

## Media Release

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Colombo:

### **'Invest Sri Lanka' Restarts in Dubai**

The 'Invest Sri Lanka' Investor Forum organized by the Securities and Exchange Commission of Sri Lanka (SEC), Colombo Stock Exchange (CSE), in association with the Embassy of Sri Lanka in UAE and the Consulate General of Sri Lanka to Dubai and Northern Emirates was recently held at the Sheraton Grand Hotel Dubai. The forum made a strong case for investment flows into Sri Lanka. The event drew a strong turnout and a full house of leading Dubai-based Sri Lankans across multiple industries and was graced by Hon. Ajith Nivard Cabraal as the keynote speaker.

A Sri Lankan delegation including senior representatives of the SEC, CSE, the Central Bank of Sri Lanka, and representatives of Stock Broker Firms collectively pitched for further investment flows into Sri Lanka, a call that was also boosted by strong endorsements for Sri Lanka by the representatives of the Embassy of Sri Lanka in UAE and the Consulate General of Sri Lanka to Dubai and Northern Emirates.

Delivering the welcome address, H. E Malraj de Silva, High Commissioner of Sri Lanka, Embassy of UAE stated that he was very happy with the enthusiasm shown by the Sri Lankan community in the UAE in participating in the forum and invited the participants to reap the benefits of investing in the CSE.

Hon. Ajith Nivard Cabraal, Governor of the Central Bank of Sri Lanka making the keynote address at the event invited the diaspora community to be a part of the growth story of Sri Lanka and said "The first step that we took after I assumed office and as a central bank team was to ensure that we give clarity. So we set out a roadmap for the next six months, so that investors would know where is the economy going to move? What would the rupee do? Where would the interest rates be? What would be the situation with regard to the debt repayments? What would be the way in which the country would handle its balance of payments?"

He further added "So those questions needed to be answered. Those are the tough questions. Unless those questions are answered, the rest of the questions would not be relevant. That is why we have taken painstaking steps to individually answer those questions and give confidence. Now that the overall stability of the economy is being maintained, we also need to ensure that there is stability within the community."

The Governor went on to emphasize on commitments made by the Sri Lankan government in terms of interest rates "What we mentioned was that companies were doing well, how did that happen? If there was turmoil, would that have happened? Interest rates were at very low levels. So the advantage that all those companies received as a result of the interest rate differential was enormous. The ability to do business was, again, a very important factor that allowed them to make profits. And to have a decent bottom line, the reduction of taxes was the stimuli that the government provided. If you remember, since

2015, we had sluggish growth, so much so that by 2019, growth had come down in the country to around 2.3%. So what should the government have done? The government had to give a stimulus. And that stimulus, whatever anyone may say, has worked. That is why the economy was safeguarded.

Even during the COVID, if we had another additional 20% 30%, more to be paid as taxes, many of these companies would have been struggling. If there were higher interest rates to have been paid, many of these companies would have been struggling, you wouldn't have been having that same momentum. And if that momentum was not there, that wouldn't have got translated into a good feeling. And if you don't have a good feeling, you won't have people coming and investing.”

“If Sri Lanka acts in line with its potential, we have an extraordinary growth story to tell for the future. And that growth story will come from you, from the investors, from the companies which are being listed and from the companies that are in operation in Sri Lanka”

“The time is now, for you to take up positions, we still have a lot of potential for the stock exchange to grow. I remember in 2014, if you look at the market capitalization, in dollars, it was about 25 billion after seven years, even notwithstanding the growth in numbers that was mentioned by the Chairman of the Securities and Exchange Commission as well as by the Chairman of the Colombo Stock Exchange, the market capitalization is still lower in dollar terms, as far as all the companies are concerned. If you work it out today, it will be less than \$25 billion. So what does it say? It says that there is latent potential, and latent strength within the Sri Lankan market, the Sri Lankan equities that we haven't still been able to realize”

Mr. Viraj Dayaratne PC, Chairman of the SEC speaking at the event explained how it is customary for the Colombo Stock Exchange, and the regulator the Securities and Exchange Commission to have events of this nature to invite investors to Sri Lanka's stock market, from different parts of the world. But due to the pandemic, this exercise was prevented for over two years.

He further stated the role of the SEC “As the regulator of the stock market, the Securities and Exchange Commission has a dual role to play, we have to regulate the market and at the same time, ensure that we take steps to develop it. So, in managing these two, these twin interests or duties, if I may call it we have to strike a balance because whilst regulation is important to ensure the protection of investors and the integrity of the market, it is also necessary to ensure that we do not over regulate so that all market participants have the freedom and the space to engage in their activities.”

“The number of trades that take place has increased tremendously. And as a result, it is necessary for us to ensure the integrity of the market and ensure that no wrong doing is taking place. So in order to do that we have enhanced our surveillance functions and the supervisory function. We have real time surveillance on a daily basis with regard to the trades that are taking place. Our Corporate Affairs division supervises and looks into the affairs of listed companies, then market intermediaries are supervised by our Supervision division. So, that will ensure that market integrity is maintained at all times and that all investor interests will be looked after.”

He added, “One other significant achievement, was the enactment of the new Securities and Exchange Commission Act that was on the cards for several years. The new law was brought in and I must tell you, that not only does it help better regulation, but it provides a lot of opportunities for the development of

the market, it will be possible for us to introduce new products, then it will be possible to facilitate the setting up of new funds. And that means creating more opportunities for you to invest.”

Mr. Dayaratne placed a note on the Digitalization Drive of the stock exchange as well “Digitalization resulted in a large number of new accounts being opened and a large number of investors have come into the market. That is an achievement and digitalization brought about that change. It is very easy now, for anybody living anywhere in the world to open a CDS account and start trading.”

Mr. Dumith Fernando, Chairman of the CSE speaking at the event stated that this forum, as the first international forum since the pandemic could not be more appropriate. Commenting on the stock market, Mr. Fernando outlined the returns in the stock market and why CSE thinks that it will sustain, the relevance of the CSE and, the investor choices that you will have over the next couple of years at the CSE.

On the front of returns, he stated “The All Share Price Index is up 58%. Year to date, the more liquid S&P 20 index is up 38%. It is a time when all the stars are still very much aligned for continued performance in the stock market in Colombo. First, like most markets around the world we are in a low interest rate regime. This has created very low real interest rates, which has made alternative investments a lot less attractive than the equity markets to many investors. So a significant number of investors have joined the stock market in the last year. Secondly, the fundamentals are very strong. Corporate earnings are at record levels. In the second quarter of this year, listed companies recorded revenues of 940 billion rupees and profits after tax of 78 billion rupees which is an all-time high. And from what we have seen with some of the companies that have reported results this quarter, it's even better. So this is not a market that is being driven by just investor interest.”

“We have a record number of investors now participating in the market. Two years ago, we had about 12,000 investors in the stock market in Sri Lanka. This year we have 50,000 and we haven't even completed the year yet. We have had records being set in terms of new issuances. As at the moment there is a company that is coming to list and oversubscribed by 11.8 times, and every single IPO this year, was oversubscribed on the very first day.”

“And despite the market having risen so much, our valuations are still very low. Actually. It is below the averages at least 10% to 12% below the 10 year averages. But more interestingly, it is about 30% lower than previous terms of low interest rates. So I'm looking at the price to earnings and price to book value ratios. And I know many of you have other options to invest in. But if you look at emerging markets, or frontier markets, the Sri Lankan stock market is undervalued in relative terms by 20% to 25%. So, we do believe that there is still reasonable upside for anyone who wants to participate.”

Speaking of the relevance of the stock exchange, Mr. Fernando stated that it has become a real marketplace with real activity, real supply in terms of new companies listing and people trying to raise capital, new demand in terms of very large numbers of new investors participating. He established why one should tip toe into the CSE “We for a long time have been in a place where shares and debentures have traded. But 18 months ago, we put up a strategic plan in place where we wanted to increase the number of options available to investors, so that you can invest across asset classes. And you will also have the option of betting not only on bull markets, but bear markets as well through our product roadmap. This year, we are hoping to introduce a new form of listing that is dollar listings or multi-currency listing. So local companies particularly for exporters who need overseas currency capital, we are looking at introducing a gold-based product into the market. And we have also introduced REPO trading on debt

securities, which has already started. One of the major infrastructure changes this year was the introduction of Delivery vs Payment. Next year, we will be able to introduce some very exciting new products including primarily stock borrowing and lending, and short selling.”

He concluded his case by pointing out that CSE is not taking just another step, but a quantum leap in terms of what the CSE is going to be for Sri Lanka.

Director General of SEC, Mr. Chinthaka Mendis added “The market is performing exceptionally well and the SEC has taken multiple development and regulatory measures to instill confidence in the market and the enactment of the new SEC Act has created a robust regulatory framework which is a futuristic one and it will pave the way for the market to grow further. We have revamped the initial listing framework so that the companies will be able to raise much needed capital in an efficient manner.”

In addition, the Forum also featured the Consul General of the Sri Lankan High Commission Dubai, Mr. Nalinda Wijerathna.

Executive Director Research and Strategy of CT CLSA, Mr. Sanjeewa Fernando, Chief Strategist of CAL, Mr. Udeeshan Jonas and Head of Research of SC Securities, Mr. Charitha Gunasekera were featured in a technical session that covered the Market Outlook and Sectorial Presentations. CSE CEO Mr. Rajeeva Bandaranaike joined the stockbroker representatives for an engaging panel discussion, which was well received by the participants.

The Invest Sri Lanka initiative in Dubai was supported by SC Securities (Pvt) Limited as the Platinum Partner, and Bartleet Religare Securities (Pvt) Ltd and Sampath Bank PLC as Gold Partners.

The Invest Sri Lanka initiative generated a keen interest in Sri Lankans living in UAE, where senior representatives from SEC and CSE strengthened Sri Lanka’s investment case through a number of interviews during the period.

## **PHOTOGRAPHS**



*Hon. Ajith Nivard Cabraal, Governor of the Central Bank of Sri Lanka*



*Mr. Viraj Dayaratne PC, Chairman of the SEC*



*Mr. Dumith Fernando, Chairman of the CSE*



*Mr. Chinthaka Mendis, Director General of the SEC*



*Mr. Rajeeva Bandaranaike, Chief Executive Officer of the CSE*



*H.E. Malraj De Silva, Ambassador of Sri Lanka - Embassy of Sri Lanka in UAE*



*Mr. Nalinda Wijerathna, Consul General of the Sri Lankan High Commission Dubai*



*Panel Discussion – Main Session*



*Panel Discussion – Technical Session*

*From Left- CEO of the CSE Mr. Rajeeva Bandaranaike, Executive Director Research and Strategy of CT CLSA, Mr. Sanjeewa Fernando, Chief Strategist of CAL, Mr. Udeeshan Jonas, Head of Research of SC Securities, Mr. Charitha Gunasekera*

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