

PRESIDENTIAL ELECTION NO DISTRACTION FOR BUSINESS

BY

ANANDA JAYAWARDANE

The presidential election fever that swamped the country in December and January had no visible impact on the country's business. The election promises given by the opposition candidate included reduction of the prices of petroleum products and other essential items. The government reacted fast by dropping the prices of a range of such items which led to certain temporary short supply situations and related confusions. The impact of the election on the stock market was limited to enthusiastic buying of shares of blue chip companies by the investors in anticipation of market re-rating following the elections.

The rising trend of tourist arrivals in Sri Lanka continued during seven consecutive months up to December 2009. 56,862 tourists visited the country during December recording an increase of 16.2 per cent compared to the same period last year. According to industry leaders, Sri Lanka is regaining its pride as one of the best tourist locations, and the goal of attracting 2.5 million tourists by 2016 is not an impossible task. The Sri Lanka Tourism Development Authority (SLTDA) claims that they actively pursue new opportunities with the rise of visitor numbers. They have finalized a deal with the world's fifth largest cruise line to attract Indian tourists to the island. This cruise line which is based in Cyprus has begun weekly calls at Colombo port with its cruise ship Aquamarine which can carry 1,200 passengers. This vessel, which will sail between Cochin, Male and Colombo, is the first regular fixed-day cruise to Sri Lanka in recent times. Amidst these developments, SLTDA has decided to prepare a 10-year Tourism Master Plan (2011-2020) to ensure the preservation of Sri Lanka's resources while

meeting the needs of tourists. This Master Plan will identify tourist generating markets, demand for accessibility and diverse types of tourism product development and human resource development.

The cumulative effect of improved security situation of the country after the war and easing off of the global economic crisis and other relevant factors have positively impacted the performance of businesses. According Sri Lanka Ports Authority (SLPA) a total of 153,317, 20-foot containers have been handled during December 2009, which is a 12.5% increase compared to the same month last year. Abu Dhabi based Etihad Airways has seen a clear growth in traffic after it resumed services to Colombo with tourist arrivals increasing. As per the CEO of Airtel Sri Lanka, her company has made a record million connections in its first six months of operations. Ceylinco Insurance Company which is a shareholder of the now stranded Rs. 18.5 billion Hyatt Hotel project has announced that work on this project will re-start soon. Gem, diamond and jewellery export earnings in 2009 amounted to a massive Rs.45 billion exceeding the estimated target, according to the National Gem and Jewellery Authority (NGJA). The Indian state government of Kerala is exploring the possibility of importing mineral sand from Sri Lanka especially from the war-free Eastern region.

Almost one quarter (22 percent) of UK small and medium enterprises (SMEs) are considering off shoring, while one in ten are very likely to offshore elements of their businesses in 2010, according to a research conducted by ICM Research in November on behalf of The Sri Lanka Association of Software and Service Companies (SLASSCOM), the development body for Sri Lankan outsourcing. Sri Lanka's software industry has launched a campaign to draw information technology and business process outsourcing work mainly from small and medium firms in the United Kingdom and Europe.

The performance of leading business organizations during the quarter ended December 2009 also indicates that the business environment has been favourable. For example, the net profit of Haycarb has increased by 311 percent to 124 million rupees compared to last year. Aitken Spence Hotel Holdings has

made a net profit of 210 million rupees with an increase of the total revenue by 20 percent. Aitken Spence Group net profit has risen by 14 percent to 541 million rupees. The net profit of Sri Lanka's largest supermarket chain, Cargills (Ceylon) has risen by 49.1 percent. Sri Lankan floor tile manufacturer Lanka Tiles' net profit has shot up by 71 percent to 108 million rupees from a year ago. According to Fitch Ratings, Sri Lanka's finance company profits would pick up in 2010 as deposit rates fall helping offset some credit losses. The sharp fall in bank deposit and lending rates had now started to spread to the finance company sector.

The earlier war torn Northern and Eastern provinces of Sri Lanka also have attracted investors. USAID has assisted Sunfrost which is a subsidiary of Hayleys to build a factory in the east for the production of pickled gherkins to be exported to the food companies such as McDonald's and Burger King. They have planned to increase the network of gherkin farmers to 2,500 by 2012. The European Commission (EC), through its implementing partner, the International Organisation for Migration (IOM) has taken steps to build a milk chilling centre for the dairy farmers at Uhana, in Ampara district of the Eastern Province. The Business for Peace Alliance (BizPAct) recently organized the first major post-war investment forum in Jaffna where both national and international investors and entrepreneurs took part.

The share market remained active mainly due to disposal of stocks by billionaire investor Rajaratnam and blue chip buying on expectations of better performance due to post-war economic optimism amidst low interest rates ahead of presidential election. Raj Rajaratnam who held shares in 73 listed companies in Sri Lanka through his Galleon Funds has completed disposing these holdings in all except for Touchwood Investments and the People's Merchant Bank. He continued to hold his personal stake in the John Keells Holdings conglomerate where he is the second largest shareholder with 8% of the blue chip amounting to nearly 44 million shares. Later he has sold a part of his stake.

The Ceylon Chamber of Commerce, Sri Lanka's leading trade chamber named ten 'Best Corporate Citizens.' In alphabetical order they are, Aitken Spence, Brandix

Lanka, Cargills Ceylon, Ceylon Biscuits, Ceylon Tobacco, Colombo Dockyard, Hatton National Bank, Sampath Bank, Singer Sri Lanka, and Sri Lanka Telecom. These awards are expected to raise awareness on Corporate Social Responsibility (CSR) within the business community and promote CSR practices among businesses. At the National Business Excellence Award 2009, organized by the National Chamber of Commerce of Sri Lanka (NCCSL), Ceylon Biscuits Group (CBL), was adjudged the winner for achieving the highest standards of best business practices. Lanka Orix Leasing Company PLC (LOLC) was adjudged the winner in the 'Specialized Banking and Financial Services Sector'. Nawaloka Hospitals was the proud recipient of the Gold Award in the Healthcare and Related Services Sector (Extra Large Category). The state-of-the-art Hemas Hospital at Wattala has won the prestigious ICTAD Award for the Best Building Project 2009. The award is given annually by the Institute for Construction Training and Development (ICTAD) to the building which had used the most innovative techniques, quality assurance methods and concern for adverse effects on the environment, among other criteria. "The Banker" magazine of Financial Times - London has awarded "Bank of the Year 2009" to Sampath Bank. Sri Lanka's DSI group, a leading footwear manufacturer and retailer, has announced that it has got a license from Disney to use its brand on its products.

The business sector in Sri Lanka was also full of several exciting changes. Lankem Group of Sri Lanka has gained control of C. W. Mackie, a listed food distribution and trading firm with Danish and local shareholders for 700 million rupees. Nation Lanka Finance Limited, a listed company, has announced that it had sold its money broking unit, CSF Money Brokering Company, to unlisted Navara Capital. According to Lanka Orix Leasing Company (LOLC), its fully-owned subsidiary Commercial Leasing Company had bought 50 percent of Diriya Investment, an investment company which has the controlling stake in Brown & Company. First Capital Money Brokers Limited, a member of the First Capital Holdings PLC group, has been sold to Investcopia Capital (Pvt) Ltd. John Keells Holdings (JKH) has bought more than 24% in Softlogic Group owned Central

Hospital (Asha Central) for a sum of 900 million rupees. The Holiday Inn Colombo was rebranded and launched in its new avatar as Ramada Hotel Colombo on first of December. The owners of the star class property, Alhambra Hotels Limited, bid farewell to the Holiday Inn family on November 30 as per the agreement between Alhambra and Holiday Inn. The National Agribusiness Council received affiliated status with the Ceylon Chamber of Commerce (CCC) on the 1st of January, 2010 and is now housed at the Ceylon Chamber of Commerce building, Navam Mawatha, Colombo.