

# FROM ZERO TO TOP

## STEERING THROUGH THE CHALLENGES

**DR.ROHAN FERNANDO**

MANAGING DIRECTOR - ELPITIYA PLANTATIONS

**Can you please enlighten us on your journey so far with Aitken Spence and Elpitiya Plantations?**

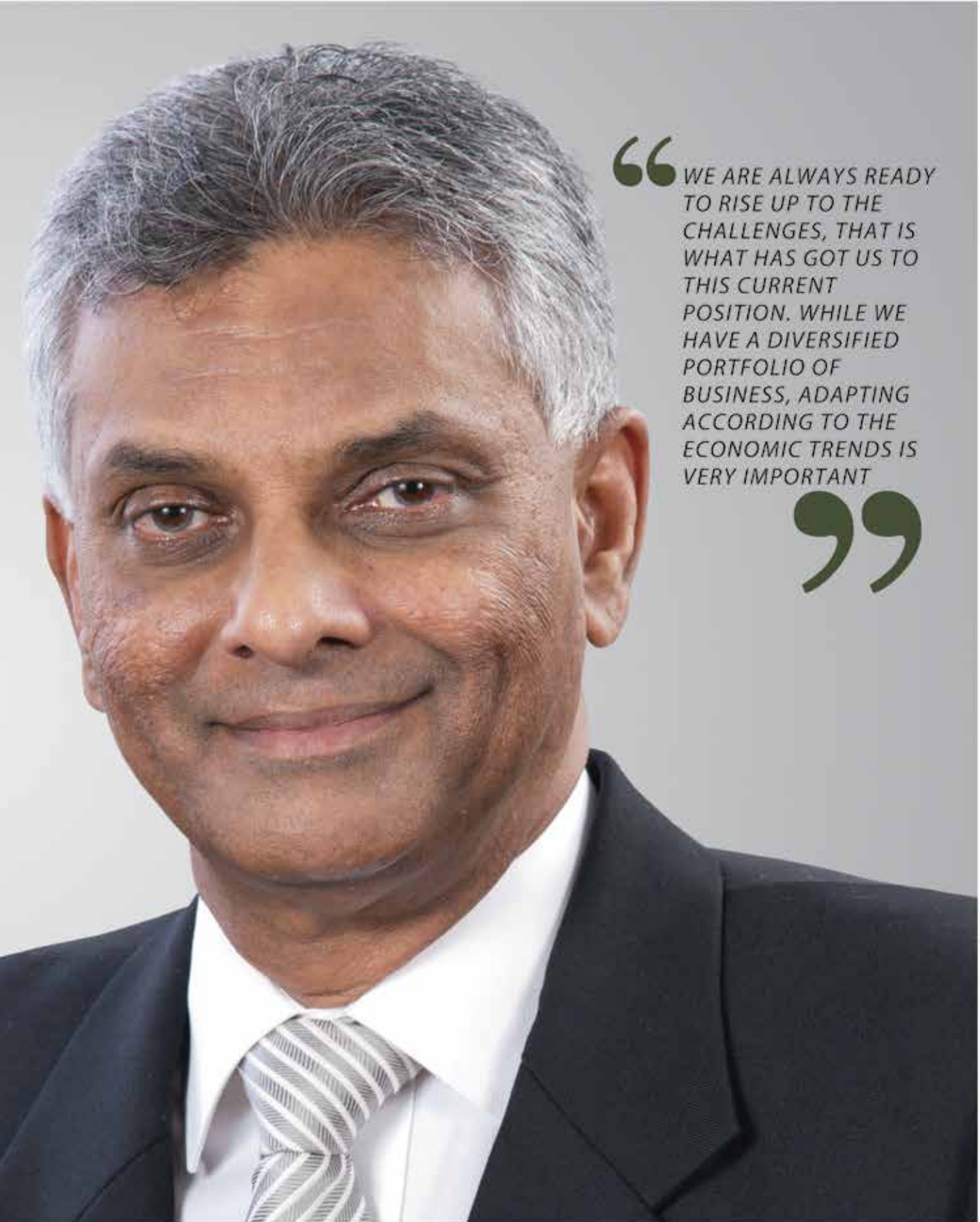
I joined Aitken Spence in May 1994 and it's been almost 28 years. At that time, Aitken Spence Plantation was managing another regional plantation company (RPC) called Udapussallawa Plantation which was under a management contract with the government. I joined as the CEO and Director of that company. I joined the company where it was also going through a very challenging period, and in less than two years, the government of Sri Lanka (GOSL) decided to sell its 51% shares in 1996 and unfortunately, Aitken Spence was not able to

acquire it. Subsequently, I was absorbed into a freight company in Aitken Spence (AS) called Ace Freight Management Company until August 1997.

The chairman of AS at that time was very keen to get into plantations and we purchased a majority stake in Elpitiya Plantations (EPP) in August 1997 when GOSL was selling the controlling shares in RPC. EPP was one of the last RPC's to be privatized and there were no takers for its shares as the company was badly run down. However, the management of Aitken Spence Plantations Management (ASPM), accepted the challenge.

Despite all the enormous challenges from 1997 ASPM completes 25 years of ownership and management of Elpitiya Plantations Plc now a public

listed company together with ASPM. I am happy to say that, during this period we have been able to bring it to the forefront of being amongst the top three plantation companies in Sri Lanka and with high levels of productivity, and highly diversified into several new areas. My foundation at AS was initially in plantations and in April 2005, I was appointed to the main board of



“ WE ARE ALWAYS READY TO RISE UP TO THE CHALLENGES, THAT IS WHAT HAS GOT US TO THIS CURRENT POSITION. WHILE WE HAVE A DIVERSIFIED PORTFOLIO OF BUSINESS, ADAPTING ACCORDING TO THE ECONOMIC TRENDS IS VERY IMPORTANT

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directors AS. I've served on the mainboard since then and its now 17 years. Subsequently I got involved with business development and sustainability, corporate communication, and branding. So that's my role in Aitken Spence in a nutshell.

## Can you provide a short synopsis of how Elpitiya Plantations has become a renowned brand in the plantation sector?

As I mentioned before when ASPM acquired EPP the company had been poorly maintained and required, not only investment but also the implementation of several management strategies and establishment of systems to elevate it to its current status.

The first 10 years were a very challenging period where we invested over 3 billion rupees in the factories, the estates to replant tea, and rubber. We also made a very important decision to diversify our business model by venturing into palm plantations. We also built an excellent management team where we were able to create out of the box



thinking and focus on several key innovative areas.

The key underlying factor for the development in the company was transformation and leadership development. The leaders emerged from the existing employees because we tried our best not to bring people from outside and developed our own leaders as far as possible. Today around 40% of our senior management has over 15 years' service record at the company. So, not only have they've been with the company for a long time but also have grown with it and have been an

integral part of the company's growth and success. Apart from the enormous commitment from some of the senior employees, they are also familiar with our style of management which has ensured the smooth operation at the company.

## What are some other critical business challenges that your organization has faced in the long run?

The first 10 to 15 years were very challenging as the debt in the company increased to 1.6 billion. I



recall in 2009 and 2010 we were going through a very challenging period because after the meltdown in 2008 the global commodity prices drastically decreased while the interest rates increased. In fact, we found ourselves in a state where we found it difficult to manage day to affairs. However, during that period, we made the right investments to keep the foundation strong.

In 1998 we hired an Indian consultant who helped us to build our business strategy. The strategic overview has been a very strong element in the company, so much so that we are constantly revisiting our strategy to adapt to the ever-changing contemporary socio-economic environments. Apart from cultivating palm oil we were also able to provide the leadership to set up the second palm oil mill in Sri Lanka. This was a tremendous win for the company.

We also replanted a lot of Tea and rubber while carrying out some innovative joint ventures. For instance, we entered in into joint venture with a Chinese company to export our high quality, low yielding tea and set up a factory to service the Chinese market with Chinese machinery. . The tea was sold at a colossal price, and we were the only plantation company to have such a joint venture. This was a great learning experience. Later on, we engaged with another international consulting firm to revisit our strategy and we developed the Design 2020 where we set ourselves a target of 1 billion profit to achieve by 2025.

I am happy to say that we have already achieved that target. The design 2020 has three pillars, one is economic transformation. We created economic transformation going into various types of projects after observing the new trends in the market. Today, we are the only company in Sri Lanka, that is cultivating all four types of berries,



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strawberry, raspberry, blackberry and blueberry. We also expanded our cultivation to cinnamon. Another initiative that came out of this initiative to set up an adventure park with the objective of

optimizing the land base. The next pillar is social transformation under which we set up an elder's home for our retired workers amongst several other initiatives targeting orphans, and the physically challenged in the company. The third pillar is the leadership transformation, under which we are building our second and third layers of leadership at the moment.

Sustainability is one of our key focus areas where we have aligned ourselves to several SGD goals. Our focus in terms of SGD goals mainly focus on clean water and sanitation, renewable energy, good jobs, economic growth innovation, and infrastructure.

Currently we are working towards a new vision at EPP to build a new purpose and a culture within the Elpitiya Plantation with international consultants. This is a process that got delayed due to the Covid-19 pandemic. We are focusing intently on every inch of land we own where land optimization and land utilization and resource utilization is the main aim with the objective of being transformed from merely being a plantation company to a more diversified asset base. It is with this vision in mind we ventured into berry plantations and to build an adventure park. If everything goes well and according to the plan these non-traditional areas will contribute significantly to the profits of the company.

### **What are the challenges that the company and plantation sector facing under the current forex crisis in Sri Lanka?**

The Forex crisis has generated several challenges to the plantation sector which without a doubt affects all RPC. One is that the cost of fertilizers has increased tremendously. The fertilizer was



30,000 rupees a ton prior to the economic crisis in the country and today, a ton costs about 500,000. It is definitely going to have very negative impact on the plantation sector.

Further all imported inputs for the berry cultivation, ex-a soon of factories will cost at least 25% more than planned and suppliers are not in a position to import such items. Due to this forex shortage, we are experiencing a higher inflation and interest rates have also increased rapidly. This has made an impact on our adventure park construction as well since we need to import many inputs from overseas. In addition, the biggest challenge today is cost of transport and availability of fuel for estate operations. However, I must say that the rupee depreciation has also given some positive aspects by way of improves commodity prices. The prices of Rubber and Tea have been increased and Palm oil prices have increased as well. We are always ready to rise up to the challenges, that is what has got us to this current position. While we have a diversified portfolio of business, adapting according to the economic trends is very important.

### **What are some measures that you have taken from a business perspective to navigate through this situation? Have these initiatives been successful?**

For instance, now, if I take the fertilizer issue I mentioned earlier, we have been fertilizing the plantations adequately, I would say during the past several years. As well as we have also been using a fair amount of organic fertilizer in the company long before the crisis so the impact of Artificial fertilizer can be minimized as the effectiveness of artificial fertilizer also improved when mixed with



organic fertilizer.

Therefore, we have been taking these measures, of course, depending on the economic viability. We have taken all these measures to strengthen the business during these difficult times but sometimes you know, there is a limit to what you could curtail because fertilizer is a key ingredient for any plantation. I think, inconsistent domestic policies have affected the plantation business more than anything else. It is important that the businesses remain resilient through these times with the help of new strategies to carry on.

### **As an industry leader, how do you perceive that we can improve the overall export sector of the country?**

Ideally, developing an export market for value-added exports is vital. We are on this path. It is not an easy task

but I think it is the path we should take to improve the export sector of the country. There are so many other plantation companies handling valuable exports, similar to our berries. However, we have realised that in the case of berries, we don't need to export because there's a large enough local market, with very few players. This is actually one of the main reasons we took the strategic decision to get involved in the berry business. The same can be said for our production and retail of palm oil, which likewise has a huge local market. Our focus is therefore not only on exports but also on the domestic market where import substitution is equally relevant. In conclusion we would say that we are always optimistic about Sri Lanka and possess a management team that can walk the talk.

**By Chandima Yapa & Janith Iddawala**