

NEWS/FEATURE

Cargills among 'Most Admired Companies of Sri Lanka again

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," an official from Cargills said.

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 billion to the dairy and agriculture farming community in Sri Lanka."

Realizing 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.

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 billion 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.

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 has 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.

ASLCCSCC hosts Webinar to celebrate National Day of China

Association for Social and Cultural Cooperation (ASLCCSCC) hosted a webinar on Social and Economic Development of China to celebrate the 72nd National Day of the People's Republic of China recently through Zoom Technology.



Aruna Hapuarachchi, Commissioner, Inland Revenue Department, Madushan Kularathne, Chief Editor, CHINA MIRROR, Dr. Madura Seneviratne, Member of the Central Provincial Covid control Committee, Daya Sri Narendra Rajapaksa, Veteran Journalist, Nayana Wanniarachchi, Principal of President's Girls' College, Nawala; Rohan Muthumala, President, Sri Lanka-China Wushu Friendship Association, Jaliya Seneviratne, Entrepreneur, Ruwan Basnayake, Taiji Instructor delivered the speeches.

Speeches were delivered

under the topics of Chinese Communist Party and its leadership's dedication on Chinese development, China's scientific approach to the C-19 epidemic, China's economic development since 1949, Integration of Chinese Martial arts in School Education, China overcame the C-19 epidemic and the exemplary management models present to the world, Chinese philosophy and its

influence of the Chinese State governing and the Chinese people, Education in China and its connection with Sister School culture and Poverty alleviation in China.

Over 100 participants in different circles participated at the webinar.

The program was conducted by the Indrananda Abeyskera President of ASLCCSCC and Deputy President Dunil Heiyanthuduwa.

Litro Surakeeme National Unity raises concerns on proposed LPG joint mechanism

The Sri Lankan LPG industry has been facing some of its most challenging times ever – some of it seriously undermining the growth and the scope of the industry as a key energy sector for the island.

There are two key players in the LPG sector in Sri Lanka. Litro Gas Lanka, with a heritage of 150 years going back to the days of the Gas & Water Co and the Gas Works Street. Since being acquired by the Government in 2010, Litro Gas Lanka has grown with a 80% market share to emerge as the industry's leader in both domestic and industrial segments, managing an efficient operation with a staff of 220, contributing a turnover of Rs 47 billion to the country. The company offers direct employment to over 2,000 people through

42 distributors, while empowering a network of 14,000 dealers. In addition, there are 1,500 Litro Gas Lanka home delivery hubs where indirect employment takes place.

Laugfs Gas commenced operations 20 years ago initially as an auto gas alternative before moving into LPG. Today, the heavily debt ridden company owns tankers and a large LPG storage facility at Hambantota, widely seen globally as a non-performing asset but finds itself at the centre of controversy brought on by the fact that the common platform recommended for the LPG industry is alleged to favour Laugfs.

"In order to strengthen Litro Gas Lanka as the state owned national LPG supplier, we have recommended several solutions to ensure

the way forward for the LPG industry and incorporate Laugfs to ease their 40 billion debt raised without substantiated collateral from several banks, mainly the state owned banks. Among those solutions have been our request to purchase the facility outright as a joint venture with an international industry leader or to lease their terminal for a 10 year period. We have even suggested and recommended taking over their entire LPG operation to ease their burden," says J.A.S Terrence Appuhamy of Litro Surakeeme National Unity organization.

He adds that with a 8,000 MT storage facility currently, Litro Gas Lanka fulfills the market need for 33,000 MT without any interruption to their supply chain; in fact, the Consumer

Affairs Authority of Sri Lanka has recognized Litro Gas Lanka's cost leadership capability, having acknowledged their cost efficiency as the best in the industry.

"In fact, during our entire history, we have not had any supply issues. We have even supplied LPG to Laugfs to meet their requirements and overcome their supply issues."

Questions are asked as to why Laugfs needs a 30,000 MT facility when as the industry leader Litro Gas Lanka manages with a 8,000 MT facility to meet the needs of 80% of the market share. The company meets the domestic LPG needs of over 4.0 million households in Sri Lanka while providing LPG to the industrial sector – in 2020, in order to offer Covid-19 support for affected industries, Litro Gas

Lanka reduced the prices of industrial LPG as a special incentive.

Appuhamy points out that if needed, Litro Gas Lanka has the potential to obtain floating LPG storage options that can store up to 40,000 MT, without any additional cost. Competitive rates for such an operations have already been offered to the Company as well.

As the industry leader, Litro Gas Lanka obtains LPG from the Government of Oman on a two year contract which stabilizes prices. It also ensures high quality and optimum LPG mixture which doesn't happen when LPG is bought from any supplier with a floating LPG cargo at spot prices, adds Appuhamy.

"Our Kerawalapitiya freight rate is USD 105 per

MT and has been stable at this price throughout the contract period which continues until Q 01 2022. In fact, we have got even better prices due to our market dominance and established supply channels and even this rate can be re-negotiated," he adds.

"We know competition buys LPG at spot prices sometimes as low as USD 80 per MT but we don't know the level of quality. The trouble with spot cargo purchases is that often what is available as spot cargo is low quality LPG loaded a long time ago."

Appuhamy reiterates that although Laugfs has put up a mammoth storage facility at Hambantota, the freight prices will still be impacted since the LPG unloaded at Hambantota has to be transported to Kerawalapitiya,

Litro Gas Lanka hub in the western province, where the LPG demand is experienced most. "In fact, such detours would not only raise the prices but cause delays and issues – for an instance, there's only one loading arm at the Hambantota for Laugfs terminal; if something goes wrong, the market would face shortages of LPG."

He and the Litro Surakeeme National Unity organization point out that weightage given based on storage facilities alone and not the market share and customers serviced, can overshadow the entire LPG industry in the country. Added to that is the burden of servicing debt taken to finance the large facilities of Laugfs LPG set up, which can further impact the industry potential.

Litro Gas Lanka on the other hand, he says, stands on a premise of consolidating the strength of its well entrenched brand name, customer value proposition and the network it has succeeded in building over the years.

It must be noted that 30% of the customers in Sri Lanka use LPG gas alone as cooking fuel – another 52% of customers who use dual fuel, one of which is LPG. For these customers and the industrial segment who relies heavily on LPG, the way forward for LPG is critical.

An analysts believe that the optimum path forward is to acknowledge the industry strength of Litro Gas Lanka as the LPG sector leader and to ensure a level and a balanced playing field that will not favour one party over the other.

Eravur Fabric Park could transform sustainable textile manufacture in Sri Lanka

Since the first announcement in June 2020, expectations have been high on the potential of the Eravur Fabric Processing Park to catalyze a new era for Sri Lankan textile and apparel manufacture.

Supported through the Ministry of Industry and Commerce and the Board of Investment (BOI) of Sri Lanka, working in close collaboration with the Joint Apparel Association Forum (JAAF), the apex body of the apparel industry in Sri Lanka, the vision for Eravur is beginning to take shape.

Of the allocated approx 300 acres of land, fifty have been allocated for the Park's maiden investment of US\$ 35 million to establish a state-of-the-art fabric mill. Negotiations are also underway with two international companies to infuse mega investments for the remainder. The Park is estimated to attract cumulative investment of US\$ 300 million. The zone is also seeking further investments towards Dyeing, Washing, Knitting, Weaving, and other associated and ancillary activities. Cabinet approval for the Zone's classification under the Strategic Development Projects Act was also secured, enabling the extension of tax and other relief and incentives to investors.

Rapid progress towards vertical integration

"We would like to see the first company commence

commercial operations in the next 6 months to 1 year," stated BOI Chairman Sanjaya Mohottala. "We have been very aggressive on timelines because of the clear consensus on the nationally significant value that the Park can generate. At present, all land has been demarcated, and water and electricity supply are being finalized. In excess of half the commercial land has been allocated or reserved, and we are seeing great demand. There is clear recognition locally and internationally as to the immediate potential. If necessary, we are able to expand the zone even further."

Leveraged in support of Sri Lanka's highly developed apparel manufacturing sector, which has steadily benchmarked itself on global standards for ethical, sustainable production and high levels of technical and technological expertise, Eravur's promoters also see the project as an opportunity for Sri Lankan-made apparel to take global leadership on sustainability in its most holistic sense.

Mohottala explained further that the most immediate benefit from the Park's establishment will be in the cost advantages and enhanced economies of scale gained through capacity expansion and vertical integration of domestic supply chains.

Currently, Sri Lanka has



BOI Chairman, Sanjaya Mohottala

approximately 300 apparel manufacturing facilities across the country. By contrast, it has only 7 textile and raw material factories capable of producing fabric for export, and for conversion into garments for export. At its peak, Sri Lanka imported over 250,000 MT of fabric both for export-oriented apparel manufacturing and for local consumption in 2019, at a cost of US \$ 2.2 billion.

In the context of unprecedented disruptions across global supply chains in particular and persistent commodity and currency volatility, increased availability of high quality raw materials will enable an immediate and drastic reduction in raw material costs, while also conserving foreign currency.

Increased domestic production of textiles also translates to a higher percentage of domestic value. If that threshold increases from its current 52% to

65%, it qualifies for a larger proportion of Sri Lankan exports for zero-duty benefits under GSP Plus.

Pioneering national journey in sustainability

The economic argument in favour of investing in Eravur is bolstered by its potential to also be the most sustainable venture of its kind in the entire Asian region, with local stakeholders having already committed to establishing extensive renewable energy facilities, water recycling facilities, science-based targets, and circular business models.

At a macro-level, increased local production capacity will contribute significantly to all these targets by reducing the end-to-end length of Sri Lanka's apparel supply chains. This in turn enables tighter backward integration and lower carbon emissions.

Taking a cue from the Sri Lankan textile and apparel industry's outstanding achievements on environmental sustainability to date, the Zone is being designed from the ground-up to facilitate and incentivize sustainability in every facet of its operations. In terms of fabric processing, the main focus is on wastewater treatment.

Mohottala continues: "Sri Lanka's environmental standards for industries are quite stringent, especially compared with regional competitors. A key feature of the Zone will be its central wastewater treatment facility with a sea outfall, which will require a high standard of treatment. Fortunately, we already have strong expertise available locally, with many of Sri Lanka's textile producers having established facilities on par with global best practices on

wastewater treatment. We have used this to our advantage by calling in the local industry's technical experts and drawing on their pioneering experiences to optimize wastewater treatment protocols at Eravur."

Adding that this will be one of many positive attributes all stakeholders downstream of the textiles produced at the Zone can lay claim to, Mohottala says, "With the greater localization of production, we also gain improved oversight and control over environmental standards within the Zone. This also enables greater transparency, traceability, and accountability across the supply chain, which in turn will confer preferable competitive advantages to Sri Lankan apparel exporters. In addition, this will empower brands and retailers to make clear and credible claims to genuine sustainable sourcing."

An end-to-end opportunity

Another significant advantage for Eravur is that



Fabric production line at an apparel factory

'Sri Lanka attracts USD 400 mn FDI in first 6 months'

Chairman, BOI, Sanjaya Mohottala said that despite the Pandemic, Sri Lanka attracted USD 400 million FDI in the first six months.

He adding that capital formation as a result in the first six months this year has been USD 770 million, of which USD 400 million FDI and the rest from local investments.

"We have already approved projects to the tune of USD 600 million while projects to the value of another USD 1.5 billion to 2 billion are in the pipeline and discussions are ongoing."

al incentivizes around responsible and sustainable production," Mohottala said.

In addition to the wastewater treatment protocols, the Zone will also include a sludge treatment facility, with further trials already underway for responsible disposal. These include tests using micro-algae to breakdown sludge, as well as utilizing sludge to fuel furnaces and as bricks with a bio-mat mask.

The final and potentially

most vital contribution which the Eravur Fabric Processing Zone is the empowering impact it will have on the lives of Sri Lankans in Batticaloa. At present, the district has an estimated population of 621,887, of which, an estimated 60,912 individuals are below the poverty line. As at 2019 – prior to the pandemic - unemployment in the region stood at 6.4%.

"With the development of the Zone, we will be able to create thousands of stable, well-paying direct and indirect jobs. This could prove to be one of the most transformative developments to take place in the Eastern Province in recent history," Mohottala concluded.

The Joint Apparel Association Forum is the apex body which guides Sri Lanka apparel towards its ultimate goal of being the world's number one apparel sourcing destination. JAAF represents five associations that cover supply chain partners, the export-oriented apparel manufacturers, buying offices and representatives of international brands in Sri Lanka.

Level of Investment	Number of Employees	Initial Tax Break	Subsequent Tax Break
Up to US\$10 million	150	5 years	50% for following two years
US\$10 million US\$20 million	200	7 years	50% for following two years
US\$20 million US\$25 million	300	8 years	50% for following three years
US\$25 million US\$30 million	350	9 years	50% for following four years
US\$30 million or more	450 or more	10 years	50% for following five years