JKH: We Are Positive



John Keells Holdings (JKH) is the giant of corporate Sri Lanka. As a conglomerate spanning seven industry segments, the private sector looks up to the Group and its performance generally reflects the state of the economy. Where JKH ventures, others follow. Krishan Balendra, the newly appointed Executive Director speaks about the performance of the Group and its future plans. He states that John Keells Holdings is positive about the Sri Lankan economy as we enter 2018.

By Udeshi Amarasinghe
Photography Mahesh Bandara and Menaka Aravinda

Can you elaborate on the performance of JKH during the year?
JKH has performed well over the past year. In terms of the Leisure sector, we experienced a few issues due to the one-off impacts caused by the closure of Bentota Beach Hotel. As we are demolishing the hotel and rebuilding, there was a write-off of the value of the building. In two of our properties in the Maldives, we refurbished some of the rooms. All are now operational, but there was an impact on the overall performance.

There has been a growth in hotel rooms especially in Colombo, which in turn had an impact on us. But looking forward, we are very positive. The current annual tourist arrivals to Sri Lanka is two million, which is a very small number. Countries such as Vietnam and Cambodia see more than ten million and five million tourists per year, respectively. As such Sri Lanka is really catching up after the war ended. JKH is very positive on tourism in Sri Lanka and we are excited about the opportunities it presents us.

In the Transport sector, which is mainly Ports and Shipping, performance has been good. The Colombo International Container Terminals has done extremely well since its inception three years ago. Overall the port is seeing good volumes. There was a decrease in growth in the consumer sector compared to the last two years, which

saw very strong growth. But, this was an adjustment that we were expecting.

Our supermarket business is expanding rapidly. We currently have over 70 stores, we expect to open another 15 this financial year, and 40 more stores in the next financial year. In the property development sector, the main focus has been on the Cinnamon Life project. We also expect to launch a new condominium project along Union Place in early 2018.

Nations Trust Bank and Union Assurance have also had a good year so far. Overall, the JKH Group has shown an encouraging performance during this period.

What is the progress of the new projects?
We had a slow start with Cinnamon Life. The piling took longer than expected, but now the speed of the construction of the building has increased significantly and in the next year, there will be rapid progress in the structure. Due to the initial delays in piling, we are looking at completion in 2020. Certain sections of the project should be completed in late 2019. There is improvement in the progress of the construction, as such we are confident that the project will be completed on time.

The supermarket segment will see further expansion with a number of new stores. We are building a new ice cream plant, which will be operational in May 2018. We are also looking at a number of new resort hotels in Sri Lanka of which you will hear more in the days to come. The projects are in the approval and design stages at the moment.

These are some of the main investments that we are focusing on for the new year.

> **I Am Excited About This New Role And I Am Aware Of The Responsibilities That It Entails. I Feel Lucky Because It Is A Very Good Time As The Outlook For The Country, Region And The John Keells Group Is Positive.**

What were the main challenges faced and how were these overcome?

There have been two main challenges; one was that tourist arrivals to Sri Lanka were flat in 2017. Issues such as the closure of the international airport, floods and then the increase in the incidence of dengue following the floods had a major impact on tourism. Further, there has been an increase in room numbers in Colombo and also in the coastal beach areas. This has impacted our occupancy and room rates, in particular in our hotels in Colombo. We are not worried; we are taking a medium term view and we are confident that tourist and business traveller numbers will increase going forward.

The second challenge is that the consumer business saw an adjustment, again we were expecting this as in 2015 and most of 2016 we saw very good growth in the consumer business. Apart from these challenges that we have looked at in a constructive manner, business is doing well.

Will JKH look at venturing overseas and expanding its markets?
Our substantial investments overseas are the three hotels in the Maldives. In terms of other businesses, our view is that there is great scope for growth in Sri Lanka. It has only been a few years since the war ended and there are many opportunities in the country. The Group's strengths are in Sri Lanka and for the moment our priority is to invest and grow in Sri Lanka. But if any opportunities do arise in our core business areas overseas, we will look at it.

Will JKH look at infrastructure projects?
Yes, we will look at new infrastructure projects, if the opportunity arises. We are a promoter investor in South Asia Gateway Terminal (SAGT) which owns and operates a container terminal at the Colombo Port. At the time, it was the largest private investment in Sri Lanka. Similarly, if there are opportunities in the infrastructure space that are attractive for private investment then we will look at it.

There are many new players entering the main business sectors of JKH, how is the Group facing this challenge?
New competition is not a surprise or something unexpected. We knew that as the economy grew and with the end of the war that foreign hotel chains would enter the Sri Lankan market. We also knew that there will be intensified competition on the consumer side. But that is good for business. We all had to up our game and focus

on higher standards in preparation for the competition.

There could be some impact in the short-term but even in the region and globally, local companies such as John Keells continue to do very well despite foreign competition. We have to up our game, which we have done and will continue to do. A higher standard of competition is healthy and good for business and JKH is prepared for it.

> **Sri Lanka Has Immense Potential And JKH Will Continue To Invest And Be A Partner Of The Country's Growth Journey.**

You have been appointed to the Board of JKH as an Executive Director, what can you tell us about this new role?
It is a new challenge for me. I started in corporate finance, then for five years I was in charge of the supermarket business. For the past year, I have been overseeing the leisure business, in addition to Nations Trust Bank and John Keells Stockbrokers and recently I also started overseeing the transport business.

I am excited about this new role and I am aware of the responsibilities that it entails. I feel lucky because it is a very good time as the outlook for the country, region and the John Keells Group is positive. Sri Lanka has only just begun to capitalize on the opportunities available after the end of the war. As a result there will be many years of strong economic growth and development.

What can we expect from JKH in the future?
The Group will continue to expand across businesses; whether it is hotels, supermarkets, consumer, banking, insurance or property development, there is great potential. The Group continues to invest aggressively mainly in our core areas and grow the business as we have done in the past. We will see many exciting developments going forward.

Message to the readers?
There are infrastructure requirements for the country; one is that we urgently

require a new airport terminal because the airport is congested and tourism numbers will continue to grow. It is only a matter of time before we reach five million tourists per year. Even the small island of Bali gets more than four million tourists per year. Therefore, Sri Lanka too can definitely reach higher numbers of tourist arrivals.

Sri Lanka also needs to complete the construction of expressways; the Southern Expressway was a very positive development but it only covers a certain part of the country. The roads to Kandy and the rest of the country still remain as bottlenecks. Progressing with the Central Expressway and completing the project would be a game changer for the country. That is an important infrastructure requirement. Furthermore, big investments such as the Port City in Colombo and now Hambantota are unprecedented and positive for the progress of Sri Lanka.

Sri Lanka has immense potential and JKH will continue to invest and be a partner of the country’s growth journey

