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Tuesday Markets

Money Market Short 21 Days

By PANEETHA AMERSEKERE

Money market was short for the twenty first consecutive market day to yesterday thereby causing persistent rate pressure, with market shortfall sharply increasing by 122.32 per cent (Rs 138,656 million) to Rs 252,015 million led by the settlement/s of possible swaps/outright sales of US dollars by Central Bank of Sri Lanka (CBSL) to the Government of Sri Lanka (GoSL) yesterday.

GoSL's at least theoretical money printing borrowing costs (MPBCs) fell by 0.14 per cent (Rs 76.12 million) to Rs 53,342.72 million yesterday due to sustained uncertainty that caused the market to invest in riskless, low returns Treasury (T) Bills and T Bonds in secondary market trading rather than with the private sector, the engine of growth, at yesterday's trading.

Consequently liquidity decreased by Rs 176,176 million (US\$ 877.81 million) during trading yesterday led by the aforesaid reasons and/or due to GoSL's foreign debt servicing commitments and/or CBSL's swaps with the market. Conversions are based on Friday's administered value of the benchmark 'spot' which was Rs 200.70 to the dollar.

GoSL's face value (FV) MP debt sharply increased by 2.26 per cent (Rs 37,520 million) to a new record high of Rs 1,694,805.24 million (Rs 1.6948 trillion) yesterday. GoSL's FVMP debt has been over Rs one trillion for a record consecutive 53 market days to yesterday due to a lack of revenue. CBSL is not transparent in its open market operations data. This Rs 37,520 million increase was non-demand pull inflationary.

Dead 108 Days

The interbank foreign exchange (FX) market was 'dead' for 108th consecutive market day to yesterday, with all trades in the FX market, ipso facto made worse by bank-client trades too, since midnight on 6 September having to be executed under a controlled exchange rate (ER) regime of between Rs 200-203 to the dollar, thereby aiding in the spawning of a black market.

Even at the controlled ER of Rs 203, the ER will have had depreciated by 7.69 per cent (Rs 14.50) in the calendar year to Friday and year on year (YoY) by 9.85 per cent (Rs 18.20) to the dollar, thereby causing cost-push inflation as Sri Lanka is an import dependent economy.

As at 31 December 2020, in the interbank FX market, beginning with 'cash' and going up to "one week's forwards," the ER was trading at a seemingly inflated value of Rs 187.50/188.50 to the dollar in two way quotes due to CBSL controls, while a year ago due to lesser controls, the benchmark 'spot' was trading in the market at Rs 184.65/80 to the dollar in two way quotes.

Rs 45B NFOs

Net foreign outflows from the Bourse moved closer to the Rs 45 billion mark, increasing by Rs 47.38 million to Rs 44.89 billion yesterday, a year on year (YoY) increase of 10.42 per cent (Rs 4.24 billion) due to sustained uncertainty. Yesterday was the second consecutive market day that the bourse has suffered NFOs.

In the 181 market days that have transpired in the calendar year to yesterday, the bourse has suffered NFOs in 158 (87.29 per cent) of those days. Last year the Bourse suffered a record Rs 51.04 billion worth of NFOs. In the 207 market days that transpired last year, the Bourse suffered a record NFOs in 90.82 per cent (188) of those days.

Consequently, the Bourse fell, with the benchmark ASPI decreasing by 0.09 per cent to 9,533.64 points and the more sensitive S&P SL 20 Index by 0.01 per cent to 3,539.74 points, on a Rs 4.72 billion turnover and on a share volume of 294.09 million yesterday.

The danger in having a controlled FX market is that it leads to a black market, shortages, queues, rationing, cronyism, nepotism, bribery and corruption.

CBSL Governor Reveals Post-COVID SME Revival Strategy

Sri Lanka Soon to Launch Private Sector Equity Investment Fund

By ISHARA GAMAGE

Governor of the Central Bank of Sri Lanka (CBSL), Ajith Nivard Cabraal yesterday said the Government will soon establish a private sector equity investment fund in collaboration with local and foreign financial institutions.

In an exclusive interview with *Ceylon FT*, he said the CBSL will soon launch a joint programme with the Ceylon Chamber of Commerce and the Institute of Chartered Accountants of Sri Lanka.

"These days we have introduced various concessions and Moratoria for small and medium scale industrialists affected by the COVID-19 epidemic. We have decided to set up this fund to further streamline these concessions in the future and to minimise the impact on the banking and financial sector," he said.

"It will be purely a private sector managed fund with State attention and its blessings. The State sector is also working with the private sector to contribute to the fund.

Accordingly, the Government intends to integrate the required private sector expertise



and knowledge into the management of small and medium enterprises in the country by setting up the fund.

"The composition and start-up capital of the fund will be discussed with all parties in

the future and a decision will be taken" Cabraal said.

The Bank of Ceylon is also preparing to set up a Rs 10 billion private equity fund.

Presenting a CBSL six months road map, Governor Cabraal recently said the CBSL is considering unwinding the moratoria gradually and devising long-term plans to support businesses affected by the pandemic-related lockdown.

The CBSL also decided to provide liquidity support of up to Rs 15,000 M to finance interest accrued in loans that have been given the moratorium.

"So that FIs could deal with the moratorium effect in a sustainable manner," he said.

The CBSL also decided to put in place an Emergency Lending Facility Framework and immediately suspend the Parate Execution and forced repossession of leased assets up to 31.03.2022 for pandemic-affected borrowers.

It also decided to cancel all penalties imposed by FIs during the moratorium period investment. The CBSL also directed financial institutions to develop 'Post-COVID' Revival Units.

With a Partnership with LankaClear

Combank to Accept Digital Signatures



LankaClear General Manager/CEO Channa de Silva (left) and Commercial Bank Managing Director, S. Renganathan

The Commercial Bank of Ceylon has announced it is now accepting digitally signed documents from business customers using LankaSign operated by LankaClear, the only commercially operating Certification Authority in the country which complies with the Electronic Transactions Act.

The Bank recently signed a Memorandum of Understanding with LankaClear as the first step to embrace digital signatures. Commercial Bank is the first entity in Sri Lanka's financial sector to adopt LankaSign digital signatures for document signing.

In the first phase of this development, the Bank will encourage its corporate customers to submit their online banking applications signed digitally. Acceptance of digital signatures will be extended to other banking-related documents shortly, the Bank said.

Commenting on the roll out of digital signature acceptance for the Bank's customers, Commercial Bank Managing Director, S. Renganathan said: "While technology offers unparalleled convenience and advantages to financial institutions and their customers, there are security and fraud related risks. With the exponential increase in the use of electronic transactions, the need for advanced IT security infrastructure becomes critical in order to eliminate these risks. The introduction of the digital signature feature powered by LankaSign is therefore another important step in this direction."

"Additionally, the adoption of digital signatures is an advance in convenience for our corporate customers, especially during the pandemic," Renganathan said.

Digital signatures help businesses save on cost and time with documents and contracts signed off with a click of a button, eliminate the need for indirect costs and costs related to wet signatures, enhance workflow efficiency and provide a better customer experience. They are highly secure and reduce the risk of duplication or alteration of the document or the signature itself, are legally valid, and are environment-friendly because they reduce waste.

LankaClear launched Sri Lanka's first Digital Certification Authority under the brand name LankaSign in accordance with the Electronic Transaction Act, No. 19 of 2006 in May 2009. In its first phase LankaSign provided digital certificates to Banks to be used in financial transaction clearing systems, such as SLIPS and CITS. In 2011 LankaSign launched its second phase by providing digital certificates for all financial sector enterprise applications, SSL Certificates and End Users (E-mail/Document signing) Certificates on both private and public networks.

Speaking of this partnership with ComBank, Channa de Silva, General Manager/CEO of LankaClear said: "We applaud Commercial Bank on their progressive move towards introducing LankaSign Digital Signatures for document signing to customers. At a time when travel restrictions are in place and Banks themselves operate with limited staff, we believe this initiative is timely and customer friendly."

Ex-Pack IPO launched

Sri Lanka's market leader in corrugated cartons, Ex-Pack Corrugated Cartons Limited yesterday announced the launch of its Initial Public Offering (IPO), which will close on 22 October 2021.

The company's prospectus has now been officially published on the website of the Colombo Stock Exchange. Ex-Pack is a wholly-owned subsidiary of Aberdeen Holdings, previously known as Expolanka Investments, one of Sri Lanka's most respected diversified family businesses for over 30 years.

Ex-Pack Corrugated Cartons Limited, has spent over two decades innovating and driving change in the packaging industry, while acquiring an extensive clientele, comprising major corporates and brands, in over 8 countries. Ex-Pack has built a solid reputation in the B2B space and is recognized both at home and abroad. In Sri Lanka, Ex-Pack leads in terms of both production and exports; which accounts for 52% of revenue being generated in US Dollars. Guided by a strong, diverse leadership team and driven by a commitment to innovation and customer satisfaction, the Company has emerged as

a full-service corrugated cartons solutions provider, currently producing 1 out of every 5 cartons in Sri Lanka.

Announcing the IPO, Chairman at Ex-Pack, Sattar Kassim said, "It is with great pleasure that we welcome the public to consider joining us on our journey towards emerging as the most preferred corrugated cartons supplier in Sri Lanka. At present, our 295-strong team produces 2650 metric tonnes of corrugated cartons per month at our 203,000 square-foot facility. We have designed and implemented a comprehensive medium to long term growth strategy, which includes a new, ultramodern three-billion-rupee production plant, for which we have already secured the majority of funds internally and through debt financing. This new plant will almost double our capacity to 4,000 metric tonnes by 2025. The approximately 700 million rupees we intend to raise through our IPO, will be channelled towards this effort, giving us maximum potential for growth. I take this opportunity, in advance, to welcome our new shareholders and thank all investors who subscribed, for placing their faith in us."

Cargills among the Most Admired Companies of Sri Lanka for 2nd consecutive year

Cargills is humbled to have been selected as one of the Top 10 Most Admired Companies of Sri Lanka by CIMA, ICCSL and the Daily FT, for the second consecutive year. This recognition is a testament to the resilience of the Cargills business model in the face of the pandemic, as we continued to grow by placing the needs of the community first. Our philosophy has always been based on the belief that by focusing on community development, the balance sheet looks after itself.

Community first

As an essential service provider and a leading food company, we continued to meet the needs of the consumers during the pandemic. Our reach and impact went beyond serving our consumers. At a time when many farmers across the country were left without a marketplace, we provided a guaranteed market for thousands of farmers and supported their livelihoods. At the same time, we ensured that not a single ounce of milk went to waste as we increased our fresh milk collection rate to 180,000 liters per day. During the 2020/21 Financial Year alone, Cargills generated direct income over Rs 9 Bn to the dairy and agriculture farming community in Sri Lanka.

Realising the challenges faced by small entrepreneurs in the aftermath of the first lockdown last year, we launched an initiative called 'Village to Home' in September 2020, with a vision to provide local entrepreneurs a platform to engage with a larger market. In addition to supporting them with packaging, marketing, and quality assurance, the Cargills Bank provides low-cost financing to help increase their capacity.

Supporting the economy

By sourcing most of our raw materials locally and producing value-added consumer foods that compete with global brands, Cargills plays an important role in

saving foreign exchange for the country. Our food brands have become leading national brands due to our focus on quality and innovation.

In spite of the challenging operating environment that prevailed during the last 18 months, Cargills continued to make investments across all business verticals and across the country. In total, the Cargills Group made Rs. 6.4 Bn in capital investments during the 2020/21 Financial Year. It reflects our belief in Sri Lanka and her ability to overcome the current challenges and rise again stronger as we have done before. As a leading Sri Lankan corporate, Cargills stands ready to continue our investments, impacting community development and driving value for all stakeholders.

Our team is our strength

This recognition was only possible due to the Cargills team, who continue to serve the needs of the community even during the most challenging of times. During the pandemic, our primary duty was to protect our team and ensure their emotional, physical, and financial well-being. In addition to providing the necessary support and building confidence of the team, we have also taken steps to ensure our team is vaccinated. Over 98% of the Cargills team which consists of over 12,000 members have been vaccinated to date.

Forward together

Our farmers and suppliers played a pivotal role in helping us meet the consumers' needs. We would like to thank them and assure that Cargills will stand by our partners at all times. Our sincere appreciation to our consumers, who continue to support and believe in us. As one of the oldest and most trusted companies in the country with a heritage of 177 years, Cargills will continue to stay true to its core values of providing affordable nutrition and serving our communities across Sri Lanka.