

SRI LANKA



Paradise Island is Investment Haven

Excellent infrastructure, supported by a **liberalised economy**, enviable location and pro-business policies of an **investor-friendly** government are a catalyst for growth and FDI.

Combining political and social stability with a vibrant business environment and financial incentives for investors, Sri Lanka continues to offer excellent returns.

The ambitious nation is capitalising on its strategic location and status as a modern manufacturing hub at the crossroads of shipping and trade routes.

The U.K. is one of the island's most important trade partners and more than 150 companies with a U.K. affiliation have bases there in a wide range of sectors.

In addition, about 30 U.K. universities offer access to their qualifications through local education providers.

Sri Lankan exports to the U.K. surged about 50% year-on-year



Ranil Wickremesinghe
Prime Minister of Sri Lanka

in 2015 and the government of President Maithripala Sirisena is liberalising the economy, improving transparency and streamlining the foreign direct

investment (FDI) process.

International businesses are flocking to take advantage of its many human and natural resources and fuelling strong economic growth.

President Sirisena says: "To build an economically-strong country, we are implementing our policies of exporting products to the international market while developing local industries and food production."

Prime Minister, Ranil Wickremesinghe, adds: "Creating an investment-friendly environment is one of our key priorities; the central idea is to show how good of a place to invest Sri Lanka really is."

"We aim to cut through the obstacles and attract international trade agents. We are also

focusing on improving the situation for land smallholders, educating the young market and encouraging public-private partnerships (PPPs).

"The biggest challenge is to make streamlining effective by

"We plan to create a business and financial district in our capital, Colombo, with jurisdiction to attract foreign currency and trading."

Ranil Wickremesinghe, Prime Minister of Sri Lanka

restructuring institutions. This requires much time, but I am confident we will succeed.

"Now we have the [relevant] policies set out, we are bringing the legislation. We are in contact with London's financial giants,

to bring financial expertise to Colombo.

"We plan to create a business and financial district, with special jurisdiction to attract foreign currency and trading."

Leading this charge to entice

significant U.K. financial institutions to the heart of the Indian Ocean is Finance Minister, Ravi Karunanayake.

"With international turbulence taking place, not much attention has been given to the



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A Crowning Success

SRI LANKA



Harin Fernando
Minister of Telecommunication and Digital Infrastructure



Malik Samarawickrama
Minister of Development Strategies and International Trade

changes in Sri Lanka," he states. "We are repositioning and re-balancing. It is a time of many golden opportunities. We want to privatise non-strategic assets via a series of PPPs."

Despite its relatively small size compared to giant neighbour India, Sri Lanka continues to expand its export portfolio and reinforce the "Made in Sri Lanka" label.

"Creating a more business-friendly environment will help to fulfil Sri Lanka's enormous potential both in terms of its location and our people," says Malik Samarawickrama, Min-

ister of Development Strategies and International Trade, and also a successful entrepreneur.

"One-stop shops are being established to speed up processes and procedures. In addition, laws, regulations and tariffs are being reviewed to reduce transaction costs."

“A more business-friendly environment will help us fulfil our enormous potential. One stop shops are being set up to speed up processes and procedures.”

Minister of Development and Trade, Malik Samarawickrama

ster of Development Strategies and International Trade, and also a successful entrepreneur.

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Strong support network

Leading this drive is the government's investment promotion agency: The Board of Investment of Sri Lanka (BOI).

Structured as a central facilitation point for investors, BOI is committed towards continuously improving the country's investment climate.

BOI companies employ over 470,000 workers and account for nearly 65% of Sri Lankan exports, and 86% of the country's industrial exports.

The BOI's work for four decades has radically transformed the island both economically and socially, placing the country in a position where it can

compete in an increasingly globalised world.

"There is a lot that BOI can offer to potential investors, but the most important thing is, that the investors can have the fullest assurance that their investments are safe," says BOI Chairman, Upul Jayasuriya.

Thriving tea industry

Tea, coconut and rubber plantations have traditionally been an important part of Sri Lankan economy, and officials are eager to add value to these exports.

The tea industry benefits from the island's unique combination of weather, soil and plants and is moving from the huge plantation system to a smallholder-based one, a move expected to boost exports.

Navin Dissanayake, Minister of Plantation Industries, states: "Sri Lanka has always been a strategically positioned country. An increase in port activity will undoubtedly translate to increased trade.

"Ethically produced goods are

characteristic to Sri Lanka and they are certainly something we are very proud of."

An upscale brand founded 33 years ago, Mlesna (Ceylon) Ltd. runs 16 tea shops, employs 350 people and exports its flavours to more than 50 countries.

The company owns an attractive Scottish-style tea castle as tribute to Scotland's James Taylor, who first brought tea to Sri Lanka many centuries ago.

"We have won the highest number of presidential awards for fine quality tea and over 80 awards. Mlesna tea is a super-brand that believes in good tea," says Managing Director, Anselm B. Perera.

More than 100 years ago, a man with a vision, the late Mr. M.S. Hebtulabhoy, laid the foundations for Anverally & Sons.

His dream was to establish the finest pure Ceylon Teas and a century later, his vision has become a reality.

Today, Mohamed Anverally is leading the family-owned firm and spearheading the finest tea exporter in Sri Lanka.

The company relies on some of the most experienced tea tasters in the sector to ensure the highest quality of its products, and is proud to export exquisite-tasting teas to more than 60 countries in Europe, Asia and the Middle East."

Appetite for success

One of the most important exporters with a presence in dozens of countries, Ceylon Biscuits Limited (CBL) is the largest manufacturer of biscuits, chocolates, cereals and organic fruit products and blends traditional recipes with modern technology and innovative strategies.

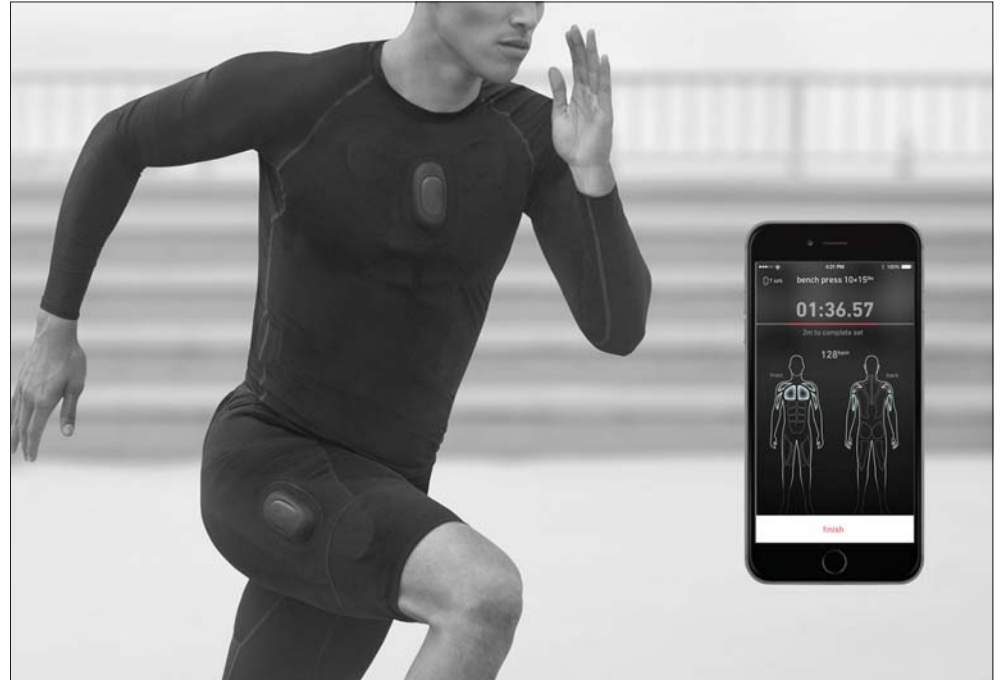
The fast-growing conglomerate is driven by its passion for perfection and has scooped many awards and is best known domestically for its top-selling Munchee brand of biscuits.

"CBL has already commenced business such to drive value-added exports and significant investments have been made," states Chairman, Ramya Wickramasingha.

"This will help the farming community responsible for these agricultural crops to increase their earnings.

"Improving the living standards of the rural farmer community is a high priority of the CBL group, as is integration along the value chain, using R&D and technology to raise standards and market visibility."

Mr Wickramasingha is upbeat about his country's prospects in



Conductive pathways and sensors embedded into Activewear.

the short, medium, and long term, and is excited about the opportunities that will be created for his ambitious firm.

"CBL continues to serve local consumers and meet their food demands with innovative products, so reducing the need for expensive imports," he adds.

Connecting continents

With the vision of creating a digitally-empowered nation through improvements to ICT networks and systems, the Ministry of Telecommunication and Digital Infrastructure is spearheading the hi-tech revolution.

Headed by dynamic Minister Harin Fernando, the department is bringing digitalisation to the masses and engaging projects with Silicon Valley giants like Google and Microsoft.

“We are spearheading the development of balloon technology to provide Internet access to rural areas. It has captured the world's attention.”

Harin Fernando, Minister of Telecomms and Digital Infrastructure

"Sri Lanka currently has full internet coverage for about 21% of population, but there are many exciting things happening," he explains.

"One initiative is the Google Loon project, we are spearheading the development of balloon technology to provide Internet access to rural areas. It has captured the world's attention."

Turning to the goal of improving citizens' engagement and participation in an ICT-enabled

society, he adds: "One of the challenges we have is developing more usage of smartphones.

"It is crucial to understand that knowledge builds on data. We are incentivising companies to increase smartphone penetration from around 30%.

"We have also held negotiations about the start up of factories to build our own smartphones and tablets. With more smartphones, we would have a more knowledge-based economy."

Minister Fernando expands on this point to highlight just how vital to national economic well-being and socioeconomic development, the digital revolution really is.

"A 10% rise in Internet penetration would translate to a 1.2% hike in GDP growth," he reveals.

ity-owned by the government. SLT owns a mobile network called SLT Mobitel and works closely with the Information and Communication Technology Agency (ICTA) as it strives to improve connectivity.

"The future of the market is data," says SLT and SLT Mobitel CEO, Dileepa Wijesundera. "People are beginning to look at apps and mobile devices. The thirst for data will increase and we will increase our capabilities and our speeds. We have about 25,000 kilometres of fibre optic laid already and will expand to meet national demand."

Muhunthan Canagey, Managing Director and CEO of ICTA, comments: "In terms of government services everything will be available digitally in future. We will encourage the public to engage with institutions for services directly from their mobile devices."

Ring up a profit

Malaysian multinational Dialog is the largest telecoms operator in Sri Lanka and commands more than a 50% share of the market.

Part of the huge Axiata group, the ambitious telecoms provider is investing heavily in cutting-edge ICT infrastructure.

This capital expenditure includes the expansion of 3rd and 4th Generation high speed broadband services and fibre optic transmission network, international telecommunications network, and digital satellite television infrastructure.

Group Chief Executive Hans



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Moshe Safdie's Colombo tower. www.altair.lk

opposite direction. That may be the virtue of this market. That people still talk to each other.

"Sri Lankans have an island mentality. You cannot compete with the U.S. or European markets; Sri Lankans are very talkative.

"One thing I have learned in my many years abroad is that you cannot take a model from one country and apply it to another. It does not work. I have worked in Africa, Europe, and

see what is going to happen in the next 3-5 years."

Such a strong ICT infrastructure spine has allowed hi-tech companies to survive and thrive and set the regional standard for speed of service and efficiency.

Boasting more than 300 companies employing over 60,000 workers, the ICT and business process management (BPM) sector is a powerful FDI magnet that generated revenues of nearly \$1 billion in 2015.

““Ethically produced goods are characteristic to Sri Lanka, and are something we are very proud of. Our country is very strategically positioned.”

Navin Dissanayake, Minister of Plantation Industries

North America. I will never re-apply a complete model."

Celebrating its 20th anniversary in 2016, Virtusa recently founded in the U.S. by Sri Lankan entrepreneur and ICT expert Kris Canekeratne.

Now Chairman and CEO of the Boston-based group, the dynamic executive oversees the group's broad range of IT consulting, systems implementation and application outsourcing services through an optimised global delivery model.

As part of its strategic development, Virtusa recently acquired financial technology products company Polaris.

"We are also seeing the initial acts of Sri Lanka moving towards a knowledge-based economy," says Canekeratne.

"Investments are being made to develop knowledge-based infrastructure that is going to be conducive as we go forward.

"Sri Lanka has the opportunity to be an IT-solutions paradise. The country is a paradise in many ways, but there is a chance to take it to another level.

"There is most certainly the opportunity to make citizens' lives better, visitors' lives better, improve the business environment, and so on.

"There is a strong momentum right now and I cannot wait to

Sri Lanka was named best offshoring destination in 2013 and 2014 by the London-based National Outsourcing Association (NOA) and is rated highly by top management consultants.

Major international market players have operations and offices on the island, as do many other companies active in industries more traditionally associated with the island, such as garment manufacturing.

Garments go for gold

A \$1.7 billion apparel technology company—the largest in Sri Lanka—MAS Holdings is a real Sri Lankan success story

Having started by producing lingerie for Victoria's Secret, MAS has established partnerships with the likes of Nike, Triumph and Speedo and is now moving into designing and producing high-tech sportswear that incorporate electronics, measuring heart rate and muscle performance.

With a huge vision and the country's biggest workforce of 86,000 people, MAS is a force to be reckoned with.

The company was founded by three brothers—Mahesh, Ajay and Sharad (MAS)—and is now 30 years old.

They are doing things differently. "While most companies



Navin Dissanayake
Minister of
Plantation Industries



Mohamed Anverally
Chairman
Anverally & Sons LTD.

bring labour to the factories, we take factories to where the workforce is," say Nathan Sivagananathan, the Chief Growth Officer.

"As we started progressing, we brought in our own design competency, then research and development. Remarkably, we had the best year in 2009 in the midst of the global financial collapse.

"That was primarily driven by our investment in supply chain, when we managed to achieve a design-to-delivery strategy for our customers.

““We get an order on Monday and we deliver it 14 days later, back to the U.S. We are talking 4-5 million products a week.”

Nathan Sivagananathan, Chief Growth Officer of MAS

"We get an order on Monday and we deliver it 14 days later, back to the U.S. We are talking 4-5 million products a week."

Having realised that design couldn't come only from Sri Lanka, the company set about establishing offices in New York, the U.K. and Hong Kong.

"We placed designers in these markets to create products which our customers then launch. We are very much a design-driven organisation," the CGO says.

MAS is also recognised for its major attention to corporate

social responsibility. "We have a 'Women Go Beyond' program," Sivagananathan explains.

"This was recognised by the U.N. as being one of the best women empowerment initiatives in the world and we received an award from Ban Ki-Moon himself.

"As a group we have reduced our energy intensities by 15% in the last five years. Some 47% of MAS already runs on renewable energy and we currently operate the largest solar rooftop installation in the country and this is just the beginning. We are cur-

rently engaged in installing solar panels on all our rooftops as part of our long-term vision."

By evaluating their technology and knowledge skill sets, understanding the body and conceiving it as a canvas, MAS identified two areas of opportunity: enhancing sports performance and women's health.

"We are shifting towards becoming more of a technology/innovation company through apparel. Some of our relationships include Google, Intel, Flex and MIT.

Wijayasuriya states: "We are the largest source of FDI in Sri Lanka and this has established the country as a technology leader.

"In terms of providing fibre optics to the rest of the country and expanding our network - the demand is so great that we cannot keep up with it.

"If you want reliable service, steady downloads you need to get on a fixed wireless network. Most laptops do not have ethernet these days. People need to understand that.

"So what you can download on a fixed line, you wouldn't download on a mobile network."

The senior executive, who has worked all over the world and is very well connected and respected in the island's business community outlines his vision for the fast-growing company.

"We buy technology and we push it out. We are integrators. We are not in the business of innovation. It is all done by the vendors.

"We need the right formula to suit our markets. The main telecoms demand in Sri Lanka right now is for data.

"Demand for voice services is also going up, even though on a global basis, the trend is in the

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Anverally tea tasters. www.anverally.com



Mlesna Tea Castle, St Clair, Sri Lanka.

“We are looking at areas such as wearable technology. Bringing electronics into clothing is a challenge, as they don’t mix well together!

“Clothes need washing and electronics don’t like water. We had to come up with a way to do both, but we have done it!”

Tourism takes off

Since the end of the civil war, Sri Lanka’s tourism sector has started to fulfil its huge potential with international passenger numbers rising year after year.

“It is hard to believe that one country can offer such a wide spectrum of tourist attractions,” says Minister of Tourism Development, John A. E. Amararatunga.

“Some will enjoy the beaches and water sports, some the hill country or tea plantations, others the heritage.

“What we really need to boost the sector is more direct flights to and from the country. In addition, people around the world need to realise we are a safe destination with a number of cultural events taking place throughout the year.”

Set to become the capital’s

most iconic building, Altair is a residential skyscraper designed by the famous architect Moshe Safdie that will stretch 240-metres into the sky.

“Our building will be something very special for Colombo,” says Jaideep Halwasiya, Director of Indocean Developers Ltd.

Set on a plateau surrounded by mountains in the heart of the island, Kandy is the country’s second city and home to its largest mall—the 10-storey Kandy City Centre (KCC)—which offers the ultimate shopping and entertainment experience.

Packed with shops, restaurants and leisure facilities, the state-of-the-art mall even features a roller coaster.

KCC is run by PFIK, whose Chairman and Managing Director, Thusitha Wijayasena, is rightly proud and delighted with its success.

“KCC is not just a building, it is a cultural centre, a city within a city. I hope it will raise people’s quality of life,” he says.

“Kandy is a small city, but within that city, KCC is there and it houses not only banks, stores and supermarkets, but

also exhibitions and cultural demands. KCC has become a social hub and has exceeded all our expectations.”

Mr Wijayasena acknowledges Sri Lanka remains a hidden gem for some foreign travellers, but that it will soon become the jewel in the crown of the Indian Ocean’s tourism industry.

“We are trying to promote: sustainable and responsible tourism,” he says. “Our country is small, even with our national parks we cannot really compete with big scale countries.

“For example: African national parks will always beat Sri Lankan National parks, Seychelles beaches are always going to beat Sri Lankan beaches.

“If you want to see mountains go to Kashmir, but in a small country like Sri Lanka you can travel for just a few hours and experience all this natural diversity.

“However, if you want to visit a country where you can access good beaches, mountains, wildlife, heritage, culture... if you want it all, then you should come to Sri Lanka.

“We have good food, good

weather, good culture and good people.”

Tourism is just one of the many economic sectors in which Sri Lanka continues to make impressive progress as it looks to achieve its various development goals.

Help always at hand

The government is not alone in its ambition to improve living

standards for 21 million people in areas such as employment, education, healthcare, and social services.

Organisations such as the International Monetary Fund (IMF), World Bank, and Asian Development Bank (ADB) are providing financial support and professional expertise in a host of areas, but particularly for infrastructure development.

In May, the World Bank’s Vice

President for Equitable Growth, Finance, and Institutions, Jan Walliser, visited Colombo.

During his 48-hour stay, he gained first hand understanding of Sri Lanka’s reform agenda, key to the transition to upper-middle income status and to increasing its shared prosperity.

“Sri Lanka has made a strong commitment to implement comprehensive fiscal, econom-

ic, and governance reforms,” he said. In addition to meetings with senior government officials and leading businessmen, Mr. Walliser spent time with representatives of Right to Information (RTI) Commission.

Congratulating the govern-

ment for the recent passage of the RTI law, Mr. Walliser said “RTI law is a game changer in Sri Lanka’s path to prosperity if used with a focus on development effectiveness.

“It is a tool for all citizens – especially the economically weak, the private/non-government sector, and the media to play a key role in the decision making process of the public sector.”

A few weeks prior to the visit of the World Bank official, members of the Washington D.C.-based IMF also spent time with ministers, public officials, representatives of the business community, civil society and international partners.

The IMF mission commended authorities for strong efforts in implementing the IMF-supported economic reform program.

They noted “substantial progress has been made in stepping up revenue collections and automating revenue administration, which has been the basis for meeting fiscal targets.”

“It’s hard to believe that one country can offer such a wide spectrum of tourist attractions: beaches, water sports, hill country, and heritage.”

John A. E. Amararatunga, Minister of Tourism Development

This report was produced by **Business Outlook**

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