

NEWS ROUND UP

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Govt. launches relief for informal tourism sector

Finance Minister Mangala Samaraweera yesterday said a new loan scheme will be introduced to assist informal tourism sector stakeholders to recover from the Easter Sunday attacks.

Speaking to reporters at the Finance Ministry, Samaraweera said that the Government had already agreed to a range of relief measures for the formal tourism industry but officials felt that the informal sector also needed assistance. However, as a new measure the Finance Ministry also said that the Regional Development Bank (RDB) has been instructed to launch a new scheme titled 'Sancharaka Podda' for a maximum of Rs. 500,000 interest free loan with a one-year moratorium.

Earlier loan schemes for tourism industry stakeholders to purchase buses and taxis, as well as other measures under 'Enterprise Sri Lanka', remain intact, the Minister said.

"The informal sector makes up a large part of our tourism industry. These people have also taken loans to build small restaurants or add a new room to their homes and join the industry, and we have to try and assist them as well because their livelihoods have also been hit," he said. Minister Samaraweera said these stakeholders could be seen in areas such as Mirissa or Ella, and the government was assisting these smaller operations through the new loan scheme.

"Borrowers will get a one year grace period. We know that the industry will get back to normalcy in a year," Samaraweera said.

The "Sancharaka Podda" loan will have to be repaid in three years with the ability for initial instalments to be adjusted to as little as Rs. 8,000 to Rs. 12,000 per year.

The Finance Ministry had therefore issued a circular providing a relief period till 31 March 2020 to all loans linked to the tourism industry. Non-banking financial institutions will provide the same relief. A moratorium has also been given to people who have obtained the 'Jaya Isura' and 'Green Loan' schemes under 'Enterprise Sri Lanka'.

"To help day-to-day operations the Government has allowed anyone to obtain working capital loans up to Rs. 250 million. The amount will be decided on the turnover of the previous year and it has a preferential interest rate of just 3.46% and the borrower can take two years to repay it," the Minister said.

Other provisions introduced to the formal tourism sector such as the reduction of VAT and duty free import of security equipment will also be available to the informal sector but they would have to register with the SLTDA under current provisions.

Responding to questions, Minister Samaraweera assured that the Finance Ministry would continue discussions with other industries that had been affected by the Easter Sunday attacks but insisted that it was not possible to give relief to all of them.

Referring to the construction industry, he noted, "The building industry was struggling before the Easter Sunday attacks and we will have discussions with them but everyone cannot get on the bandwagon and ask for relief packages from the Government. We can't make everyone happy."

Meanwhile, tourism service providers can now avail themselves of the financial relief package by the Tourism and Finance Ministries, the Sri Lanka Tourism Development Authority (SLTDA) said in a statement.

Considering the prevailing situation in the tourism sector, the Government has offered several relief measures, which include a relief period for capital loans and interest till 31 March 2020, reduction of VAT component up to 5% for a period of one year from 21 May 2019, a loan for working capital with low interest under the 'Enterprise Sri Lanka' loan scheme and duty-free facility for importing security equipment.

Individuals and companies that have registered with SLTDA and have obtained an SLTDA license for the year 2018/19 are qualified to apply for the relief measures. They will also have to make a financial request to their bank or finance company via a letter. Non-registered individuals and entities with SLTDA can download the application from www.sltta.gov.lk and email the SLTDA to register themselves.

Applications by SLTDA registered entities can be made to any licensed bank, financial company or specialised leasing company. (Daily FT)

Expolanka closes 4Q with Rs. 575 m PAT

A focus on core fundamentals coupled with consistent and continuous business strategy enabled Expolanka to deliver yet another strong quarter of growth in terms of revenue and profitability.

Continuing from its performance in Q3, Expolanka was able to deliver a revenue of Rs. 22.7 b for the quarter, reflecting a growth of +21% Year-on-Year (YoY) which resulted in an annual turnover of Rs. 95.4 b, a growth of +23% YoY.

The Logistics sector continued to remain the catalyst of performance and growth of the group similar to previous quarters and was primarily due to continued focus on the core business model of the company.

During the period in review, the company was able to generate a gross profit of Rs. 4.46 billion, representing a growth of +8% YoY, which resulted in the group delivering an annual gross profit of Rs. 18.1 b, an impressive growth of +32% YoY.

Consolidating on its operational efficiencies, Expolanka was able to generate Profit After Tax (PAT) of Rs. 575 m for the quarter, which was a robust growth of +55% YoY. The Group ended the year with a PAT of Rs. 1.9 b, a striking growth of +99% YoY.

The Logistics sector contributed a strong top-line of Rs. 21.5 b, a YoY growth of +21%, whilst delivering an annual revenue of Rs. 90.9 b, reflecting a YoY growth of +25%.

The continuous growth achieved by the business over the last several quarters is a reflection of the initiatives undertaken by the company in directing efforts towards increasing customer base, optimising service portfolio and enhancing value proposition.

Ensuing from the above, the logistics sector was able to generate a gross profit of Rs. 4.09 b for the quarter, which enabled the sector to deliver an annual gross profit of Rs. 16.7 b (+34% YoY) The GP margins, which were affected last year, stabilised this year closing at 18.4%, a result of concentrated efforts on capacity management and better planning. The improvements in margins coupled with focused efficiency initiatives enabled the sector to generate a PAT of Rs. 2.2 b for the year (+63% YoY).

From an operational perspective, volumes expanded across all key products, with the core Air Freight product maintaining stability. The Ocean product too performed well, showing strong growth.

Consistent performance and growth has led to international recognition of the EFL brand with the company now listed as the 27th largest air freight forwarder, a direct result of the growth in volume the sector has been able to achieve during the year under review.

All key trade lanes of the group exhibited growth, with the South Asia trade lane maintaining stability and the Far East trade lane showing impressive growth. The Europe trade lane and the Intra Asia trade lane too displayed growth within the company's expectations during the year.

Furthermore, a key investment made by the group to develop the warehousing sector, is now operating at a reasonable scale generating improving returns. A focus on incremental growth, geared towards generating scale with efficiency has enabled consistent and stable performance within this business segment.

Expolanka's Leisure sector continued to extend its strong performance during the quarter posting a turnover of Rs. 343 million and gross profits of Rs. 279 million to conclude the quarter with a PAT of Rs. 10 million and an YTD PAT of Rs. 208 million. Moving forward, the brands within the sector aim to maintain its focus on core operations complemented by a wide range of value-added services. The performance was in line with our expectation despite the challenging market environment for the sector, over the last year.

Meanwhile, the group's investment sector, which includes the group's export operations, IT services company and the corporate office, contributed a further Rs. 891 million towards group turnover during the quarter, resulting in an annual revenue of Rs. 3.1 b.

The sector, which carries part of the group shared services and other cost centres was able to implement certain key cost efficiencies within the business during the current year. (Daily FT)

SriLankan Catering posts Rs. 5.7 b net profit

SriLankan Catering Ltd. has recorded a steady financial performance for the financial year ended 31 March with a 24% year-on-year growth in operating profits from Rs. 3.8 billion to Rs. 4.7 billion, according to its unaudited financial statements. SriLankan Catering is the fully-owned subsidiary of SriLankan Airlines.

SriLankan Airlines and SriLankan Catering Chairman G.S. Withanage

SriLankan Catering Chief Executive Officer Lalith Withana

Its operating profit ratio, which stood at 44% in the year 2017/18, improved to 48% during the year 2018/19. The Company also reported a post-tax, net profit of Rs. 5.7 billion during the year, which is a 46% increase compared to the previous year. The net exchange gain increased from Rs. 202 million in 2017/18 to Rs. 1,070 million in 2018/19.

SriLankan Catering Chairman G.S. Withanage, who is also SriLankan Airlines Chairman, said: "SriLankan Catering continues to be a tower of strength to our nation and the SriLankan Airlines Group, with yet another stellar performance. The company has proven itself to be a perfect example of consistency and has crossed the Rs. 3 billion profit mark every year in the last four years. This performance for the financial year 2018/19 was a 48% increase over the operating profit of the previous year and is a tremendous achievement."

SriLankan Catering Chief Executive Officer Lalith Withana said: "The impressive performance of the Company demonstrates the strong commitment of our staff, negotiation skills and financial discipline of

the Company. Our team has worked hard to overcome the multiple challenges faced during the year and achieved many new initiatives, including upgrading some of our facilities and processes.”

SriLankan Catering provides approximately 24,000 inflight meals per day for airlines that operate to the Bandaranaike International Airport (BIA) and Mattala Rajapaksa International Airport (MRIA). These include globally reputed airlines such as Emirates Airline, Qatar Airways, Malaysian Airlines, Air China, Cathay Pacific Airways, China Eastern Airlines, China Southern Airlines, Korean Air, Turkish Airlines, KLM Royal Dutch Airlines and SriLankan Airlines. It is equipped with a state of the art flight kitchen for the production of food and beverages and also operates restaurants and lounges at BIA and MRJA.

SriLankan Catering Ltd. is certified to the standards of ISO 9001:2015, HACCP-Codex Alimentarius, ISO 22000:2005 and ISO 14001-2015, and is among the rare handful of inflight catering companies anywhere in the world to have all of these global certifications.

The company has won several global and local accolades in recent times, including a Mercury Award from the International Flight Catering Association. During the year SriLankan Catering was adjudged the winner at the National Business Excellence Awards under the ‘Best State Services Sector’ in extra-large category. The company also won the Presidential Export Award for the year 2017/18, which it received for the third consecutive year as the highest exchange earner under the category of ‘Processed Food and Beverages’. (Daily FT)

SL’s future needs communal harmony: PM

Prime Minister Ranil Wickremesinghe yesterday said the Government has been able to defeat local ISIS followers and the National Thowheed Jama’ath (NTJ) organisation, but a new framework, including updated laws, still need to be developed to counter global terror in the future.

Speaking at the event to award 6000 new people membership in the Samurdhi program in Ampara, the Prime Minister insisted that Sri Lanka will have find ways to counter global terror networks by formulating a new framework, and restructuring the legal system to effectively meet new security challenges.

“Today, we have already cleared out the ISIS followers in Sri Lanka, the NTJ has also been defeated, and we only have to work accordingly to prevent the growth of ISIS terrorism in the future, but this includes gathering citizens in harmony to go ahead in this journey. We shouldn’t repeat the mistake that we made in 1983, we shouldn’t corner any of the communities in the country,” he said.

He said that all of Zahran’s followers are either dead or in jail, and that NTJ has no power, since it has already been defeated. He said that everyone involved in the terror attacks that were left alive were either under arrest, or have security forces after them.

He noted that although the NTJ was defeated, it was not pragmatic to believe no terror attacks would happen in the future, because even though one of the minor terrorist groups was defeated, another group could be easily created. “They don’t have political objectives, their only intention is to kill. We have to be prepared to deal with this system,” he said, while stressing on the fact that there was not enough laws in the country to fully counter global terrorism.

He said that Sri Lanka should learn from countries which have stronger laws, such as bans on going abroad to countries such as Syria, and arresting those who support terrorism, extremism, and violence. “We need to get the rules that apply to the situation of the country approved as soon as possible. We have allowed the Attorney General and the Minister of Justice to carry on the processes to get these rules approved, and they will do that,” he said.

Wickremesinghe added that law alone was not enough. “We have to create a new framework, and we need united institutions that exchange information, but we need databases and we lack those. We need more forces with special skills to assist in clearing out terrorism, and we need to have all information on people who cross our boundaries. We also need information from intelligence agencies,” he explained.

The Prime Minister pointed out most of the public tip-offs came from members of the Muslim community. “It is important. We shouldn’t let Muslims slide into extremism. They help us a lot, it was the Muslim Ministers who have requested us to implement regulations on madrasas. We are trying to bring these laws to unite the country,” he added. (Daily FT)

SL to raise up to \$1.5 b in bonds to repay debt

Sri Lanka is planning to raise up to \$1.5 billion via sovereign bonds, tapping global capital markets for the second time within three months as the Government seeks new funds to repay loans that are maturing following last month’s deadly bomb attacks.

Government officials said the move was to capitalise on favourable market conditions.

The fundraising comes nearly six weeks after suicide bombers killed more than 250 people in attacks at churches and luxury hotels on Easter Sunday. That attack has badly dented the Sri Lankan economy, in particular deterring many thousands of foreign tourists from coming to the island.

“This is mainly to capitalise on the current market condition which is favourable for us. The bonds we sold in March are now trading below or near the yields they were sold,” a Government official told Reuters.

The official said it was also best to tap the markets sooner rather than later, given that Sri Lanka needs to repay huge external debts and there is the uncertainty of a Presidential Election later this year and the impact of the bomb attacks on its economy.

In March, Sri Lanka sold \$1 billion in five-year bonds with a coupon of 6.85% and \$1.4 billion in 10-year bonds with a coupon of 7.85% and the borrowing costs were lower than originally predicted.

The 10-year bond sold in March last traded at 7.79% and the five-year bond last traded at 6.91%, Refinitiv data showed.

The Government said in a cabinet decision document the \$1.5 billion borrowing is “within the approved public debt limit for 2019” and the decision was taken “considering the international market situation.”

A finance ministry official said BOC International, Citigroup, Deutsche Bank, HSBC, JPMorgan, SMBC Nikko and Standard Chartered Bank, who were the lead managers for the \$2.4 billion borrowing in March, are likely to be the joint bookrunners for the upcoming bond sale as well.

“We do not want to take time to finalise fresh lead managers,” the official said, asking not to be named as he is not authorised to speak to the media.

An official at one of the lead managers for the March bonds said they have yet to be told they will be one of the lead managers. The official said the bank understands that the Central Bank needs the money as soon as possible.

The sale of new global sovereign bonds comes as the South Asian island nation is struggling to repay foreign loans, with a record \$5.9 billion due this year, including \$2.6 billion in the first quarter and more than \$1.2 billion in the second, Central Bank data showed.

All three major rating agencies downgraded Sri Lanka's debt after President Maithripala Sirisena sacked his Prime Minister in October and replaced him with pro-China former President Mahinda Rajapaksa, though that decision was later reversed.

But the seven-week-long crisis hurt the rupee and drove sovereign bond yields higher, straining state finances. (Daily FT)

Tea auction sees less demand, lower prices

Tea auctions this week saw less demand and consequently lower prices with offerings totalling 6.8 M/kgs, Forbes and Walker said in its latest report.

Ex-Estate offerings continued to total around 1 M/kgs. Overall, quality of teas showed no significant change and in this backdrop, it was concerning to note the fairly substantial decline in prices, it said.

Best Western BOPs declined Rs. 20 per kg and more following quality. Corresponding BOPF – a small selection of teas were firm and dearer following special inquiry, whilst the others declined Rs. 20 per kg and more. In the Below Best category, few select BOPs maintained last week's levels, whilst the majority declined Rs. 30-40 per kg. Corresponding BOPF – brighter clean leaf teas Rs. 20 per kg easier, whilst the others declined up to Rs. 30 per kg and more.

Plainer BOP's declined Rs. 20 per kg and more for the poor leaf teas, whilst the corresponding BOPF declined up to Rs. 50 per kg.

Tea...

Nuwara Eliya – BOPs irregularly easier, and mostly unsold due to a lack of any suitable bids, whilst the corresponding BOPF declined Rs. 20 per kg on average.

Udapussellawa BOP/BOPF Rs. 10-20 per kg lower. Uva select high priced teas of last week substantially easier. Other BOP/BOPF Rs. 20-30 per kg lower. High and Mid Grown CTCs firm and Rs. 20-30 per kg dearer. Corresponding Low Grown – BP1s gained Rs. 20 per kg and more, whilst the PF1's continued to sell around last. Better demand for liquoring leafy teas.

Low Grown comprising 3.1 M/kgs in the Leafy/Tippy catalogues met with fair demand, but at lower levels. In the Leafy catalogue, high priced BOP1/OP1s were mostly lower to last. Others, particularly a range of clean Below Best BOP1/OP1s, were firm to selectively dearer.

OP/OPAs too were easier to last with the exception of the clean leaf teas at the bottom end, which held firm. A few select best PEK1s together with a limited selection of shotty PEKs were firm. Others were irregular and lower. In the Tippy catalogue too, FBOPs together with FF1s were easier to last. Here again, a selection of cleaner types at the lower end held firm.

In the Premium catalogue, there was good demand and prices maintained with a few teas being selectively dearer. There was fair demand from shippers to Iraq, Turkey, Dubai and CIS this week. (Daily FT)

Tourism earnings hit \$ 1.3 b in 1Q

During the first quarter of 2019 tourism earnings reached \$ 1.3 b, recording a growth of 4.6% over the corresponding period of 2018, latest data by the Central Bank showed.

Earnings from tourism in March recorded a growth of 4.7% year-on-year, according to the external performance data released by the Central Bank on Tuesday.

Tourist arrivals in March 2019 numbered 244,328, registering a year-on-year growth of 4.7%. This growth was mainly driven by tourists arriving from India, the UK, China, Germany and France.

Tourist arrivals during the first quarter of 2019 amounted to 740,600, a growth of 4.6% over the corresponding period of 2018. In March 2019, earnings from tourism were estimated at \$ 459 million, with cumulative earnings amounting to \$ 1,390 million during the first quarter of 2019.

In March 2019, workers' remittances amounted to \$ 571 million. On a cumulative basis, workers' remittances amounted to \$ 1,617 million during the first three months of 2019. (Daily FT)