue to uphold uncompromising quality at all levels of our operations.”

The certifying company, TÜV SÜD PSB, headquartered in Singapore, was the first certification body in Asia to introduce ISO 9000 as a basis of quality system certification, and currently holds accreditations in Europe, the Americas, the Middle East, Asia and Africa.

Port City Colombo is a brand new city development built as an extension of the existing Colombo CBD, with an initial investment of \$ 1.4 billion and an expected \$ 15 billion overall investment when completed. Spanning 269 hectares, it is a sea reclamation project joined to the current central business district. Port City Colombo is made up of 5 different precincts, namely the Financial District, Central Park Living, Island Living, The Marina and the International Island.

When completed, Port City Colombo is estimated to have some 5.75 million square metres of build-up space, boasting some of the best in design in terms of Grade A offices, medical facilities, educational facilities, integrated resort, marina, retail destinations, hotels and various lifestyle developments. Using the latest sustainable city design and smart city concepts, Port City Colombo will be the hub of South Asia. (Dailyft)

## ***Bourse falls for 8th session ahead of Budget***

Sri Lankan shares fell for an eighth straight session on Wednesday and the rupee closed weaker, with investors waiting for directions from next week's Budget and the outcome of talks between Government authorities and the IMF, market sources said.

The Colombo Stock Exchange index closed lower for an eighth straight session on Wednesday, shedding 0.38% to 5,799.98 - its lowest close since 25 October.

The benchmark index dropped 1.2% last week, recording its third straight weekly fall. It declined about 1% in January.

Turnover was Rs. 300.3 million (\$1.67 million), well below last year's daily average of Rs. 834 million.

Sri Lanka has asked the IMF to extend a \$1.5 billion loan by another year and relax its tight spending targets ahead of key elections, two Government sources close to the negotiations told Reuters on Tuesday.

The rupee ended at 179.85/95 per dollar, compared with Tuesday's close of 179.80/90.

Finance Minister Mangala Samaraweera will present the 2019 Budget on 5 March.

Traders and investors are waiting to see how the market would react to the Central Bank's surprise announcement on Friday of reducing commercial banks' statutory reserve ratio (SRR) by 100 basis points after the effective date 1 March, the sources said.

The Central Bank reduced the SRR to increase liquidity and spur credit growth as policymakers struggle to boost a faltering economic growth following a political crisis and a recent rate increase.

Foreign investors exited from government securities for the first time in five weeks in the week ended 20 February, with net sales of Rs. 1.5 billion, the Central Bank's latest data showed.

The rupee has climbed 1.5% so far this year as exporters converted dollars and foreign investors purchased government securities amid stabilising investor confidence after the country repaid a \$1 billion sovereign bond in mid-January.

Worries over heavy debt repayment after the 51-day political crisis that resulted in a series of credit rating downgrades dented investor sentiment as the country struggled to repay its foreign loans.

The rupee dropped 16% in 2018, and was one of the worst-performing currencies in Asia due to heavy foreign outflows. (Dailyft)

## ***Asia Stocks Slip as China PMI Data Dents Sentiment: Markets Wrap***

Stocks in Asia were largely lower Thursday as disappointing manufacturing activity in China showcased continuing concerns about the global economic slowdown. Treasury yields dipped.

Equities saw modest losses in Japan, Korea and China, while shares were flat in Hong Kong. After a stellar two-month rally for global shares, the bar for further gains may be high. U.S. Trade Representative [Robert Lighthizer](#) gave investors no incentive to bid up prices further on Wednesday, when he dialed back expectations for a sweeping trade deal with China. Nor did the latest monthly

China manufacturing PMI, which indicated another contraction. The Australian dollar pared gains and the yen ticked higher.

## Don't Believe the Hype

Japanese investors have sold global stocks for seven straight weeks despite rally



Source: Bloomberg, Ministry of Finance

“We still need more expansionary credit and fiscal policy to be implemented to stabilize growth” in China, Betty Wang, senior China economist at ANZ, told Bloomberg TV. “The economy is still not in a good shape.”

The dollar was little changed after Federal Reserve Chair Jerome Powell told lawmakers Wednesday that he’ll soon announce a plan to stop shrinking the central bank’s balance sheet, now around \$4 trillion balance.

The recent escalation in tensions between India and Pakistan adds to a list of concerns from trade talks to global growth. Pakistan Prime Minister Imran Khan sounded ready to back away from the brink, using a televised address to call for talks with India so that “better sense should prevail.” Also in focus is the U.S.-North Korea summit in Hanoi featuring President Donald Trump and Kim Jong Un.

China Still Needs More Supportive Measures to Be Implemented, Says ANZ’s Wang

Betty Wang, senior China economist at ANZ, discusses China’s economy.

Elsewhere, the pound held gains after the U.K. Parliament approved an amendment that sets down in writing the pledges Prime Minister Theresa May made Tuesday about a no-deal Brexit and a possible delay on the timing. Oil held gains after prices jumped by the most in almost a month as a plunge in U.S. stockpiles showed OPEC and its allies tightening global supplies.

Here are some key events coming up:

- Thursday brings fourth-quarter U.S. GDP.
- U.S. personal income and spending data is released Friday.

These are the main moves in markets:

### Stocks

- Japan’s Topix index fell 0.3 percent as of midday in Tokyo.
- South Korea’s Kospi index dropped 0.5 percent.
- Hang Seng Index was little changed.
- Shanghai Composite Index fell 0.6 percent.
- S&P 500 futures edged lower. The S&P 500 Index fell 0.1 percent.

### Currencies

- The yen rose 0.1 percent to 110.84 per dollar.
- The offshore yuan was at 6.6813 per dollar.

- The Bloomberg Dollar Spot Index was little changed.
- The euro traded at \$1.1378, up 0.1 percent.
- The British pound was at \$1.3305 after a 0.4 percent advance.

### **Bonds**

- The yield on 10-year Treasuries dipped one basis point to 2.67 percent. It rose five basis points in the previous session.
- Australia's 10-year bond yield gained three basis points to 2.10 percent.

### **Commodities**

- West Texas Intermediate crude was at \$56.91 a barrel after jumping 2.6 percent.
- Gold fell 0.1 percent to \$1,319.19 an ounce.