Keep An Open Mind And Do Good



Hemaka de Alwis, Chairman and Managing Director – Fairway Holdings, is unassuming and modest. Yet he is an astute businessman who has been known to create opportunities while ensuring that any venture is in line with his ethos. A lawyer by profession, he decided to become an entrepreneur to positively impact both the community and the countries

economy. Fairway Holdings is a market leader in the field of property development and has many successful projects under its name. A sector that has been concentrated in Colombo is now being expanded into other areas as well. The Group has diversified into selected areas, which Hemaka de Alwis says are fulfilling gaps and niches that have been identified. His thinking is different and he stresses that people should always keep an open mind and do good in order to have a happy life.

By Udeshi Amarasinghe. **Assisted by** Yomal Senerath-Yapa | **Photography** Mahesh Bandara and Menaka Aravinda

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Your first project was in 2003, the company has come a long way since then. Can you elaborate on how you started?
I started my first mini-hydro project in 2003. I had not even thought of Fairway Holdings at that time. The mini hydro power project was in Raxagala, Balangoda. I identified the opportunity to dam the Udawalawe river at a certain point in order to generate hydro power. Another reason as to why I decided to do this project was because of the job that I was doing at that time. I was a lawyer, but I wanted to get into public service. The idea was that the income from the hydro power project will give me enough income to keep on the straight and narrow line. I was earning a fairly stable income and in 2001 during the Government of Prime Minister Ranil Wickremesinghe I was appointed as the Chairman of Sri Lanka Export Credit Insurance Corporation. At the time that I was heading the organisation, their monthly income was two million rupees per month. During my tenure of two years we were able to generate 14 million rupees. It was at that moment that I realised I had a talent for business and finance.

I did not want to return to my legal practice because one of the main reasons that I left the practice was that most of my work involved divorce cases amongst others. It was very depressing work. I was not interested in making money out of other people’s troubles. I wanted to make money on my own. The hydro power project had given me the experience of running a project.

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Income To Keep On The Straight And Narrow Line.

In 2005 when the UNP government lost power, I decided to start on another project. I focused on ventures that had a lifespan of about three years so that I could re-enter public service when a UNP Government came back. However, as my business grew exponentially during this time, my business grew into Fairway Holdings as it is today.

With the UNP forming the Government in 2015 I was offered many positions in the public sector. However, I declined because my companies have over 700 employees. I cannot just leave that responsibility.

Fairway was my first apartment project. The market was such that we were hesitant to start multiple projects at once but we employed a strategy of implementing one project after the other. Then we did Fairmount, Sky Gardens and Elements. Today we have more than 1,000 apartments, which have either been completed or currently being constructed . That is our present status.

We have also diversified into other areas that include Asoka Glass and Mirror, and Centrepoint. We have set up a few companies of our own of which Lakderana stands out.

Faiway is an established name in residential high-rise buildings, can you elaborate on this?

Fairway Holdings has secured a niche in the residential market segment. We are not actually at the lower-end of the market; nor are we at the higher end of the market. The value proposition is to get the best possible in terms of what your money can buy. We are quite successful at it. Even at times of economic downturn we have been able to steadily maintain our sales figures. We also realise that there may be a saturation at the top end of the market.

We are looking at ways of building a well-engineered and sustainable product that is affordable. I feel that we have been able to do that quite successfully throughout

the years because our buildings have become better as we progress and the cost has been managed as well. Our buying power has increased and we can purchase material at a reduced cost. We are also evolving in the market and trying to fill a space. However, competition is also catching up.

In terms of design and concept we like to keep things straight and simple. We do not believe in decorating the shell of our buildings. I would rather prefer that people do not see the building in that sense that it should be a part of the landscape, inconspicuous. The Fairway was a challenge because it was on a waterfront, a very visible building. With that type of a structure, if you go wrong it can hurt you in the long term.

In this context the biggest challenge we had was constructing our hotel in Fort, because it was surrounded by beautiful colonial buildings. No one can match that and if you try to copy it will be a disaster. Therefore, you need a building that complements the area. I was actually quite anxious till the construction screen was removed, wondering how it will turn out. We have succeeded because it seems as if Fairway ZMAX has been there for a long time. The challenge is to do that. All developments are ‘ugly’, because it destroys a part of nature. The only thing that we can do is to minimise that impact as much as possible.

Fairway has also ventured out of Colombo in terms of real estate development, such as Fairway Galle and Urban Homes Fairway Koswatte. Is there a demand for such properties in these areas?

Yes, at the moment we are also doing market research in other districts into which we are considering entering. We have to understand the reason for apartments, which is mainly congestion. People want to be close to the city because of their children’s education, employment, shortage of resources and various other reasons. All these things are forcing people to move into more urban areas and live in apartments. If vertical living can work in Colombo city, then there is no reason as to why it should not work in other cities that are as congested as Colombo. For example, Kurunegala, if you try to drive across to Dambulla in the afternoon, it is virtually impossible. But Galle is a different proposition.

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Colombo.

Many people in Colombo are looking for holiday bungalows predominantly in Galle. Then, the secondary market, I believe, once our building finishes, will be foreigners. Currently the beautiful walauwwes along the coastal stretch from Wadduwa till you pass Matara, all belong to foreigners. Some of these properties are now being sold at very high prices. Properties within Galle Fort and outside are another example. For those who want a piece of Galle, I am offering a very good proposition. I believe Galle can have many more apartment buildings, and it can become the most popular tourist district in the whole of Asia. That is what the Government also has in mind. Hotels and villas are being developed. At the moment I am the only person who is developing this type of properties in the area. I am quite confident because we have the first mover advantage that we can capitalize on. We are currently building our offices and a 100-bedroom hotel in Galle for the same market like in Colombo. We are quite bullish about Galle, and the other districts that we are looking at.

Vertical living is an important area in Sri Lanka as the country develops both economically and financially, you have spoken about this in the KPMG vertical living beyond 2020 report as well. Can you elaborate on this?
This is the only option we have. During the 30-year war, Sri Lanka was in one place, while the rest of the world was moving forward: making their mistakes as well as having their good days. Today we can pick and choose: we do not have to make the same mistakes that others have made. We can do the right thing. In the 1960s every country developed road networks, and the satellite city concept. But as the industries grew, the road network remained the same, which resulted in the daily congestion. We are losing quite a lot of valuable land on roads because we are building infrastructure into low density areas. If you bring all this workforce to high density urban living in Colombo or in the city, then you are virtually taking out almost 30,000 vehicles from the road. That is a more sustainable way, a long-term solution, for the traffic condition.

I Will Make Sure That Whatever I Do I Will Do It Well. It Is Not Really About Money Now. It Is About Being A Good Corporate Citizen, The Stability Of The Company, The Other Stakeholders As Well As The Employees.

Now do the arithmetic and see; my 200 luxury apartments will fit in one acre. But if I go to build 200 luxury houses, which requires much more space the amount of land I will require is massive. Imagine the amount of land that has to be cleared; trees and habitats destroyed. As such for Sri Lanka this is the only way. We have no other choice. Wherever you build or develop you should go up, and conserve the land and the resources as much as possible.

The Fairway Group has diversified into other areas, what was the thinking behind this?

Once you start doing something like building apartments and you become good at it, then things become easier. As you grow, your capacity to achieve also increases. I never set out to be a businessman to start with, now that I am one, I will make sure that whatever I do, I will do it well. It is not really about money now. It is about being a good corporate citizen, the stability of the company, the other stakeholders as well as the employees. All that has become a part of the thought process behind this expansion. We are now a reasonably sized conglomerate with about 700 employees.

What can you tell us about the real estate market in Sri Lanka? Are there too many players in the property development segment?

There could be a possible saturation in the super luxury segment, unless a major change occurs in the country. There is more opportunity in the mid-luxury segment, the numbers depend on where you are building and how much your price will be. There is a housing problem in the country, we are less urbanized than most other countries that are in a same development scale as ours. Urbanisation is going to increase as we continue to develop. I am not saying that we are not ready, because there is massive scale infrastructure development being done and with the outer circular roads under construction, more land will become accessible. We have no reason to believe that this is not going to happen. In about four years the major development projects will be completed when that happens Colombo will become a much bigger city. In that sense the megapolis will have a big role to play.

It Was A Timely Move By The Government To Look At The Megapolis Concept So That Urban Development Would Take On A More Holistic And Futuristic Approach.

It was a timely move by the Government to look at the megapolis concept so that urban development would take on a more holistic and futuristic approach. Soon we will not have Colombo 1-15 because that area will be downtown Colombo, then 800 government institutions are moving to Sri Jayewardenepura Kotte, Mulleriyawa and surrounding areas. Around the centre the periphery cities will emerge and the outer circular road will bring in the people into the city. There is going to be a large, well formed and distributed city while maintaining our green cover in Colombo.

What more can be done to develop this sector?

Sri Lanka is actually a very immature market for apartments, even though the number of real estate developers, and apartment builders are mushrooming by the day. We are not experienced with the many pitfalls in apartment purchasing, selling and living. In other countries it is likely that you live all your life in apartments and when you grow up you shift into your own apartment. But in Sri Lanka, almost 100 per cent of the time, it is a person or a family that has been living in a house that moves to an apartment. There is always a conflict between their expectations. During the early days about 20 per cent of the area was dedicated to services that included a domestics room as well. These features are not available in apartment complexes in developed countries. Today, you can see that developers are giving up features like domestics' rooms, because it is no longer a requirement. We are evolving and there is a new market.

I am concerned that many middle-income families may lose their wealth. A new concept known as 'Boutique Apartments' has been introduced, which means 12-14 apartments in a small building. The main selling point is privacy. However, if you rationalise and see, a person will have more privacy in a larger complex than a smaller one as even the slightest noise can be heard in a limited area. My main worry is that these apartments are priced around 18 million rupees. The group of people who buy for this value are professionals who earn a salary, they do not have unlimited resources. In a complex where there is only a few apartments the management fees will be high, especially if you want the asset value to remain. If the building is not sustainable the owners will lose their money. I feel that the Condominium Management Authority (CMA) has failed in ensuring that the buildings that they allow are sustainable. That is their only responsibility. There are many other organisations to check whether sewerage, drainage, fire protection and other facilities are in place. Today the CMA has made it their business to go through all

that again, without looking at the main aspect of sustainability.

Can you elaborate on the performance of Centrepoint Homes and Asoka Glass and Mirror?
Centrepoint Homes is the longest standing company in the kitchen cabinet business in Sri Lanka. The first project undertaken by Centrepoint had been Hyde Park Residences, which is now a 15-year old project. From there onwards all building projects have been done by Centrepoint Homes. Of course now, after peace in the last few years there has been more competition. Up to about two years we were the only company doing this range of kitchens. We are still the market leaders in terms of volume and value, but I cannot say that we are the only people in the business. Centrepoint has been revamped and a new CEO has been appointed. We are introducing a new German kitchen into our range. We are hoping to launch this at the Sri Lanka Design Festival.

Centrepoint is doing quite well and it complements the work that we do. In our properties the kitchen is ours, the doors and windows are also done by us. We are the only company that manufactures engineered timber doors. To obtain the Leeds certification you can no longer use natural timber. UPVC frames are not substitutes it is a better product than Aluminium; more engineered and designed. Actually in a building about 30 per cent of the materials are through Centrepoint and Asoka Glass. We manufacture everything in our own factories.

Fairway has also ventured into aqua culture, travel, aviation and health. What were the reasons for entering these areas of business?
Aquaculture is really a hobby; I do not consider it a business. I have an organic farm and I am very interested about Japanese Koi carp. But Go Outdoors, yes it is a business venture and it has a thinking behind it. If you are a family or a parent, during weekends and holidays there needs to be something that you can do as a family. This is what we are trying to address through Go Outdoors by introducing travel by caravans.

After the end of the war, Sri Lanka is a very safe place to travel. In my caravan, we go off grid and we either park on the side of the road, on the beach or near a tank and enjoy a unique holiday. No one bothers us and it is very safe. This is what they

do in many European countries where you do not have much money to go and stay in hotels. They buy or hire a caravan and they visit different locations. They see the country by doing it and the family spends their time together. I am concerned that children in this country no longer experiences the outdoors as we used to do when we were young. This is an area that can be developed and it is a good venture to get off the ground because currently many families are using it.

In aviation, the statistics are that in the next five years the world is going to need 500,000 more pilots. 300,000 of them are required in Asia, because Asia is one of the fastest growing areas for aviation. There are many areas to travel around the country. The aviation school is meant to stand on its own soon. Hopefully by next year we will be able to break even.

In Terms Of Business We Always Identify Gaps And Niches That No One Else Has Entered Before. We Do Not Try To Sell Something For The Entire Community, We Are Very Focused.

The health sector is actually a proposition brought to me by a group of people with whom we have partnered in this venture. At the moment what we do is import and supply certain pharmaceuticals. We provide a product from the Netherlands. It is the only formula available in Sri Lanka. This is for people who are lactose intolerant and cannot consume dairy products. We are doing well in this area. My actual intention is to manufacture pharmaceuticals. We are currently in discussion with companies and we also visited Iran recently on this matter.

What can you tell us about Lakderana, financial services, this caters to the small enterprises segment; why did you think of entering this area?
In terms of business we always identify gaps and niches that no one else has entered before. We do not try to sell something for the entire community, we are very focused. With Lakderana as well, the customer base that we cater to is not quite micro nor are they able to acquire services from the banks as well. This is a company where six people had resigned from another similar company, in solidarity, and they came and propositioned this to me. Lakderana was established in 2006 that is ten years ago. They asked me whether I could invest with them to do this start-up. I agreed and they are still my partners in business. I am the majority shareholder. We have 28 branches and approximately 15,000 vehicles on the road.

Lakderana is not a microfinance company, we do hire purchase. We operate on bank loans and our own capital. Hire purchase is governed by the Consumer Credit Act. We always lend to self employment ventures; that is either to purchase a Dimo Batta, private van, school bus or a three-wheeler. We always believe that the rental should not be more than what you can afford, that type of check and balance is maintained. We have a very good NPL ratio, it is less than four per cent.

We have now been selected by the Monetary Board of Sri Lanka to purchase majority shares in Multi Finance. Multi Finance is a listed finance company with seven branches, in terms of size it is smaller than Lakderana. They have greater potential as well. We might in the future enter the financial services sector with more products, thinking
of other areas of business as well.

Fairway has also entered the leisure and hospitality sector with ZMAX Fairway in the heart of Colombo, can you elaborate on this? And, why Plateno?

I am not a hotelier and I have not made any major plans to further our business in this sector. I developed ZMAX Fairway because the location was offered to me. There were 13 co-owners and I had to negotiate with all of them and amalgamate the land to build this hotel. It is what you call a ‘limited services hotel’ where we give our guests a very good sleeping and shower experience, but the whole area lends to a hotel. I only needed to provide the bedrooms. The restaurants, night clubs, pubs and bars are all there. Our guests will be able to enjoy the area much better than being cooked up inside the hotel. As such this was not a difficult choice to make. We have 180 bedrooms and we are the only hotel of that class in the area. All the other hotels are 5 star hotels. We already have 70 per cent occupancy, just one month after operations.

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Last year there was more than 400 million Chinese tourists in the world. China is one of the main markets for Sri Lanka as well. The Plateno group is about the fourth largest in the world. They are very strong in China. I feel that through our

partnership we will be able to attract a larger section of Chinese clientele. With the Port City Project we will have a high Chinese presence in Colombo as well. Considering all of this I felt that Plateno will be the best choice. At the time we were the first hotel to sign up with Plateno.

Hopefully by the end of next year we should have 300 hotel rooms in our portfolio. But building hotels is not something we are going to do as a business. When I see a good property and a good opportunity I might consider; other than that I am not looking around to build more hotels.

There are new plans in the pipeline as well. Can you tell us about this?
Other than Elements, we have Koswatte, Galle and Kirulapone complexes under construction. We have another apartment complex planned in Colombo Fort and Galle. I'd like to talk about the one in Galle. The price range for the first project is about 15 to 23 million rupees, which is a quite reasonable price for the product we are offering. We are now confident that we can have a Sky Garden or Elements in Galle as well. We are developing a 1 ½ acre site right by the beach and 500m from the Dutch Fort. It is a premier location. I am very excited about this project. The Colombo Fort apartments will be more high-end like the one in Kirulapone and will be close to the occupants' offices. We have delivered 300 apartments, another 650 under construction and 300 on the drawing board.

Will you be looking at further diversification in the future as well?
In terms of diversification, it is not something that I go out looking for. If the opportunities are there and it is in line with our company's ethos, then we will of course consider venturing into the business. There are many profitable businesses that we have walked away from because those are not the kind of thing we would like to do.

We are currently engaged in cutting-edge biotechnological research. We have already completed one project in Mathugama where we are cleaning the effluent (sludge) from palm oil cultivation, which is normally dumped in a random manner. Through our innovation, we are converting the effluent to an improved soil substrate, which is plant friendly and can safely be dumped into the estate. We are also involved in waste management. We have been awarded the management of

500 metric tons of waste a day in Karadiyanna in Ratmalana, which will take two years to execute.

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Biotechnology and waste management are currently the exciting areas that we are involved in. It is not by design that we ventured into these areas but it is because I am very interested in the subject.

We always listen to people with good ideas, if we like what they are proposing then we will continue. Otherwise as a businessman I am quite content.

Fairway has increasingly partnered with national events such as the Galle Literary Festival and then events in art and music, what is the reason behind this?

This is fashionably called CSR; Corporate, Social, Responsibility. Everything that we do falls into that category. But for us it means that we are giving back to society. From the day we started doing business we have supported the people in the area; we built about 17 houses for families in need and we distribute school books and bags to the children every year. We have been doing that for the last five years.

We run a Montessori for Tamil children in the area that we are located, simply because there was a requirement. We hired two teachers and the neighbouring church also assists us. We built the Montessori as well. We have been doing such work for a long time and as our company grows our capacity to give back to society increases. However, while we receive many proposals we make sure that we select carefully so that instead of spreading out thin and not seeing any results we focus and bring results.

I Always Say That A Person Should Be Good At What They Do, Be A Good Employer And Give Back To Society.

Last year around 70 novels were entered for the Fairway National Literary Awards but this year we have had more than 150. The Chamber Music Society of Colombo is a success story where we had been a long term sponsor. My idea was that during that period they should build up their own endowment fund so that they do not need to ask people for money. They are the only successful music company in Sri Lanka that is paying its way. We are also working with Soundarie David Rodrigo's Soul Sounds in a similar manner. The Fairway Galle Literary Festival takes most of my focus. We have become more than sponsors. It is always good to give back to society.

Who is Hemaka de Alwis?

From younger days, I always knew what I wanted to be. At the age of eight years I decided to be a civil lawyer. I took the shortest cut and by the age of 22 I was a lawyer. Having said that I did not really enjoy being a lawyer. During that time, I did many things, for instance I had a farm because I was interested in agriculture and animal husbandry.

I entered the public sector in 2001. I was quite happy for what little I was able to do in that time. I was able to assist with the establishment of the Consumer Affairs Authority, previously it was the Fair Trade Commission. I also worked on the Kyoto Protocol where we looked at setting up a Carbon exchange but that was stopped midway as the UNP lost power.

I am actually nothing more than a businessman trying to do good. I always say that a person should be good at what they do, be a good employer and give back to society. You have to always keep an open mind, unlearning is more important than learning today because we have learnt so many things wrong during our entire life.





