Lanka Lubricants ties up with Caltex

Lanka Lubricants Ltd., (LLL) is gearing itself to face competition in the future with the liberalization of the import of lubricants by March next year. On the other hand, the company is also planning to penetrate into export markets in the South Asian region, according to its Managing Director, Ronald Hopkins.

The company would be fully privatized with the ‘Initial Public Offering Schedule’ to take place on July 15. At the moment, 51 percent of LLL is owned by Caltex Petroleum and Transport Corporation, ten percent by the employees and the balance 39 percent of the shares numbering 11.7 million owned by the government would be sold to the public at Rs 50 per share.

According to Mano Tillawilla, Managing Director/CEO of Lanka Securities (Pvt.) Ltd., which is a joint venture between the Bank of Ceylon (BOC) and Merchant Bank of Sri Lanka (MBSL) this issue would be jointly underwritten by BOC and MBSL and would be managed by MBSL. This offer for sale is open to both local and foreign investors. The local element is being sought with equal vigour without entirely depending on foreign companies.

LLL was run as a part of the Ceylon Petroleum Corporation (CPC) from 1969 to 1972, after which it was spun off as a separate entity from CPC. Tenders were called for privatization of the company and the tender submitted by Caltex was selected from several other internationally recognized petroleum companies.

Employees of LLL who had formerly been with CPC were give ten percent of the company’s shares in November 1994 and have also been given dividends. Employees have been co-operative at all times and had offered support for the privatization process.

Channa Kurukulasuriya, Analyst, Investment Banking Research of MBSL said that after Caltex acquired a strategic stake in LLL. infrastructure improvement was given priority attention and an extensive modernization programme was undertaken. Following this programme, the in-house production capacity has now doubled from 20,000 mt-tons to 90,000 mt- tons per year.

He added that the company has recorded an 85 percent growth in ‘Net Profit After

Tax’ during the Financial Year 94-95. Turnover has also increased from 28 percent during the same period. The growth of five to six percent recorded in the diesel and petrol motor vehicle industry has contributed to this in a major way.

The company has been further strengthened through Caltex, as Caltex is a joint venture between Chevron and Texaco which are both Fortune 500 companies. Caltex has brought financial strength, operating experience, latest technology etc., into LLL.

The infrastructure improvement programme is almost 95 percent complete. After it is fully completed, more concentration would be placed on the marketing side. Customer services capabilities would be increased, LLL products would be improved and several other Caltex products would be introduced to the local market.

Havoline Formula 3, one such product was recently marketed through 200 petrol filling stations. said Hopkins. “95 percent of the local demand for lubricants is being met by locally manufactured products at the moment. The introduction of internationally recognized brands would enhance the present range”. he added.

LLL sells lubricants from its main production facility at Kolonnawa and from the bulk petroleum product depots of CPC situated throughout the island. The company currently enjoys a long term distribution and marketing agreement with CPC which allows it to distribute its products through CPC facilities as it controls most of the petrol filling stations in the country.

The company also has plans to penetrate export markets by 1997. India, Bangladesh and Maldives are targetted as suitable markets.

Boost to Power Supply

A press release, issued by the Ministry of Power and Energy, states that arrangements have been made to obtain a total of 132.6 MW of power on a short term basis. Proposals submitted by 3 local and foreign companies have been evaluated by the committee appointed by President Chandrika Bandaranaike Kumaratunge.

Aggreko, a foreign company which is already supplying 20 MW of electricity has

been contracted to continue the supply and provide a further 23.2 MW of power. 39.4 MW of power will be jointly supplied by Koolair Ventures (Pvt.) Ltd, and Wood Group Power Systems through land-based diesel generators and gas turbine generators respectively.

The third company Kontex Abhadi from Malaysia has been issued with a letter of interest to supply 50 MW of power through a barge-mounted power plant, says the release.