

**Capital TRUST Holdings is now a diversified conglomerate. Could you brief us about the sectors it is involved in?**

Starting as a stock-broking firm in 1990, the Capital TRUST Group has diversified into many areas of business including Corporate Finance, Education, Global Markets Trading, IT, Margin Trading, Packaging, Property Broking, Property Development and Wealth Management. The flagship company, Capital Trust Securities, was ranked number one in terms of Transaction Turnover and Brokerage Turnover so far in the calendar year 2021 and financial year 2021/22, while Capital Trust Residencies has developed and completed three apartment complexes.

**Given Capital TRUST Holdings' involvement in multiple sectors, what were the challenges during the last few years?**

The lack of political stability from January 2015 to November 2019 coupled with very high interest rates and high taxation, made it almost impossible to make profits in the stock market during this period. The constitutional crisis from 26 October 2018 to 16 December 2018 led to many buying stocks expecting the Government to change and un-

fortunately experienced losses. In addition, the Easter bomb attack on 21 April 2019 crippled the leisure sector, resulting in a ripple effect in the banking sector as well. These were followed by the lockdowns in 2020 due to the pandemic. Nonetheless, we had a relatively stable 4th quarter in 2020 and 1st quarter in 2021.

The prodigious challenge for any industry during the period 2015 to 2019 was the high interest rates. For example, during November 2018, the 1 year Treasury Bill rate was 11.25%, while the Commercial Bank of Ceylon's 1 year Fixed Deposit rate was 11%. Therefore, the majority of investors opted to invest in fixed deposits of Banks and Finance Companies. Consequently, attracting investments into the stock market as well as to the real estate sector proved to be highly challenging during this period.

The Prime Lending Rate (PLR) reached 12.8% in October 2018 and overall borrowing rates remained high during the 2016 to 2019 period. This resulted in high margin trading interest rates which meant that those who desired to borrow and purchase shares, found it very difficult to make profits. Meanwhile, construction and property develop-

ment companies had to borrow at high interest rates too, while homeowners had to also borrow at over 13%, posing a challenge to purchase a property. This is one of the key reasons why large numbers of construction companies and property developers are in extreme financial difficulty. Since then, PLR declined to a single-digit level in December 2019, plummeting further to 5.63% by June 2021 and changed the trend enormously.

**In light of the current global context, what are the impediments to growth?**

Presently, the most challenging impediment to growth is the bureaucracy at every level. Yet, we are glad that the President is drastically trying to elim-

inate corruption by digitalising and appointing professionals to key positions. This process would take time but we are glad that at least we are now moving in the correct direction.

Regarding current impediments in the real estate sector, many large, small and medium scale construction companies and property developers have got into financial difficulty and have arrears with banks. In turn, banks have become over cautious and have been hesitant in providing project finance for property development. Some construction companies had underquoted to secure projects, not understanding the financial implications of LKR depreciation on imports, as well as commodity price

increases in aluminium, cement, copper, iron, etc., and they have consequently got into financial distress. Therefore, it is now difficult to find a reliable construction company. Due to the pandemic, workers who left for their villages are seldom returning to Colombo and the suburbs and therefore this has caused other practical challenges in the construction process. Moreover, luxury items such as doors, locks, pantry cupboards, sanitaryware, tiles, windows, etc., cannot be imported at present and Sri Lankans will have to be satisfied with what is being produced locally.

In addition, the continued net foreign institutional selling of over LKR 81.5 billion during the period May 2020 to July 2021 is an issue

for the Colombo stock market.

However, maturity proceeds of fixed deposits are far more significant and company stock prices are rising with dollarised assets and dollar incomes coupled with the ability to reap benefits from import restrictions.

**Which policy initiatives adopted by the present Government have aided the current situation?**

The previously set high taxation was detrimental to the growth of businesses. The reduction of the tax rate from 28% to 14% for services companies,

28% to 24% for most other companies and the decline in VAT from 15% to 8%, have provided a kick start to the sluggish economy.

The present Government, with out-of-the-box thinking, is maintaining low interest rates, which is playing a key role

in stimulating growth.

Meanwhile, other initiatives, such as digitalising the apartment approval process, could reduce corruption, while replacing old property constructions with new large property developments will transform Colombo in the forthcoming years.

**In your view, what are other major policy initiatives that you would suggest to boost the stock market and the real estate sector?**

It is unfortunate that there was not much advancement in the Colombo Stock Exchange during the last 25 years with development only evident during the 2013/14 and 2020/21

## TUSHAN WICKRAMASINGHE'S prospects for the Colombo Stock Market & Real Estate Market

**Capital TRUST Holdings Limited is a triumphant and award-winning conglomerate excelling in diverse fields. Tushan Wickramasinghe, the dynamic Chairman/CEO speaks to us on the success of his company and divulges the strategies implemented to weather unprecedented storms as well as shares his views on the future of the Stock Market and Real Estate Market.**



periods. We are pleased that the present Commissioners and the Secretariat of the Securities and Exchange Commission (SEC) understand what has to be done and are implementing them speedily.

Taking into consideration the real estate sector, the Government will have to pay dues to key construction firms who in turn, would have to settle sub-contractors and help revive the construction industry.

The Government will have to find a solution to the partially built apartment complexes in order to resuscitate the demand for apartments too.

The Urban Development Authority (UDA) and Municipal Councils should be digitalised so that Building Applications could be processed without much discretion given to officials. This will certainly eliminate bureaucracy and corruption.

Interest rates should be kept at the present level and there should be comfort provided by policy statements that the current rate of inter-

est rates will remain so for the next few years so that industries could plan their futures accordingly.

managed to bring the 1 year Treasury Bill rate to approximately 4.13% by October 2020. From then onwards, when fixed deposits mature, the public realises that they

There were numerous opportunities from May 2020 to date for generating enormous profits in stocks that have dollar income and dollar assets. The tile sector, which currently has almost no competition due to tile import restrictions, is also a lucrative sector to invest in the stock market and would remain lucrative over the next year. Meanwhile, export and logistic companies, which

Index has risen by more than 108% from 12 May 2020 to 23 September 2021. Thereal estate sector meanwhile is also waking up, supported by low-interest rates, although only a few transactions are currently executed due to the pandemic scare.

**What is the future of Capital TRUST Holdings and which projects are in the pipeline?**

Capital Trust Securities is continuing to digitalise more of its operations, taking the stock market to grassroots levels. Capital Trust Wealth Management also hopes to expand its clientele with a focus on long-term wealth creation.

Capital Trust Residences has foreign partners and hopes to commence the development of five apartment complexes by the end of this year. Capital Trust Properties, with its foreign brokerage partners, is also expected to expand and dominate in property broking with digitalisation and a property app.

With regard to the LKR, in my opinion, there is nothing significant that the Government could do in the midst of COVID-19 to completely stabilise the LKR. However, it is up to the various companies to go into businesses or purchase stocks that would benefit from LKR depreciation.

**As an industry expert, what is your outlook for the Colombo stock market and the real estate sector in 2021?**

The new Government utilised the pandemic as an opportunity to drastically reduce interest rates. Thereby, they

can get only around 4.5% from banks and around 7% from finance companies. Consequently, with about LKR 7,470 billion in fixed deposits in the country maturing daily, investments have been flowing into the stock market and should flow into real estate too when the stock market becomes overvalued.

earn dollar income, will also benefit and present attractive investment opportunities over the next year.

The Prime Lending Rate, on the other hand, dropped to below 6% in October 2020 and was at 6.40% on 17 September 2021. Many investors are consequently making large profits by engaging in margin trading. In fact, the All Share

