

# Daily FT

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**Sri Lanka's growth paradox: When poverty yields, income gap holds stubbornly**



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## Japan Sagawa's deal with Expolanka boosts Lanka's hub aspirations

**Acquisition of 30% stake for Rs. 6.3 b makes it the biggest transaction in Colombo stock market since Malaysian sovereign fund Khazanah's buy of 10% JKH stake two years ago**

**With commitment to buy a further 21% to make it 51%, a fresh Rs. 4.4 billion foreign investment is on the way making it a mega deal**

**Japanese logistics giant keen on expanding into South Asia and globally using Expolanka's strong international footprint; for Expolanka SG deal a catalyst to go global**

**Two parties brought together in late 2012 by NWS Holdings at Tokyo Investor Forum**

**First major deal after Government allowed foreign ownership on freight forwarding operations from 40% to 100% recently and converting Katunayake and Mattala as free-ports**

SRI Lanka's aspirations to become a shipping and aviation hub got a major boost on Friday with Japan's second largest logistics firm SG Group acquiring a 30% stake in local industry leader Expolanka Holdings PLC for Rs. 6.3 billion.

Sagawa Global Logistics (SG Group) via its Singapore subsidiary SG Holdings has committed to buy a further 21% bringing the control to 51%. When it is implemented it will make a further investment of Rs. 4.4 billion at minimum or more if the mandatory offer results in an additional stake. The 30% stake amounted to 586 million shares and was done at Rs. 10.70 each with major shareholders shedding part of their stakes. Net asset per share of Expo at group level is Rs. 5.19.

Expolanka Holdings PLC is South Asia's leading freight forwarder and its business spans over 17 countries in Asia, Africa,

**FT Quote**

**“** We saw great value in Expolanka Holdings and especially the strength and the strategic fit in the freight and logistics business. This acquisition will certainly help Sagawa to further increase and strengthen our footprint in Asia **”**

**— SG Holdings Representative Director Nobuaki Kondo**

USA and the Middle East.

Apart from Japanese being long term investors, what is significant in the SG-EXPO deal is it is the first since the Government recently relaxed foreign ownership restrictions on freight forwarding opera-

**FT Quote**

**“** With the Sri Lankan economy moving forward in the positive direction, there is a great potential for export growth as well as global expansion in the freight and logistics industry. The partnership with SG Holdings will get us closer to our vision of being a strong freight and logistics player in the region **”**

**— Expolanka Holdings PLC Group CEO/ Director Hanif Yusooif**

tions. Earlier foreign firms could only hold 40% but now they can go up to 100%.

**Expo remains fundamentally strong and attractive: Softlogic**

EXPOLANKA Holdings PLC is a fundamentally strong and attractive counter, according to Softlogic Stockbrokers.

In a commentary post 30% stake acquisition by SG Holdings on Friday, Softlogic said Expo group is valued at 10.4x FY14E earnings and 15.5 x FY15E net profits which is at a discount to conglomerate sector four quarter trailing P/E multiple of 15.5x.

Softlogic Stockbrokers expect an EPS of Rs. 0.4 to come in as capital gains in FY14E, therefore on recurrent basis EXPO is trading at 18.0x FY14E earnings).

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## Ceylinco Insurance submits details of employee share allocation to CSE; dividends to Court

CEYLINCO Insurance PLC has submitted specific employee share allocation details to the Colombo Stock Exchange (CSE) apart from furnishing to Supreme Court dividends paid during the past 13 years.

Of the 3,000 employee base, around 1,700 qualify under guidelines specified in the Ceylinco Insurance Employee Share Ownership Trust (CIESOT) deed. CIESOT owns a 23% stake in Ceylinco Insurance PLC.

Following requests from the CSE, share allocated/transferred to qualifying employees had been furnished by the management. Separately, dividends paid for the past 13 years with cheque numbers too had been submitted to Court. This document apparently had spanned over 1,000 pages.

CIESOT has been in the news because customers of the collapsed Golden Key have been urging for the sale of its stake in Ceylinco Insurance PLC (CINS) on the premise that founder Lalith Kotelawala owns 50% stake in the CIESOT. The plan suggested is sell the stake and repay Golden Key depositors.

At last week's closing price this stake is worth Rs. 6 billion and at CINS' net asset per share the value is around Rs. 3 billion.

**Open letter issued by employees of Ceylinco Insurance - See Page 6**

## Unilever sees "huge" potential for further growth in Sri Lanka

**Global giant's South Asia Executive VP and Hindustan Unilever MD Mehta says huge potential exist**

**SL and Unilever will continue to remain competitive**

**Unilever has clear goals in the country and want to achieve profitable, consistent, and responsible growth**

**On per capita basis Sri Lanka biz is thrice that of India**

**Observes there is still lot of market development to be done**

**Notes SL has more competition which is good for consumers**

**BY SHABIYA ALI AHLAM**

UNILEVER Sri Lanka is noted to be growing well compared to its South Asian peers, but huge potential for further growth exist with product categories yet to reach maturity, according to a top official of the global giant.

Unilever South Asia Executive Vice President and Hindustan Unilever Ltd. Chief Executive Officer/Managing Director Sanjiv Mehta, who was in Sri Lanka last week on a three day visit said: "The Sri Lankan market for Unilever has been growing well and ahead the other South Asian markets that it is looked at as a benchmark. The way I see it, none of our categories are matured and this means there is scope to develop the market. So from my lens there is a huge opportunity for us (Unilever Sri Lanka)

**Unilever South Asia Executive Vice President and Hindustan Unilever Chief Executive Officer/Managing Director Sanjiv Mehta - Pic by Lasantha Kumara**

to grow by upgrading the consumer and bringing in adjacent categories."

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## Apple to unveil iPhone 6 in August, earlier than expected

**REUTERS:** Apple Inc will unveil the next incarnation of its popular iPhone series in August, one month earlier than industry watchers were generally expecting, Taiwanese media reported on Friday citing unidentified supply-chain sources.

A 4.7-inch screen version of the iPhone 6 will reach stores in August, the Economic Daily News reported without specifying which markets would receive the phone first.

A 5.5-inch or 5.6-inch model will be released in September, the newspaper said, as the iPhone 5 series was previously.

People involved in the supply chain had earlier confirmed to Reuters that there will be a 4.7-inch version of the iPhone 6 and a 5.5-inch version.

## 10-point Action Plan to boost Intellectual Property benefits in Sri Lanka

SRI Lanka's Permanent Representative to the United Nations in Geneva, Ambassador Ravinatha Arayasinha has said a '10-point Action Plan' between the Government of Sri Lanka and the World Intellectual Property Organization (WIPO) that would benefit a cross section of sectors dealing with intellectual property in the country has become operational.

Ambassador Arayasinha made this observation when he addressed the 53rd Session of WIPO Assemblies, held at in Geneva from 8-9 May to ratify the election of Dr. Francis Gurry for a second term as Director General of the WIPO.

The Ambassador said Sri Lanka particularly appreciates Dr. Gurry's visit to Sri Lanka in November 2013, which opened a new chapter in cooperation in the intellectual property field in Sri Lanka and during which the '10-point Action Plan' was first proposed.

## Harsha says Keheliya bluffing on casino licenses

**Requests Govt. Spokesman to table license photocopies in Parliament**

**BY DAVID EBERT**

UNP MP Dr. Harsha De Silva yesterday issued a challenge to Government Spokesman Keheliya Rambukwella, to table in Parliament "at least a photocopy" of one the five existing casino licenses the Minister had claimed earlier that local operators possess.

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