

January 2026

# Equity Market Outlook 2026

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**JOHN KEELLS**  
STOCK BROKERS

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# Executive Summary

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- **With the current administration quite convincingly sticking to the economic reforms that were necessitated by the current IMF program we are quite confident that 2026 should continue to see Sri Lanka remain on a growth trajectory with 4-5% of GDP growth. Post Ditwah we feel inflation should continue to be muted albeit reaching 4-5% from the second half of CY2026. Primary fiscal surplus should likely be around 4% at least and we expect a current account surplus as well, with nearly \$2bn of vehicle imports unlikely to be repeated in 2026. Although there is impetus on the government to increase capex spending in the face of the infrastructure damage done by Ditwah we feel that institutional constraints on quick approvals on projects mean that the spending is more likely to be staggered and less intensive than expectations. We expect government revenue to remain firm despite the reduced collections from vehicle imports (although Sri Lanka Customs recently announced reaching their January target of Rs.160bn in just the first 22 days). Over the longer term we continue to expect an expansion of the tax net to incrementally improve revenue to GDP from 15.6% to 16% in 2026 and higher going forward.**
- **Our coverage universe, which constitutes 70% of total market capitalization, indicates that we are trading at 10.8x FY26E March/FY25E Dec earnings. Our forward expectations are 9.2x FY27E March/FY26E Dec earnings, which we feel is modest in the current macro environment. Private credit growth continues to maintain a run rate of Rs.200bn per month, volume growth in consumption only commenced over the last 12 months and continued capital market deepening and catch-up economic reforms related to digitization gives a long runway for earnings and GDP growth over the next 2-3 years at least. Foreign inflows have incrementally been seen in Treasuries over the last few months, and we feel that there is ample scope for increased foreign participation in equities. Better valuations in the CSE should also see increased IPO activity over the next 2-3 years.**
- **While the 115% increase in the All-Share index since the September 2024 election of President Dissanayake might cause wariness among experienced investors, we feel that a large part of this is due to the normalization of profit margins post the hyperinflation of the economic crisis as well as catch-up economic growth. We feel that the index is capable of further improvement on the back of continued recurring earnings growth even without accounting for multiple expansion which would be warranted by systemic lower interest rates as a result of fiscal and monetary discipline. As such we expect the All-Share index to reach 28,000 over CY26.**

# External Sector Performance

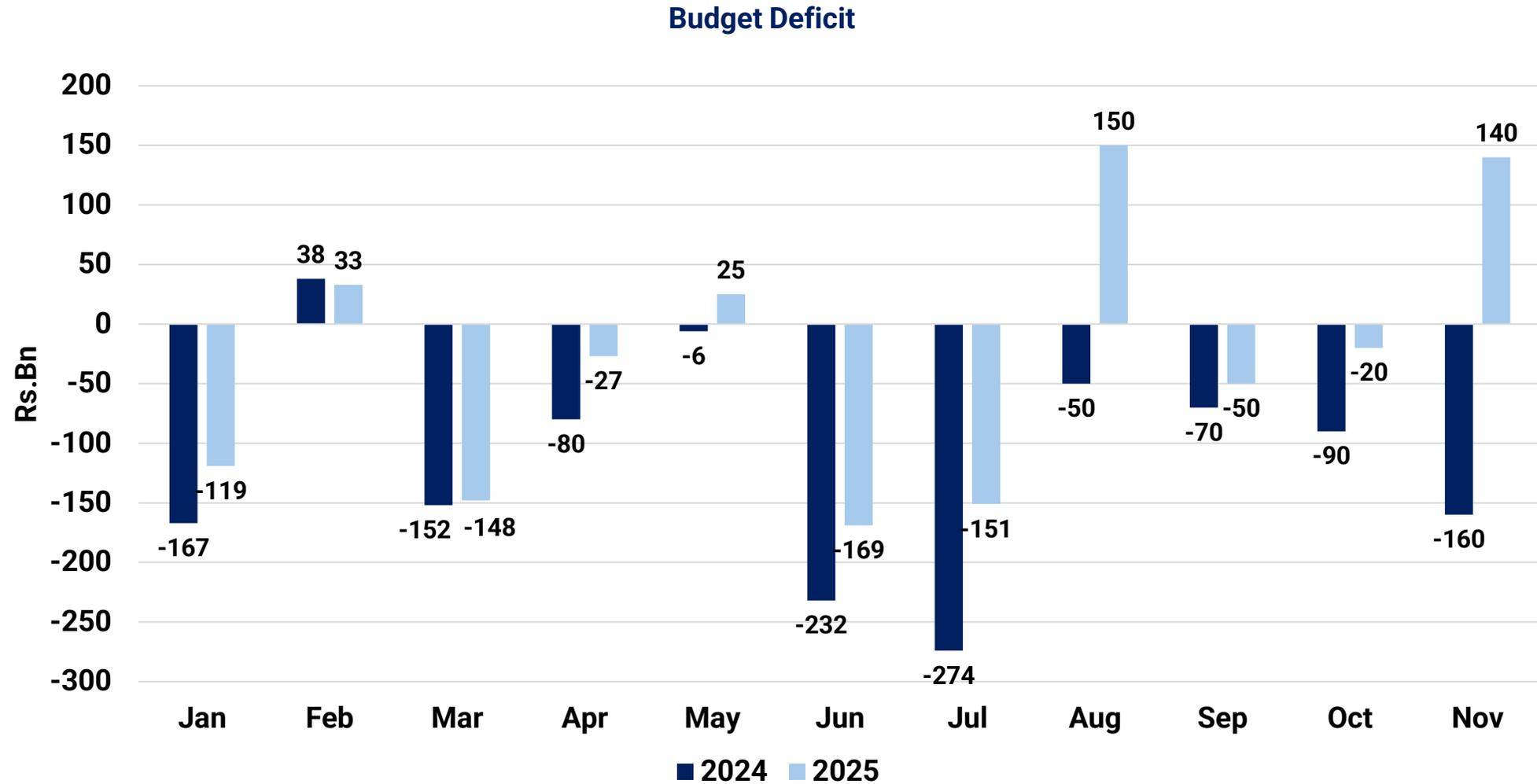
Category	CY 2019 US\$ mn	CY 2020 US\$ mn	CY 2021 US\$ mn	CY2022 US\$ mn	CY2023 US\$ mn	CY2024 US\$ mn	CY2025 US\$ mn
<b>Exports :</b>	<b>11,940</b>	<b>10,047</b>	<b>12,499</b>	<b>13,106</b>	<b>11,911</b>	<b>12,772</b>	<b>13,581</b>
o/w Textiles & Garments	5,597	4,423	5,435	5,952	4,879	5,061	5,314
Tea	1,346	1,241	1,324	1,259	1,310	1,436	1,507
<b>Imports :</b>	<b>19,937</b>	<b>16,055</b>	<b>20,637</b>	<b>18,291</b>	<b>16,811</b>	<b>18,841</b>	<b>21,480</b>
o/w Fuel	3,892	2,543	3,743	4,897	4,703	4,354	4,043
<b>Trade Balance (Net)</b>	<b>-7,997</b>	<b>-6,008</b>	<b>-8,138</b>	<b>-5,185</b>	<b>-4,900</b>	<b>-6,069</b>	<b>-7,899</b>
Earnings from Tourism	3,592	682	507	1,136	2,068	3,168	3,219
Workers' Remittances	6,717	7,104	5,491	3,789	5,970	6,575	8,076

# Fiscal Performance from January – November 2025

- Government revenue increased by 35.4% (YoY) to Rs. 4,962bn during Jan–Nov 2025, while Government expenditure increased by a modest 8.3% (YoY) to Rs. 5,287bn.
- Recurrent expenditure rose by 8.6% (YoY) to Rs. 4,642bn during Jan–Nov 2025. Capital and net lending increased by 6.6% (YoY) to Rs. 646bn during the period, compared to Rs. 606bn in the corresponding period of the previous year.

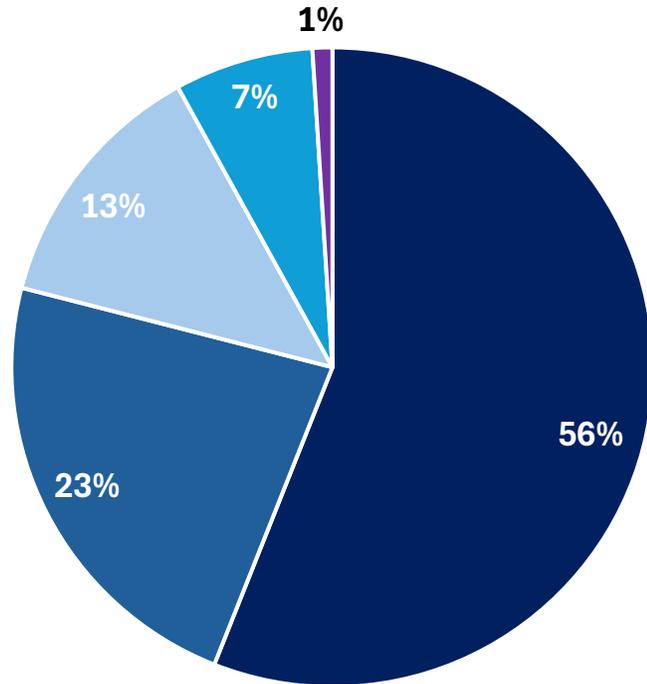
	Annual Estimate 2025	Jan-Nov 2024	Jan-Nov 2025
	Rs.Bn	Rs.Bn	Rs.Bn
<b>Total Revenue &amp; Grants</b>	4,990	3,665	4,962
Tax Revenue	4,590	3,370	4,612
Non-Tax Revenue	370	280	334
Grants	30	14	16
<b>Total Expenditure</b>	7,190	4,882	5,287
Recurrent Expenditure	5,886	4,276	4,642
Capital and Net Lending	1,304	606	646
<b>Primary Balance (+)/(-)</b>	750	928	1,942
<b>Budget Balance (+)/(-)</b>	(2,200)	(1,217)	(326)

# Fiscal Performance from January – November 2025



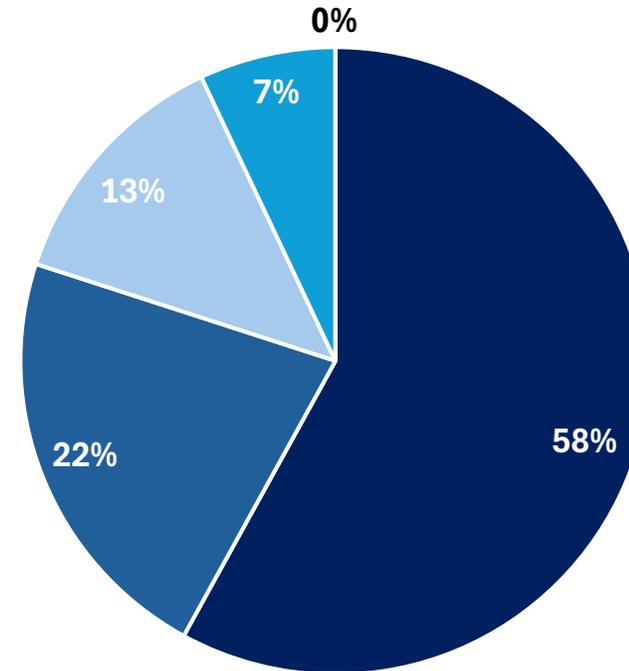
# Fiscal Performance from January – November 2025

Composition of Annual Revenue Estimate 2025



- Taxes on Good & Services
- Income Tax
- Taxes on External Trade
- Non-Tax Revenue
- Grants

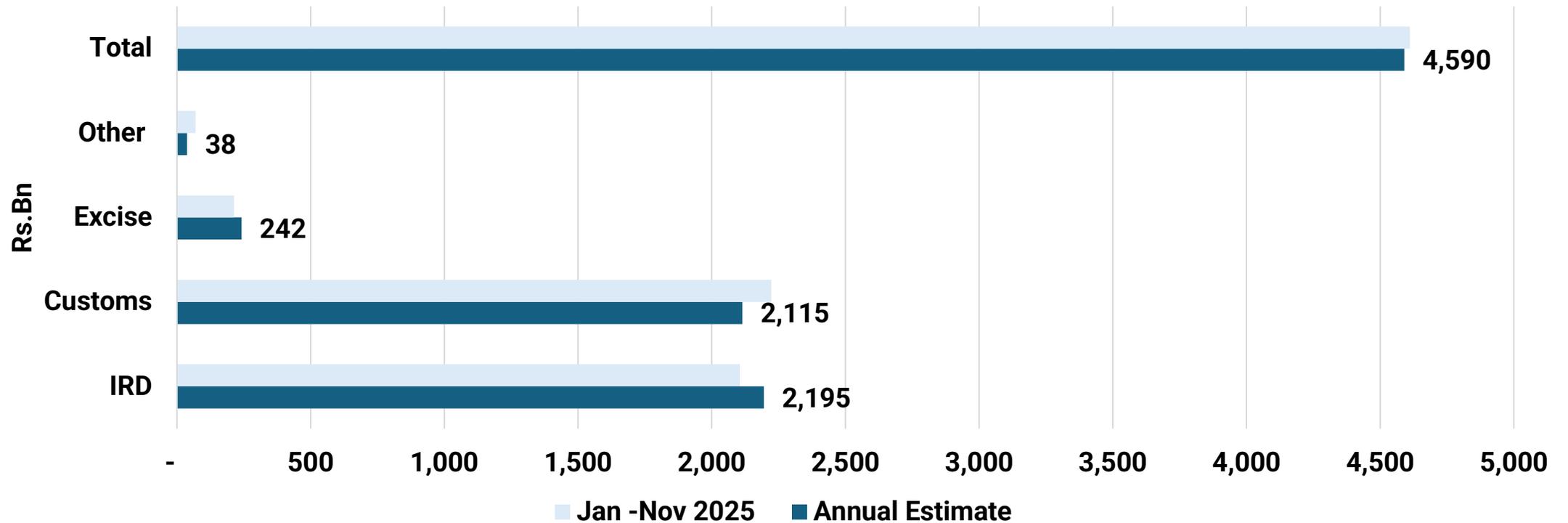
Composition of Actual Revenue 2025 (Jan-Nov)



- Taxes on Good & Services
- Income Tax
- Taxes on External Trade
- Non-Tax Revenue
- Grants

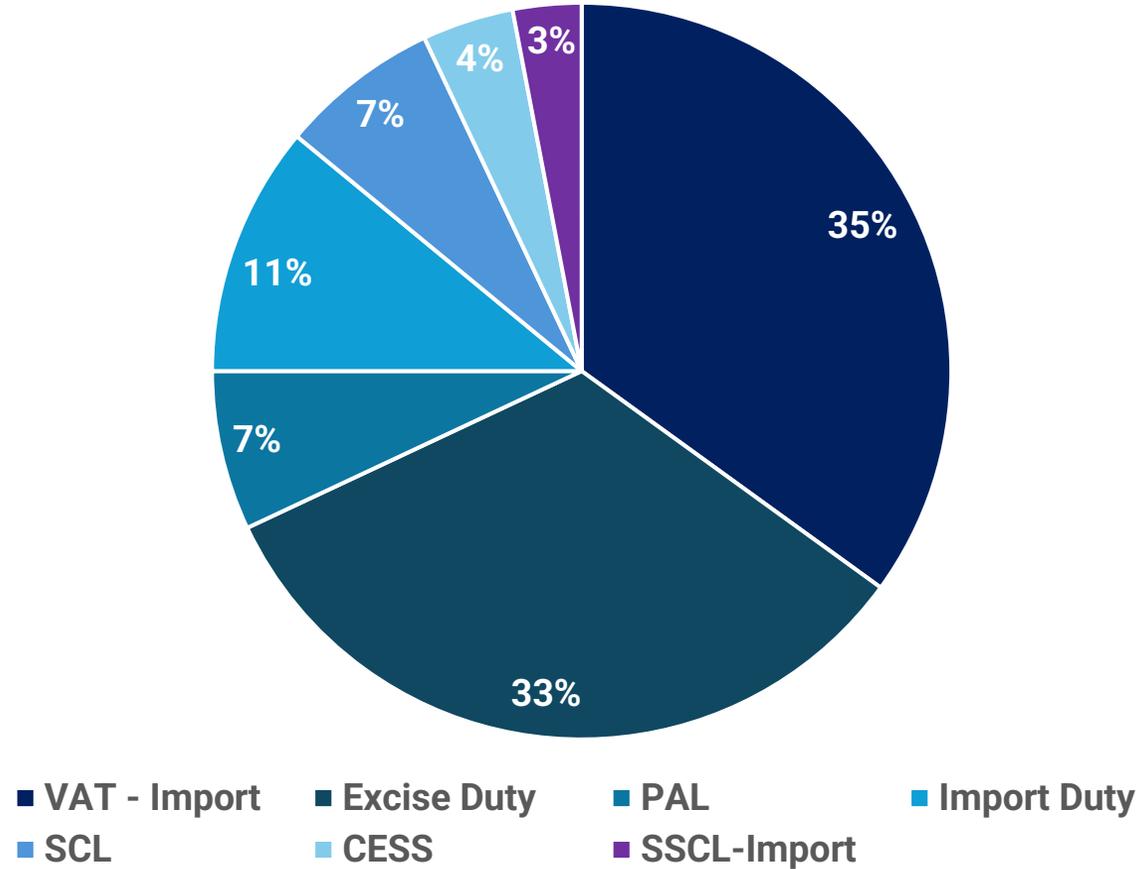
# Fiscal Performance from January – November 2025

## Tax Revenue from 3 Key Revenue Collecting Institutions (Jan - Nov 2025)



# Fiscal Performance from January – November 2025

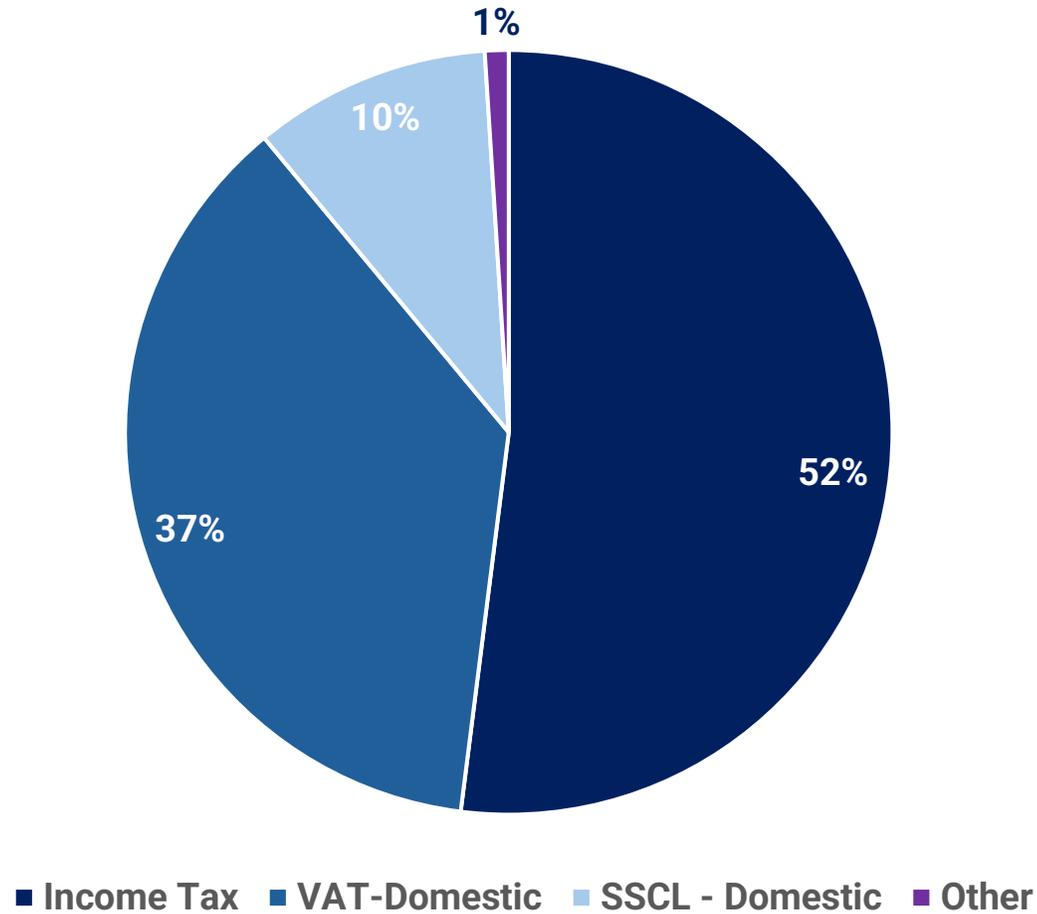
Customs Revenue Breakdown (Jan-Nov 2025)



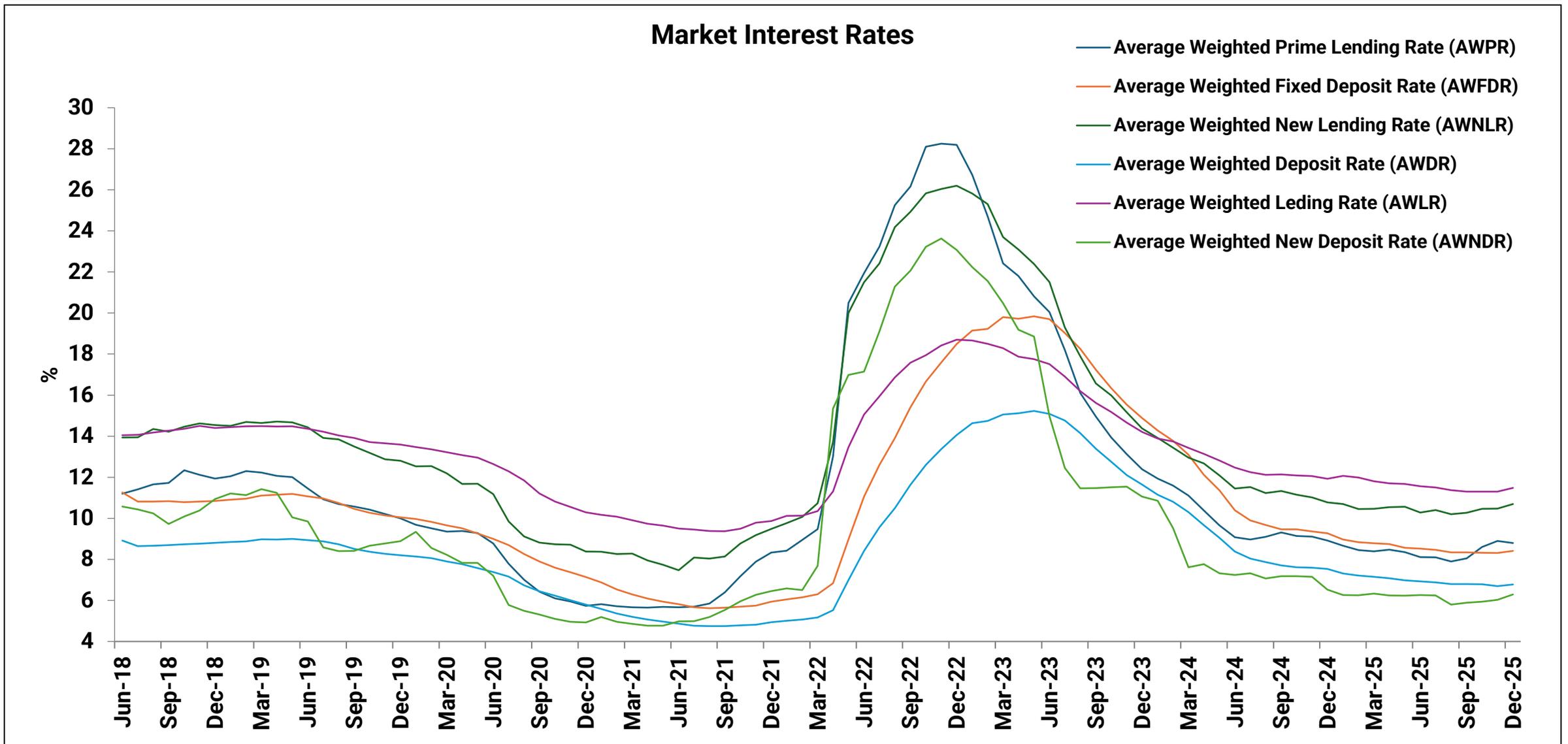
# Fiscal Performance from January – November 2025

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IRD Revenue Breakdown (Jan-Nov 2025)

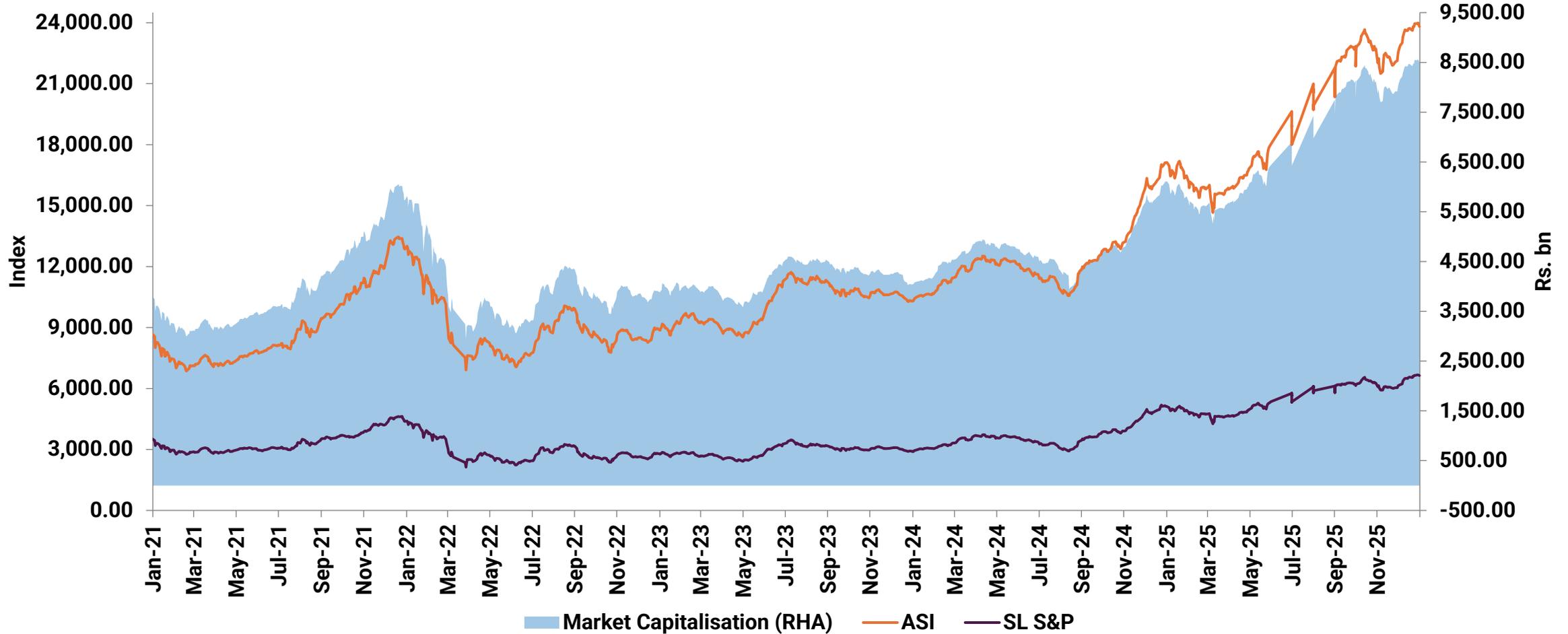


# Monetary Performance



# Equity Market

## Share Price Indices and Market Capitalisation



# Top Equity Picks

Company	Current Price (Rs.)	Fair Value (Rs.)	Upside (%)
Janashakthi Insurance PLC	130.25	166.00	27
Access Engineering PLC	71.60	92.00	29
ACL Cables PLC	101.00	138.00	37
Tokyo Cement PLC	110.00	127.00	16
Haycarb PLC	125.00	152.00	22
Lanka Milk Foods PLC	69.40	108.00	56
Hemas Holdings PLC	34.60	50.00	45
John Keells Holdings PLC	22.70	-	-

# JANASHAKTHI INSURANCE PLC (JINS)



Valuation Metrics	CY22A	CY23A	CY24A	CY25E	CY26E	CY27E
GWP	4,867	4,585	6,596	8,773	11,728	15,754
NWP	4,609	4,365	6,347	8,405	11,236	15,094
Investment Income	2,841	4,594	3,715	4,016	4,527	5,142
Earnings to Equity (Rs.'Mn)	1,376	4,135	4,512	5,621	6,449	6,787
EPS (Rs.)	6.07	18.25	19.92	24.82	28.47	29.96
EPS Growth (%)	56.85	200.66	9.14	24.58	14.72	5.24
P/E (x)	21.46	7.14	6.54	5.25	4.58	4.35
Dividend per share (Rs.)	2.65	13.24	-	15.00	17.08	17.98
Dividend Yield (%)	2.03	10.17	-	11.52	13.11	13.80
NAVPS (Rs.)	50.29	68.83	74.62	85.81	98.13	111.36
P/B (x)	2.59	1.89	1.75	1.52	1.33	1.17
ROE (%)	12.07	26.51	26.70	28.92	29.01	26.90

# JANASHAKTHI INSURANCE PLC (JINS)



## Valuation and Outlook:

Despite macroeconomic uncertainty in recent years, Janashakthi Life PLC (JINS) has demonstrated resilient earnings growth, superior profitability, and prudent capital management. With life insurance penetration still low at approx. 0.6% of GDP and structural drivers such as increasing private sector employment, aging demographics, and rising insurance awareness in rural areas, the long-term case for life insurance remains strong.

Gross Written Premium (GWP) for 2025E is forecast at Rs. 8.77bn, growing 91.3% over 2023 levels, with Net Written Premium (NWP) expected at Rs. 8.4bn. Investment income, although lower in CY24 on a YoY basis due to rate normalization, is expected to contribute Rs. 4.02bn in 2025E in response to increased financial assets. Net earnings to equity holders are forecast at Rs. 5.62bn, with an EPS of Rs. 24.82, translating to an attractive forward P/E of 5.25x. The company has already allocated a dividend of Rs. 15.00 for FY25, reflecting a dividend yield of 11.52%.

JINS continues to deliver sector-leading returns on equity (ROE), which are projected at 28.92% for 2025E. We expect the upward trajectory in profitability to continue, driven by deeper market penetration and product mix optimization.

At current levels, JINS trades at a 2026E P/B of 1.33x, with an expected Net Asset Value Per Share (NAVPS) of Rs. 98.13 for FY26E and an expected ROE of approx. 29.00%, we expect JINS to trade at a P/B multiple of 1.7x its FY26E NAVPS of Rs.98.13 resulting in a fair value of Rs. 166.00 offering an upside of 28%. We recommend a BUY.

# JANASHAKTHI INSURANCE PLC (JINS)



## Investment Themes:

### **Structural Underpenetration in Life Insurance:**

Sri Lanka's life insurance market remains structurally underpenetrated, with total life premiums accounting for approx. 0.6% of GDP. As financial literacy improves and private pensions remain scarce, long-term demand for protection and retirement-oriented products is expected to grow steadily. JINS, with its focused approach and broad agent network, is well placed to capitalize on this structural trend.

### **Improved Corporate Contribution through Bancassurance:**

The corporate segment currently contributes approx. 60% of JINS's total GWP, a significant rise compared to historical averages. This growth has been largely driven by a significant increase in bancassurance-related revenues, as JINS has deepened its distribution partnerships with leading banks. Amid a recovery in private sector credit growth, bancassurance has emerged as a powerful premium generation engine. While we expect a moderation in private sector credit growth from the levels observed currently, we expect a significant continued contribution from the segment.

# JANASHAKTHI INSURANCE PLC (JINS)



## **Strong Solvency and Reinvestment Capacity:**

JINS maintains a solvency ratio well above the 120% RBC regulatory floor (currently above 300% based on management feedback), creating room to reinvest organically. With interest rates normalizing and inflation pressures easing, reinvestment returns are expected to stabilize. However, JINS's higher capital base has allowed it to increase its exposure to equities, now comprising approximately one-fifth of its investment portfolio. This timely shift was executed during a period of declining interest rates and has allowed the company to benefit significantly from equity market rallies. Portfolio income and realized gains have been materially enhanced as a result, reflecting JINS's superior investment acumen and risk-adjusted asset allocation strategy.

## **Higher renewals through improved Customer Retention**

A driver of JINS's GWP growth has been its strategic focus on policy retention. Through the specialized Customer Retention Unit (CRU), JINS ensures higher renewal rates by prioritizing quality in new customer onboarding and proactively managing lapse and surrender risk. The CRU deploys targeted analytics to assess customer intent and product suitability, ensuring that policies sold align with long-term life insurance needs. This approach has reduced lapse rates meaningfully and contributed to a more stable and growing premium base.

<b>Income Statement</b>						
<b>For the year ended 31st December (LKR 'Mn)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Gross Written Premium	4,867	4,585	6,596	8,773	11,728	15,754
Premium Ceded to Reinsurers	-258	-220	-249	-368	-492	-660
<b>Net Written Premium</b>	<b>4,609</b>	<b>4,365</b>	<b>6,347</b>	<b>8,405</b>	<b>11,236</b>	<b>15,094</b>
<b>Other Revenue</b>						
Investment Income	2,841	4,594	3,715	4,016	4,527	5,142
Other Operating Revenue	-767	4,702	3,204	3,207	4,067	4,387
<b>Total Other Revenue</b>	<b>2,075</b>	<b>9,296</b>	<b>6,919</b>	<b>7,224</b>	<b>8,594</b>	<b>9,529</b>
<b>Net Income</b>	<b>6,684</b>	<b>13,661</b>	<b>13,265</b>	<b>15,629</b>	<b>19,830</b>	<b>24,623</b>
<b>Total Benefits, Claims &amp; Net Acquisition Cost</b>	<b>-3,185</b>	<b>-7,077</b>	<b>-6,990</b>	<b>-7,234</b>	<b>-9,799</b>	<b>-13,324</b>
<b>Other Expenses</b>						
Operating and Administrative Expenses	-1,572	-1,225	-1,552	-2,105	-2,815	-3,781
Finance Cost	-90	-109	-351	-326	-383	-459
<b>Total Other Expenses</b>	<b>-1,662</b>	<b>-1,333</b>	<b>-1,903</b>	<b>-2,431</b>	<b>-3,198</b>	<b>-4,240</b>
Share of Profit from equity accounted investee	0	0	1332	1143	1318	1519
<b>Profit before Taxation</b>	<b>1,837</b>	<b>5,251</b>	<b>5,704</b>	<b>7,106</b>	<b>8,152</b>	<b>8,579</b>
Income Tax Expense	-461	-1,116	-1,192	-1,484	-1,703	-1,792
<b>Profit for the year</b>	<b>1,376</b>	<b>4,135</b>	<b>4,512</b>	<b>5,621</b>	<b>6,449</b>	<b>6,787</b>

<b>Balance Sheet</b>						
<b>As at 31st December (LKR 'Mn)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Assets</b>						
Property, Plant and Equipment	194	220	297	371	463	579
Investment Property	2,182	2,050	1,959	2,057	2,159	2,267
Investment in Associate	0	3,755	4,572	5,271	6,076	7,005
Financial Investments	20,368	28,241	29,022	31,977	35,742	40,271
Other Assets	2,119	1,574	1,591	1,896	2,218	2,629
Cash & Cash Equivalents	282	354	457	759	801	659
<b>Total Assets</b>	<b>25,146</b>	<b>36,192</b>	<b>37,897</b>	<b>42,330</b>	<b>47,460</b>	<b>53,411</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>						
Stated Capital	4,854	4,854	4,854	4,854	4,854	4,854
Revenue Reserves	1,796	8,427	9,936	12,184	14,764	17,478
Available For Sale Reserve	-150	515	317	267	320	318
Restricted Regulatory Reserve	4,892	1,796	1,796	2,134	2,293	2,576
<b>Total Equity</b>	<b>11,392</b>	<b>15,592</b>	<b>16,903</b>	<b>19,439</b>	<b>22,230</b>	<b>25,226</b>
<b>Liabilities</b>						
Insurance Liability - Life	11,663	14,545	16,031	17,347	19,107	21,470
Long term Borrowing	0	2,705	2,164	2,705	3,247	3,789
Other liabilities	1,694	2,522	2,756	2,795	2,832	2,883
Short term borrowing	307	625	0	0	0	0
Bank Overdraft	90	203	43	43	43	43
<b>Total Liabilities</b>	<b>13,754</b>	<b>20,600</b>	<b>20,994</b>	<b>22,891</b>	<b>25,230</b>	<b>28,185</b>
<b>Total Equity and Liabilities</b>	<b>25,146</b>	<b>36,192</b>	<b>37,897</b>	<b>42,330</b>	<b>47,460</b>	<b>53,411</b>

# ACCESS ENGINEERING PLC (AEL)



Valuation Metrics	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	20,565	21,501	34,511	41,891	49,784	56,590
EBIT	7,834	6,868	9,370	12,436	13,940	17,448
EBITDA	9,201	8,104	10,606	14,303	16,004	19,668
Earnings to Equity (Rs.'Mn)	2,482	6,861	6,310	7,054	8,414	10,971
EPS (Rs.)	2.48	6.86	6.31	7.05	8.41	10.97
EPS Growth (%)	-51%	176%	-8%	12%	19%	30%
P/E (x)	5.72	3.29	6.10	10.19	8.54	6.55
NAVPS (Rs.)	29.56	35.83	40.13	46.69	52.86	61.35
P/B (x)	0.48	0.63	0.96	1.54	1.36	1.17
ROE (%)	8.40%	19.15%	15.73%	15.11%	15.92%	17.88%

# ACCESS ENGINEERING PLC (AEL)



## Valuation:

AEL is expected to benefit from improved infrastructure spent by the Govt. further bolstered by additional cyclone Ditwah related infrastructure rebuilding initiatives. Automobile segment, which has been the key driver of earnings so far with the resumption of imports in 2025, is expected to see vehicle sales ease as pent-up demand taper off. However, we believe the diversified nature of AEL will offset any decline in the automobile with improved contributions from construction and property related businesses.

At the current market price, AEL trades at a forward P/E of 8.5x (based on FY27E EPS) and we believe AEL should trade at a P/E multiple of 11x-12x its FY27E earnings alongside the re-rating of the market, which translates to a fair value of Rs. 92.00 per share. (+28% upside from the current price).

## Investment Themes:

### **Major infrastructure projects to provide opportunities in the medium term**

The Bandaranaike International Airport (BIA) expansion project is set to commence in 1HCY26, once the contract is awarded to the prospective contractor. The project is valued approx. USD. 600mn and is set to provide sizeable opportunities for AEL. Central Expressway phase 1 and 3 is also expected to commence with phase 3, likely to proceed with local funds with tenders expected to be called next month.

# ACCESS ENGINEERING PLC (AEL)



## **Resumption of key projects to drive growth in 2026**

Gatambe fly over project is expected to commence in February 26, following cabinet approval to proceed with local funds. The project which originally commenced in 2021 under a Hungarian loan facility was halted mid-way after the cancellation of the loan in 2022 due to the economic crisis. The estimated cost requirement to complete the project is approx.40 million Euros. AEL was also recently awarded a contract to build 615 housing units in Kirulapone which is a resettlement project for the underserved worth approx. LKR 4.5bn. Construction of East Container Terminal (ECT) and Nittabuwa-Pasyala is currently underway with ECT requiring LKR.8bn worth of work to be completed. As the market leader in asphalts, AEL has seen improved demand with more rural roads getting resurfaced and Cyclone Ditwah related road rebuilding initiatives.

## **Residential and mixed development projects expected to see renewed demand**

The current low-interest rate environment and improving income levels are expected to support sales of The Marina Square Project, which comprises 1.1Mn sqft and 200,000 sqft of commercial space with 95% of the construction work completed and set for full completion in April 2026 with approx.54% of the units already sold.

<b>Income Statement</b>						
<b>For the year ended 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenue	20,565	21,501	34,511	41,891	49,784	56,590
Cost of sales	(14,706)	(14,145)	(22,614)	(26,724)	(32,100)	(34,838)
<b>Gross profit</b>	<b>5,859</b>	<b>7,356</b>	<b>11,896</b>	<b>13,767</b>	<b>17,284</b>	<b>21,352</b>
Other income	1,351	551	318	405	494	562
Change in fair value of investment property	3,467	1,114	97	-	-	-
Administrative expenses	(2,096)	(1,897)	(2,343)	(2,672)	(3,531)	(4,181)
Selling and distribution expenses	(33)	(85)	(558)	(410)	(643)	(616)
Other expenses	(715)	(171)	(38)	(53)	(64)	(70)
<b>Operating profit</b>	<b>7,834</b>	<b>6,868</b>	<b>9,370</b>	<b>12,436</b>	<b>13,940</b>	<b>17,448</b>
Net Finance Income/ (Expense)	(3,863)	(2,596)	(1,717)	(2,377)	(1,939)	(1,793)
Share of results of equity-accounted investees, net of tax	407	33	130	33	33	34
Profit before tax	4,377	4,305	7,784	10,092	12,035	15,689
Income tax (expense) / reversal	(1,941)	2,549	(1,492)	(3,027)	(3,610)	(4,707)
<b>Profit for the period</b>	<b>2,436</b>	<b>6,854</b>	<b>6,291</b>	<b>7,064</b>	<b>8,424</b>	<b>10,982</b>
<b>Equity holders of the parent</b>	<b>2,482</b>	<b>6,861</b>	<b>6,310</b>	<b>7,054</b>	<b>8,414</b>	<b>10,971</b>

<b>Balance Sheet</b>						
<b>As at 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Property, plant and equipment	5,570	6,067	9,114	11,199	13,077	13,272
Investment property	21,308	36,363	36,699	37,901	39,781	41,538
Investment property- work in progress	11,721	2,263	3,802	3,192	2,591	3,256
Other	5,813	9,559	10,102	8,953	7,475	7,448
<b>Total Non Current Assets</b>	<b>44,412</b>	<b>54,252</b>	<b>59,717</b>	<b>61,245</b>	<b>62,924</b>	<b>65,515</b>
Inventories	15,945	20,341	25,194	26,397	29,936	32,883
Trade and other receivables	15,587	15,794	18,807	20,803	22,325	23,733
Other current financial assets	3,220	2,921	3,328	3,864	3,364	3,864
Cash and cash equivalents	696	3,459	2,456	2,654	3,249	4,364
Other	2,855	1,765	477	329	305	305
<b>Total current assets</b>	<b>38,304</b>	<b>44,280</b>	<b>50,262</b>	<b>54,047</b>	<b>59,179</b>	<b>65,150</b>
<b>Total assets</b>	<b>82,716</b>	<b>98,532</b>	<b>109,979</b>	<b>115,293</b>	<b>122,103</b>	<b>130,664</b>
Stated capital	9,000	9,000	9,000	9,000	9,000	9,000
Other components of equity	816	816	816	816	816	816
Retained earnings	19,741	26,018	30,311	36,874	43,049	51,531
Equity attributable to equity holders of the parent	29,557	35,834	40,127	46,690	52,865	61,347
Non-controlling interests	2,415	2,409	2,585	2,689	3,061	3,127
<b>Total equity</b>	<b>31,972</b>	<b>38,243</b>	<b>42,713</b>	<b>49,380</b>	<b>55,926</b>	<b>64,474</b>
Loans and borrowings	12,787	17,030	19,996	20,696	20,196	19,696
Other	3,447	3,932	3,875	3,612	4,296	4,252
<b>Total non-current liabilities</b>	<b>16,233</b>	<b>20,962</b>	<b>23,871</b>	<b>24,307</b>	<b>24,492</b>	<b>23,948</b>
Trade and other payables	28,870	34,061	32,015	35,405	34,667	36,344
Loans and borrowings	3,452	4,228	6,845	5,342	5,471	4,352
Bank overdraft	1,761	202	726	198	202	202
Other	427	836	3,810	661	1,344	1,345
<b>Total current liabilities</b>	<b>34,511</b>	<b>39,327</b>	<b>43,396</b>	<b>41,605</b>	<b>41,684</b>	<b>42,242</b>
<b>Total liabilities</b>	<b>50,744</b>	<b>60,289</b>	<b>67,266</b>	<b>65,913</b>	<b>66,177</b>	<b>66,190</b>
<b>Total equity and liabilities</b>	<b>82,716</b>	<b>98,532</b>	<b>109,979</b>	<b>115,293</b>	<b>122,103</b>	<b>130,664</b>

# ACL CABLES PLC (ACL)



Valuation Metrics	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	30,147	29,196	37,487	44,984	53,981	62,618
EBIT	9,079	4,819	7,466	9,796	12,402	14,250
EBITDA	9,487	5,174	7,819	10,262	12,884	14,752
Earnings to Equity (Rs.'Mn)	5,952	2,858	4,579	6,663	8,255	9,408
EPS (Rs.)	8.28	3.98	6.37	9.27	11.49	13.09
EPS Growth (%)	38%	-52%	60%	45%	24%	14%
P/E (x)	3.31	7.05	6.38	10.90	8.79	7.72
NAVPS (Rs.)	32.70	37.04	42.85	53.09	65.01	73.77
P/B (x)	0.84	0.76	0.95	1.90	1.55	1.37
ROE (%)	25.33%	10.74%	14.87%	17.46%	17.67%	17.75%

# ACL CABLES PLC (ACL)



## Valuation:

Sri Lanka's construction sector faced significant challenges following COVID-19 and the 2022 economic crisis, leading to fewer new projects, funding constraints, and a decline in its GDP contribution from 7.6% in 2022 to 6.2% in 2023. However, improving macroeconomic conditions including easing inflation, lower interest rates, a stronger rupee, and relaxed import restrictions have supported a recovery in construction activity and retail demand. The sector returned to growth with a strong 12.2% expansion in Q3 2025, reinforced by a Construction PMI averaging 60.0 in 2025, signaling renewed confidence. As Sri Lanka's leading cable manufacturer, ACL Cables PLC is well positioned to capitalize on this industry recovery.

ACL currently trades at a P/E multiple of around 8.8x considering a forward EPS of Rs.11.49 for FY27. The company has already recorded a 6-month EPS of Rs.4.3 during FY26, and we expect the company to outperform these results within the next two quarters. As the overall market rerates, we expect the stock to trade a P/E multiple of 12x-14x. Hence, estimating a forward EPS of Rs.11.49 for FY27 at a conservative P/E multiple of 12x, we value the stock to trade at a fair value of Rs.138.00 (37% upside from current prices). We recommend BUY.

## Investment Themes:

### **Revival of the overall construction sector and post Ditwah constructions will spur growth in the medium term**

After facing prolonged difficulties, Sri Lanka's construction sector is beginning to recover, supported by the resumption of previously stalled projects across key segments including government infrastructure, residential developments, and high-rise construction. Despite minimal institutional participation, industry participants remain positive about the sector's medium-term outlook and are anticipating increased activity during the peak construction period, typically spanning from January to August this year.

### **Improvement of sovereign ratings will attract foreign funded projects**

Many foreign-funded projects were suspended or postponed, as investors were cautious and waited for improvements in sovereign credit ratings along with stronger economic and political stability. Going forward, we expect a gradual revival of both foreign-funded developments and locally driven institutional projects. At present, ACL's revenue mix comprises roughly 45% from retail customers and 55% from institutional clients, while operating at around 60% capacity utilization. This places the company in a strong position to accommodate the return of institutional demand from 2026 onwards.

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## **Government's focus on increasing renewable energy generation will increase demand for transmission cables**

As Sri Lanka works toward its goal of sourcing 70% of its electricity from renewable energy by 2030, solar and wind projects are gaining increased importance within the energy sector. Solar power capacity is forecast to expand to 4,659 MW by 2030 and further to 10,739 MW by 2042. This expansion is expected to significantly increase the need for new transmission and distribution infrastructure, positioning the company's transmission wire and cable segment to benefit from the growth in renewable energy. In addition, initiatives by the Ceylon Electricity Board (CEB) to lower transmission losses through network upgrades are likely to further support demand for the company's transmission cables.

## **Strong market share, capability to trade, and widespread distribution network will minimize competition**

A key risk for the company is rising competition following import liberalization and rupee appreciation, which could attract more low-cost foreign products into the market. However, ACL Group is well equipped to manage this risk, supported by its dominant 70% market share, strong brand recognition, and an extensive nationwide distribution network.

<b>Income Statement</b>						
<b>For the year ended 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenue from contracts with customers	30,147	29,196	37,487	44,984	53,981	62,618
Cost of sales	(19,159)	(22,053)	(27,263)	(32,389)	(38,327)	(44,359)
<b>Gross profit</b>	<b>10,988</b>	<b>7,143</b>	<b>10,224</b>	<b>12,596</b>	<b>15,655</b>	<b>18,259</b>
Other income	472	203	206	451	554	574
Distribution costs	(1,444)	(1,520)	(1,784)	(1,943)	(2,200)	(2,568)
Administrative costs	(1,009)	(1,138)	(1,148)	(1,357)	(1,616)	(2,045)
Net impairment reversal on financial assets	72	131	102	116	109	113
<b>Operating profit</b>	<b>9,079</b>	<b>4,819</b>	<b>7,466</b>	<b>9,796</b>	<b>12,402</b>	<b>14,250</b>
Net finance costs	(48)	(278)	444	1,280	1,350	1,440
<b>Profit before income tax</b>	<b>9,165</b>	<b>4,663</b>	<b>7,980</b>	<b>11,198</b>	<b>13,873</b>	<b>15,812</b>
Income tax expense	(2,153)	(1,217)	(2,560)	(3,359)	(4,162)	(4,744)
<b>Profit for the year</b>	<b>7,013</b>	<b>3,446</b>	<b>5,420</b>	<b>7,838</b>	<b>9,711</b>	<b>11,069</b>
<b>Profit attributable to :</b>						
<b>Owners of the company</b>	<b>5,952</b>	<b>2,858</b>	<b>4,579</b>	<b>6,663</b>	<b>8,255</b>	<b>9,408</b>
Non-controlling interests	1,061	587	840	1,176	1,457	1,660

<b>Balance Sheet</b>						
<b>As at 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Property, plant and equipment	5,604	6,239	6,125	7,293	7,943	8,215
Investment properties	1,302	1,743	1,829	2,047	2,663	2,741
Other	2,054	2,015	2,007	2,328	2,315	2,115
<b>Total non-current assets</b>	<b>8,960</b>	<b>9,997</b>	<b>9,961</b>	<b>11,669</b>	<b>12,921</b>	<b>13,071</b>
Inventories	11,720	11,327	12,465	14,094	17,076	19,744
Trade and other receivables	6,498	6,552	7,319	9,797	12,035	15,655
Financial assets at fair value through Profit or Loss	-	1,633	5,957	6,357	7,043	5,957
Cash and cash equivalents	8,933	8,760	7,951	9,759	12,356	14,356
<b>Total current assets</b>	<b>27,151</b>	<b>28,271</b>	<b>33,693</b>	<b>40,008</b>	<b>48,511</b>	<b>55,712</b>
<b>Total assets</b>	<b>36,111</b>	<b>38,268</b>	<b>43,654</b>	<b>51,676</b>	<b>61,433</b>	<b>68,783</b>
Stated capital	299	299	299	299	299	299
Retained earnings	18,749	21,315	25,554	32,833	41,404	47,698
Reserves	4,451	5,010	4,944	5,022	5,022	5,022
<b>Equity attributable to owners of the company</b>	<b>23,500</b>	<b>26,625</b>	<b>30,798</b>	<b>38,155</b>	<b>46,726</b>	<b>53,019</b>
Non-controlling interests	3,958	4,382	5,222	6,105	7,476	8,483
<b>Total equity</b>	<b>27,458</b>	<b>31,007</b>	<b>36,020</b>	<b>44,259</b>	<b>54,202</b>	<b>61,502</b>
Borrowings	706	335	120	95	84	76
Other	1,140	1,532	1,760	1,793	1,693	1,794
<b>Total non current liabilities</b>	<b>1,846</b>	<b>1,867</b>	<b>1,880</b>	<b>1,888</b>	<b>1,777</b>	<b>1,870</b>
Trade and other payables	900	1,729	2,135	2,293	2,769	3,120
Borrowings	3,576	1,569	1,265	1,183	911	747
Other	2,331	2,096	2,354	2,053	1,774	1,544
<b>Total current liabilities</b>	<b>6,807</b>	<b>5,395</b>	<b>5,754</b>	<b>5,529</b>	<b>5,454</b>	<b>5,411</b>
<b>Total equity and liabilities</b>	<b>36,111</b>	<b>38,268</b>	<b>43,654</b>	<b>51,676</b>	<b>61,433</b>	<b>68,783</b>

# TOKYO CEMENT COMPANY (LANKA) PLC



Valuation Metrics	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	56,482	49,824	50,096	57,610	66,828	76,184
EBIT	11,808	4,887	5,401	6,049	7,351	8,761
EBITDA	13,420	6,409	7,099	8,721	10,503	11,537
Earnings to Equity (Rs.'Mn)	4,989	2,419	3,459	3,686	4,663	5,573
EPS (Rs.)	11.31	5.48	7.84	8.36	10.57	12.64
EPS Growth (%)	1420.99	-51.52	43.02	6.56	26.52	19.50
P/E (x)	9.72	20.06	14.02	13.16	10.40	8.71
P/B (x)	2.2	2.3	1.6	1.5	1.3	1.2
ROE (%)	22.6%	11.6%	11.5%	11.3%	12.9%	13.4%

## Valuation:

The cement market has changed substantially over the last decade with local manufacturers decisively taking market share from importers. Manufacturers have also demonstrated the ability to control costs and keep prices in check. Sri Lanka has ample room in increase consumption of cement in proportion to its income and population levels as compared to peer countries. The long-neglected infrastructure needs of the past five years along with the urgent needs now resulting from the cyclone and flooding mean that govt. driven volumes along with private sector driven volumes will drive growth.

At the current market price, TKYO.N and TKYO.X trades at a forward P/E of 10.4x and 8.7x (based on FY27E EPS) and we believe TKYO should trade at a P/E multiple of 11x-12x its FY27E earnings alongside the re-rating of the market, which translates to a fair value of Rs. 127.00 and Rs.108.00 respectively per voting and non-voting share. (+15% and 17% upside from the current price).



## Investment Themes:

### **Improved execution of capital expenditure to drive cement volume growth**

The 2026 budget indicated one of the strongest commitments to the construction sector with approx. LKR.688bn allocated to roads, housing, water systems and public infrastructure. The transport, roads and highway ministry received the largest share with LKR 342bn allocated which suggests that road network development will be the backbone of the construction agenda for 2026. LKR.92bn for major irrigation projects with a special emphasis on the north and east which TKYO has a stronghold and approx. LKR30bn has been allocated for housing which we expect will drive demand during the year. Further LKR.500bn was approved by the parliament to fund recovery efforts following the devastation caused by Cyclone Ditwah with LKR.100bn directed towards rebuilding damages homes and LKR.250bn allocated to restoring critical infrastructure.

### **TKYO well positioned to capture growth in demand**

TKYO has expanded its capacity to 4.0mn MT and recorded capacity utilization of 50% in 2025 with a target set on improving it to 60% in 2026. Volumes grew by 22%, outpacing the industry growth of 16% where total volumes reached 5.3mn MT in 2025. Total market capacity stood at 10.6mn MT with TKYO holding a market share of 32% at present. Month of January has seen strong volume growth with TKYO currently operating in the strongest demand quarter. Local manufactures have exerted its dominance in the cement industry where in which a market share of 48% in 2016 has increased to 86% by 2026.

## **Margin pressure expected to be mitigated by volume growth**

Currently there is heightened competition in the market where a bag of cement is sold below MRPs. Clinker costs have also risen sharply and some logistics related issues like the Red Sea disruptions mean that clinker sources from the Middle East are less competitive due to freight. TKYO continues to invest in its fleet of ships for both clinker as well as to transport finished products from their facilities in Trincomalee to Colombo and the Western Province. The bulk cement market also remains active with volume growth coming from bigger ticket projects. The bag to bulk ratio currently is at 87:13.

<b>Income Statement</b>						
<b>For the year ended 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
<b>Revenue</b>	<b>56,482</b>	<b>49,824</b>	<b>50,096</b>	<b>57,610</b>	<b>66,828</b>	<b>76,184</b>
Cost of Sales	(35,964)	(34,261)	(33,159)	(38,887)	(44,441)	(49,900)
<b>Gross Profit</b>	<b>20,517</b>	<b>15,562</b>	<b>16,937</b>	<b>18,723</b>	<b>22,387</b>	<b>26,283</b>
Other Income	883	530	815	1,152	1,337	1,524
Distribution expenses	(7,235)	(8,040)	(9,032)	(9,794)	(11,695)	(13,713)
Admin expenses	(2,357)	(3,165)	(3,318)	(4,033)	(4,678)	(5,333)
<b>Operating Profit</b>	<b>11,808</b>	<b>4,887</b>	<b>5,401</b>	<b>6,049</b>	<b>7,351</b>	<b>8,761</b>
Net finance cost	(5,036)	(1,439)	(633)	(802)	(923)	(1,021)
<b>Profit before tax</b>	<b>6,772</b>	<b>3,448</b>	<b>4,768</b>	<b>5,247</b>	<b>6,428</b>	<b>7,740</b>
Income tax expense	(1,774)	(1,026)	(1,309)	(1,561)	(1,764)	(2,167)
<b>Profit after tax</b>	<b>4,999</b>	<b>2,422</b>	<b>3,459</b>	<b>3,686</b>	<b>4,663</b>	<b>5,573</b>

<b>Balance Sheet</b>						
<b>As at 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
<b>Non current Assets</b>						
PPE	30,309	34,184	35,755	37,285	39,648	42,206
Other	1,354	1,523	1,641	1,445	1,546	1,670
	<b>31,663</b>	<b>35,707</b>	<b>37,396</b>	<b>38,730</b>	<b>41,194</b>	<b>43,876</b>
<b>Current Assets</b>						
Inventories	8,352	5,685	5,650	7,777	9,333	9,481
Trade and other receivables	5,776	7,009	6,624	6,913	7,351	9,523
Other	1,683	2,232	2,721	5,522	6,507	6,888
	<b>47,475</b>	<b>50,633</b>	<b>52,391</b>	<b>58,942</b>	<b>64,385</b>	<b>69,768</b>
<b>Equity</b>						
Stated capital	4,240	5,527	5,527	5,527	5,527	5,527
Reserves	21,554	21,991	24,491	27,097	30,393	35,930
	<b>25,888</b>	<b>27,615</b>	<b>30,123</b>	<b>32,728</b>	<b>36,024</b>	<b>41,562</b>
<b>Non Current Liabilities</b>						
Borrowings	1,162	4,600	5,388	6,466	6,918	7,264
Other	3,708	4,609	5,329	5,575	6,200	5,708
	<b>4,871</b>	<b>9,209</b>	<b>10,717</b>	<b>12,041</b>	<b>13,118</b>	<b>12,972</b>
<b>Current Liabilities</b>						
Trade and other payables	5,363	17,055	3,658	4,666	5,777	5,988
Borrowings	10,646	8,326	6,862	8,372	8,282	7,961
Other	1,251	789	1,030	1,135	1,184	1,285
	<b>47,475</b>	<b>50,633</b>	<b>52,391</b>	<b>58,942</b>	<b>64,385</b>	<b>69,768</b>

# HAYCARB PLC (HAYC)



Valuation Metrics	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E
Revenue	60,943	43,179	43,202	60,482	69,555	77,901
EBIT	8,274	6,521	5,754	6,441	7,463	8,343
EBITDA	9,173	7,403	6,759	7,955	9,144	10,242
Earnings to Equity (Rs.'Mn)	5,823	3,744	3,597	3,694	4,111	4,601
EPS (Rs.)	19.60	12.60	12.10	12.43	13.84	15.49
EPS Growth (%)	77.13	-35.71	-3.94	2.71	11.30	11.91
P/E (x)	6.38	9.92	10.33	10.05	9.03	8.07
P/B (x)	1.68	1.62	1.40	1.28	1.16	1.05
ROE (%)	28.89	16.62	14.55	13.27	13.45	13.69

# HAYCARB PLC (HAYC)



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## Valuation:

A leading producer of coconut shell based activated carbon with a global market share of 16%, HAYC has been advancing its value-added product portfolio supporting applications across high impact industries such as purification and renewable energy. Global shift towards renewable energy alongside increasingly stringent regulations on air and water pollution and decarbonization efforts presents significant growth opportunities for HAYC.

At the current market price, HAYC trades at a forward P/E of 9.0x (based on FY27E EPS) and we believe HAYC should trade at a P/E multiple of 11x-12x its FY27E earnings alongside the broader re-rating of the market, which translates to a fair value of Rs. 152.00 per share. (+22% upside from the current price).

## Investment Themes:

### **Supply chain diversification efforts to address raw material concerns**

Total production capacity at HAYC reached approx. 57,000 MT at end FY25, with a capacity utilization of 85%. Manufacturing facilities are located in Sri Lanka, Thailand and Indonesia with a further expansion taking place in Philippines with a green field investment (approx. 8mn USD for phase 1) set to commence in 2027 after all approvals are in place. Coconut harvests across all operating countries have declined due to extreme weather and climate conditions with strong export demand for coconut related products further exerting pressure on raw material prices.

# HAYCARB PLC (HAYC)



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## **Increasing contributions from the value-added segment to enhance margins**

At present, value added carbon segment contributes 25% of overall revenues and has seen a steady increase over the past few years. Water purification application accounts to 40% of revenues, followed by gold mining and air & gas at 28% and 15% respectively. With a strategic emphasis on expanding the value-added carbon range for energy storage, Rs.1.23 bn was invested in FY25 to expand the manufacturing capacity to capitalize on the ongoing global shift towards renewable energy storage. HAYC expects to grow the proportion of total revenue derived from value added carbons to 30% in the short term.

## **Gold mining, water and air purification applications to provide consistent demand**

With heightened uncertainty in global markets, gold prices have seen a sharp increase (+98% YoY). HAYC has seen strong demand for products serving the gold mining sector and we anticipate demand for gold to continue to be strong as persistent economic and geopolitical uncertainty drive investors to the safe-haven metal. Increasing concerns and tighter regulations on air and water purification are expected to drive growth in this segment for HAYC.

<b>Income Statement</b>						
<b>For the year ended 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenue	60,943	43,179	43,202	60,482	69,555	77,901
Cost of sales	-46,064	-29,910	-31,139	-46,572	-52,862	-58,426
Gross profit	14,879	13,269	12,062	13,911	16,693	19,475
Selling and distribution expenses	-551	-367	-396	-454	-536	-615
Administrative expenses	-6,255	-6,559	-6,235	-7,258	-9,042	-10,906
<b>Results from operating activities</b>	<b>8,274</b>	<b>6,521</b>	<b>5,754</b>	<b>6,441</b>	<b>7,463</b>	<b>8,343</b>
Net finance income/(cost)	-19	-399	-252	-546	-489	-538
<b>Profit before tax</b>	<b>8,258</b>	<b>6,113</b>	<b>5,517</b>	<b>5,895</b>	<b>6,974</b>	<b>7,805</b>
Tax expense	-1,753	-1,808	-1,246	-1,769	-2,092	-2,342
Profit for the year	6,505	4,306	4,271	4,127	4,882	5,464
<b>Equity holders of the parent</b>	<b>5,823</b>	<b>3,744</b>	<b>3,597</b>	<b>3,694</b>	<b>4,111</b>	<b>4,601</b>

Balance Sheet						
As at 31st March (LKR 'Mn)	2023	2024	2025	2026E	2027E	2028E
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	10,214	10,838	12,724	14,628	15,429	16,349
Right-of-use assets	283	491	1,452	1,506	1,559	1,487
Other	2,311	2,456	3,578	3,806	4,058	4,335
<b>Total non-current assets</b>	<b>12,809</b>	<b>13,786</b>	<b>17,754</b>	<b>19,940</b>	<b>21,047</b>	<b>22,171</b>
<b>Current assets</b>						
Inventories	13,987	11,507	15,156	21,423	24,845	28,045
Trade and other receivables	6,710	6,711	7,077	9,677	11,129	12,464
Cash in hand and at bank	5,073	6,722	4,088	3,476	2,891	3,653
Other	1,613	1,488	1,823	2,307	2,635	3,017
<b>Total current assets</b>	<b>27,382</b>	<b>26,429</b>	<b>28,143</b>	<b>36,883</b>	<b>41,500</b>	<b>47,179</b>
<b>Total assets</b>	<b>40,191</b>	<b>40,214</b>	<b>45,897</b>	<b>56,823</b>	<b>62,546</b>	<b>69,350</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Stated capital	332	332	332	332	332	332
Capital reserves	891	891	1,071	1,071	1,071	1,071
Revenue reserves	20,919	21,682	25,131	27,717	30,595	33,816
<b>Total equity attributable to equity holders of the Company</b>	<b>22,142</b>	<b>22,905</b>	<b>26,534</b>	<b>29,120</b>	<b>31,998</b>	<b>35,218</b>
Non-controlling interest	3,071	2,793	3,143	3,575	4,346	5,209
<b>Total equity</b>	<b>25,213</b>	<b>25,698</b>	<b>29,677</b>	<b>32,695</b>	<b>36,344</b>	<b>40,427</b>
<b>Non-current liabilities</b>						
<b>Total non-current liabilities</b>	<b>1,714</b>	<b>2,600</b>	<b>4,828</b>	<b>4,333</b>	<b>3,931</b>	<b>3,998</b>
<b>Current liabilities</b>						
Trade and other payables	3,704	4,204	3,472	4,536	5,564	6,232
Interest bearing loans and borrowings	6,780	4,122	4,552	11,751	11,133	10,625
Other	2,782	3,591	3,368	3,508	5,574	8,067
<b>Total current liabilities</b>	<b>13,265</b>	<b>11,917</b>	<b>11,392</b>	<b>19,795</b>	<b>22,271</b>	<b>24,924</b>
<b>Total liabilities</b>	<b>14,979</b>	<b>14,516</b>	<b>16,221</b>	<b>24,128</b>	<b>26,202</b>	<b>28,923</b>
<b>Total equity and liabilities</b>	<b>40,191</b>	<b>40,214</b>	<b>45,897</b>	<b>56,823</b>	<b>62,546</b>	<b>69,350</b>

# LANKA MILK FOODS (CWE) PLC (LMF)



Valuation Metrics	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E
Revenue (Rs.Mn)	14,171.50	16,704.03	18,946.81	23,304.57	26,800.26	32,160.31
EBIT (Rs.Mn)	1,172.93	1,766.12	1,407.32	2,703.33	3,376.83	4,213.00
EBITDA (Rs.Mn)	1,533.59	2,163.91	1,803.42	3,121.26	3,812.63	4,671.31
Earnings to Equity (Rs.Mn)	1,189.32	2,215.67	1,005.37	2,729.39	3,334.96	4,142.62
EPS (Rs.)	2.97	5.54	2.51	6.82	8.34	10.36
EPS Growth (%)	11.66	86.30	(54.62)	171.48	22.19	24.22
P/E (x)	23.54	12.64	27.85	10.26	8.40	6.76
NAVPS (Rs.)	36.76	54.52	72.27	98.50	115.82	136.34
P/B (x)	1.90	1.28	0.97	0.71	0.60	0.51
ROE (%)	9.10	12.14	3.96	7.99	7.78	8.21

# LANKA MILK FOODS (CWE) PLC (LMF)



## Valuation & Outlook

With domestic macro-economic indicators recording sustainable improvements, we expect consumer disposable income and overall consumer demand to mirror the gains of the economy with LMF positioned to benefit as consumers shift towards fresh milk from powdered milk. With only 40% of the dairy requirement met through locally produced milk, local dairy industry has ample space to expand with Government authorities providing policy support to uplift the dairy industry.

At the current market price, LMF trades at a forward P/E of 8.40x (based on FY27E EPS) and we believe LMF should trade at a fair P/E multiple of 12x its FY27E earnings due to the high growth potential of the domestic liquid milk industry, which translates to a fair value of Rs. 108.00 per share. (+54% upside from the current price).

## Investment Themes:

### Two-brand strategy to enhance volume growth

LMF recently launched “Suddhi”, a fresh milk brand which uses milk collected from small to medium scale farmers. Ambewela farm currently produces 65,000 liters per day (cf. 50,000 liters in FY25) and collects 25,000 to 30,000 liters from outside farmers. Ambewela brand, which will be positioned as a premium product, will continue to only use fresh milk produced within the facilities while the newly introduced brand will be using milk purchased from farmers. Ambewela fresh milk is expected to continue to see demand from consumers who seek premium quality while “Suddhi” will cater to price-sensitive consumers.

# LANKA MILK FOODS (CWE) PLC (LMF)



## **Exemption of VAT from locally produced dairy products to drive value added segment**

The Govt from April 2025, exempted Value Added Tax (VAT) from locally produced liquid milk and yogurt. While this has supported growth in fresh milk volumes, Yogurt has seen a substantial gain from this policy shift with LMF's current sales volumes reaching 6 to 6.3 million cups a month, surpassing pre-crisis highs of 4.5-4.7 million cups a month. Improved distribution capabilities of LMF over the past two years have also supported this strong volume growth with product availability seen a vast improvement throughout the country.

## **Continuous strong demand for fresh milk products despite disruptions from cyclone Ditwah**

According to our channel checks, disruptions from the natural disaster have resulted in the supply of farm milk declining by 20% from small to medium scale producers. We anticipate this will result in price increases in the short term as restoration of this supply will take 12-15 months as heifers development process to milking cows typically takes such a period. Demand for fresh milk has remained robust despite the natural disaster taking a toll on livelihoods with the local dairy industry unable to cater to the strong demand at present.



<b>Income Statement</b>						
<b>For the year ended 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenue	14,172	16,704	18,947	23,305	26,800	32,160
Cost of Sales	(12,393)	(14,040)	(16,118)	(18,527)	(21,038)	(25,085)
<b>Gross Profit</b>	<b>1,779</b>	<b>2,664</b>	<b>2,829</b>	<b>4,777</b>	<b>5,762</b>	<b>7,075</b>
Other Operating Income	1,039	1,454	1,032	932	1,072	1,286
Administrative Expenses	(1,032)	(1,221)	(1,199)	(1,515)	(1,742)	(2,090)
Distribution Expenses	-515	-773	-1,090	-1,258	-1,447	-1,737
Other Operating Expenses	-98	-358	-165	-233	-268	-322
<b>Profit from Operations</b>	<b>1,173</b>	<b>1,766</b>	<b>1,407</b>	<b>2,703</b>	<b>3,377</b>	<b>4,213</b>
Net Finance Expense	89	527	739	639	749	942
<b>Profit Before Taxation</b>	<b>1,262</b>	<b>2,293</b>	<b>2,146</b>	<b>3,343</b>	<b>4,126</b>	<b>5,155</b>
Income Tax Expense	-73	-78	-1,142	-614	-791	-1,013
<b>Profit for the Year</b>	<b>1,189</b>	<b>2,216</b>	<b>1,005</b>	<b>2,729</b>	<b>3,335</b>	<b>4,142</b>

## Balance Sheet

As at 31st March (LKR 'Mn)	2023	2024	2025	2026E	2027E	2028E
<b>Non Current Assets</b>						
Property, Plant and Equipment	5,231	5,553	5,564	5,697	5,825	6,062
Others	11,751	17,945	25,923	33,455	38,641	44,042
<b>Total Non Current Assets</b>	<b>16,982</b>	<b>23,498</b>	<b>31,487</b>	<b>39,152</b>	<b>44,465</b>	<b>50,104</b>
<b>Current Assets</b>						
Inventories	2,787	3,502	4,327	5,466	6,311	7,526
Others	1,357	2,772	2,463	3,071	4,207	6,045
<b>Total Current Assets</b>	<b>4,144</b>	<b>6,274</b>	<b>6,789</b>	<b>8,537</b>	<b>10,519</b>	<b>13,570</b>
<b>Total Assets</b>	<b>21,126</b>	<b>29,772</b>	<b>38,276</b>	<b>47,688</b>	<b>54,984</b>	<b>63,674</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>						
FVTOCI Reserve	8,647	14,002	20,351	28,797	33,222	38,323
Revenue Reserves	4,952	6,700	7,450	9,497	11,998	15,105
<b>Total Equity attributable to Equity Holders</b>	<b>14,705</b>	<b>21,807</b>	<b>28,906</b>	<b>39,399</b>	<b>46,325</b>	<b>54,533</b>
<b>Total Equity</b>	<b>14,704</b>	<b>21,806</b>	<b>28,905</b>	<b>39,398</b>	<b>46,324</b>	<b>54,531</b>
<b>Non Current Liabilities</b>						
Loans and Borrowings	2,156	1,781	1,406	1,041	1,166	1,136
Others	778	810	3,257	2,714	2,858	2,940
<b>Total Non Current Liabilities</b>	<b>2,934</b>	<b>2,591</b>	<b>4,663</b>	<b>3,755</b>	<b>4,024</b>	<b>4,077</b>
<b>Current Liabilities</b>						
Trade and Other Payables	831	1,138	1,423	1,556	1,767	2,107
Others	2,657	4,237	3,285	2,980	2,870	2,959
<b>Total Current Liabilities</b>	<b>3,488</b>	<b>5,375</b>	<b>4,708</b>	<b>4,536</b>	<b>4,637</b>	<b>5,066</b>
<b>Total Liabilities</b>	<b>6,422</b>	<b>7,966</b>	<b>9,371</b>	<b>8,291</b>	<b>8,661</b>	<b>9,143</b>
<b>Total Equity and Liabilities</b>	<b>21,126</b>	<b>29,772</b>	<b>38,276</b>	<b>47,688</b>	<b>54,984</b>	<b>63,674</b>

# Hemas Holdings PLC (HHL)



Valuation Metrics	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E
Revenue (Rs.'Mn)	113,939.57	121,613.77	117,970.17	130,784.83	147,893.04	164,717.90
EBIT	10,963.15	11,920.98	13,706.63	15,195.53	18,328.00	20,742.50
EBITDA	12,259.47	13,325.65	15,364.64	17,057.43	20,365.78	22,933.68
Earnings to Equity (Rs.'Mn)	4,268.86	6,108.52	8,056.96	9,995.78	11,544.76	13,458.51
EPS (Rs.)	1.43	2.05	2.70	3.35	3.87	4.51
EPS Growth (%)	0.56	42.83	31.90	24.06	15.50	16.58
P/E (x)	24.16	16.92	12.83	10.34	8.95	7.68
Dividend per share (Rs.)	0.47	0.47	0.80	0.99	1.15	1.34
Dividend Yield (%)	1.49	1.49	2.53	3.14	3.63	4.23
NAVPS (Rs.)	12.88	14.56	16.67	19.40	22.39	25.87
P/B (x)	2.69	2.38	2.08	1.78	1.55	1.34
ROE (%)	11.12	14.06	16.19	17.25	17.26	17.42

# Hemas Holdings PLC (HHL)



## Valuation & Outlook

Hemas Holdings PLC continues to deliver resilient earnings momentum amidst a recovering consumer and operating environment, with H1 FY26 delivering revenue of Rs. 60.8Bn (+11.8% YoY) and earnings of approx. Rs. 3.3Bn (+32.5% YoY). Notably, Q2 performance reflected sustained operating margin delivery and a structurally lower interest burden, reinforcing the quality of earnings recovery and supporting an improving earnings trajectory into the second half.

We continue to view Hemas as a high-quality compounder in the Sri Lankan market with a clear re-rating pathway. The near-term outlook reflects resilient earnings with only limited disruption from Ditwah, while medium-term prospects such as healthcare mix improvement and capacity expansion, a consumer recovery evolving into a growth cycle, and meaningful international optionality via Bangladesh and the Kenya platform are expected to offer significant value addition.

At the current market price, HHL trades at forward P/E of 10.3x (based on FY26E EPS), well below its intrinsic potential. We believe HHL should at least trade at a P/E multiple of 15x its FY26E earnings (a multiple HHL has traded at historically despite lower ROE levels than those recorded currently), which translates to a fair value of approx. Rs. 50.00 per share. We recommend a Buy.

## **Cyclone Ditwah – Contained Impact, Recovery Dynamic Intact**

Cyclone Ditwah created a short-term operational shock in November, with the clearest impact felt through consumer distribution and retail execution in the affected province. However, we believe the disruption was largely temporary, lost sales were substantially recovered through December restocking, and key operating facilities and service centers were not materially disrupted. While an estimated 5,000 retail outlets faced dislocation (including inventory losses and reduced trading days), the subsequent recovery in essentials demand and the inevitable replenishment cycle appear to have offset a meaningful portion of the initial decline. Thus, although we expect a softer performance in Q3 on a YoY basis, on a full-year basis, we view Ditwah as more of a *temporary shock* than a structural earnings impairment, with normalisation expected as supply chains and GT networks stabilise.

## **Healthcare – Medium-Term Profitability Shift**

underpinned by structural demand trends (ageing demographics, rising non-communicable diseases, and growing preference for private healthcare), the medium-term proposition is defined by two catalysts, Morison's expanding branded/manufactured portfolio (higher margin than distribution) and the Thalawathugoda capacity and tertiary-care upgrade. The Thalawathugoda expansion programme, anchored around higher-acuity specialties (cardiology/neurology/nephrology) and improved inpatient conversion should lift average revenue per occupied bed and margin quality as capacity constraints ease. We expect contributions from new healthcare capacity to emerge into FY28 as commissioning milestones are met.

# Hemas Holdings PLC (HHL)



From a regulatory standpoint, we see manageable risk in FY26 from pharmaceutical price controls. Implementation has been gradual, and near-term impact appears muted. Additionally, current state procurement mechanisms have normalised in a way that supports local manufacturer participation without creating abrupt volume shocks whilst longer term procurement mechanisms are yet to be defined.

## **Consumer Brands – Transitioning to Growth**

In the first half of FY26, both revenue and earnings of the Consumer Brands segment improved, supported by stronger execution and a more favourable product mix. Continued premiumisation across selected personal and home care brands positions the segment to benefit from a gradual recovery in consumer spending as inflation moderates and real incomes improve. Additionally, a notable opportunity sits within Home Care (estimated at ~20% of Consumer), where the relaunch strategy aims to regain lost market share over the next 12 months through tighter brand architecture and improved proposition rather than aggressive discounting. If execution delivers targeted share recapture, the segment can contribute meaningfully to double-digit consumer growth.

Bangladesh, while operating amid political noise, is increasingly contributing as the portfolio expands into value-added segments and new categories. Growth off a smaller base is structurally higher than Sri Lanka, aided by premiumisation and a more localised product development approach. This international mix reduces concentration risk and supports the sustainability of consolidated earnings growth.

# Hemas Holdings PLC (HHL)



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## **Learning – expansion in geographical presence via Kenya Acquisition**

HHL's Kenya acquisition is progressing toward expected completion around March/April, subject to final approvals and customary conditions. Our view is that the transaction should be earnings-accretive from the point of consolidation given it is an operating business with cash generation characteristics. The more nuanced investment consideration is capital recycling: while economic cash generation is expected to be immediate, cash extraction and upstreaming is likely to be structured efficiently (potentially via debt mechanisms), suggesting the full visibility of cash returns may be clearer from the second financial year post-acquisition. Strategically, Kenya deepens the regional footprint and broadens the runway for category expansion beyond South Asia, an important ingredient for sustaining mid-teens earnings growth without relying solely on domestic cycles.

<b>Income Statement</b>						
<b>For the year ended 31st March (LKR 'Mn)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
<b>Revenue</b>	<b>113,940</b>	<b>121,614</b>	<b>117,970</b>	<b>130,785</b>	<b>147,893</b>	<b>164,718</b>
Cost of Sales	(82,147)	(85,617)	(80,897)	(89,684)	(100,271)	(111,349)
<b>Gross Profit</b>	<b>31,793</b>	<b>35,997</b>	<b>37,073</b>	<b>41,100</b>	<b>47,622</b>	<b>53,369</b>
Other Income	720	754	1,092	1,211	1,369	1,525
Distribution expenses	(8,268)	(9,344)	(9,675)	(10,726)	(12,130)	(13,510)
Admin expenses	(12,881)	(15,580)	(15,235)	(16,890)	(19,100)	(21,272)
<b>Operating Profit</b>	<b>6,783</b>	<b>10,963</b>	<b>11,921</b>	<b>13,707</b>	<b>15,196</b>	<b>18,328</b>
Net finance cost	(3,198)	(2,453)	(978)	(417)	(1,259)	(844)
<b>Profit before tax</b>	<b>7,765</b>	<b>9,468</b>	<b>12,729</b>	<b>14,779</b>	<b>17,069</b>	<b>19,899</b>
Income tax expense	(2,696)	(3,113)	(4,390)	(4,434)	(5,121)	(5,970)
<b>Profit after tax</b>	<b>5,069</b>	<b>6,355</b>	<b>8,339</b>	<b>10,345</b>	<b>11,948</b>	<b>13,929</b>
Minority	800	246	282	349	404	471
<b>Earning to equity</b>	<b>4,269</b>	<b>6,109</b>	<b>8,057</b>	<b>9,996</b>	<b>11,545</b>	<b>13,459</b>

## Balance Sheet

As at 31st March (LKR 'Mn)	2023	2024	2025	2026E	2027E	2028E
<b>Non current Assets</b>						
PPE	19,913	20,052	24,397	27,661	30,273	32,360
Other	7,710	10,827	12,188	13,598	14,900	16,214
	<b>27,623</b>	<b>30,880</b>	<b>36,585</b>	<b>41,259</b>	<b>45,173</b>	<b>48,574</b>
<b>Current Assets</b>						
Inventories	28,602	22,775	21,183	23,318	27,274	31,178
Trade and other receivables	25,456	26,299	25,971	27,465	32,536	37,885
Other	486	547	500	520	546	572
Cash and equivalents	16,331	13,223	12,579	15,806	25,615	28,091
	<b>98,498</b>	<b>93,723</b>	<b>96,817</b>	<b>108,367</b>	<b>131,144</b>	<b>146,301</b>
<b>Equity</b>						
Stated capital	7,776	7,784	7,824	7,824	7,824	7,824
Retained Earnings	23,968	28,044	33,409	40,441	48,562	58,030
Other	6,661	7,604	8,547	9,684	10,488	11,416
Equity Attributable to Equity Holders of the Parent	38,405	43,432	49,780	57,949	66,874	77,270
NCI	716	688	540	890	1,293	1,764
	<b>39,120</b>	<b>44,120</b>	<b>50,320</b>	<b>58,839</b>	<b>68,167</b>	<b>79,034</b>
<b>Non Current Liabilities</b>						
Interest Bearing Loans and Borrowings	5,449	5,408	4,617	4,792	10,410	10,408
Other	4,376	4,562	5,311	5,439	6,115	6,779
<b>Current Liabilities</b>						
Trade and other payables	29,626	30,848	31,940	34,080	37,100	40,086
Borrowings	11,739	5,887	2,939	3,050	6,627	6,626
Other	8,187	2,899	1,758	2,236	2,794	3,436
<b>Total liabilities and equity</b>	<b>98,498</b>	<b>93,723</b>	<b>96,886</b>	<b>108,436</b>	<b>131,213</b>	<b>146,369</b>

# John Keells Holdings PLC (JKH)



Valuation Metrics	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E
Revenue (Rs. mn)	276,640	287,751	317,378	527,250	632,700	727,605
Recurring EBITDA (Rs. Mn)	45,740	43,796	45,689	71,179	91,735	112,779
-EBITDA minus City of Dreams	45,740	44,859	50,432	63,468	80,721	98,792
Earnings to equity (Rs.)	18,173	11,248	5,326	14,051	31,771	45,107
EPS (Rs.)	1.03	0.64	0.30	0.79	1.80	2.55
EPS growth (%)	(10.1)	(38.1)	(52.6)	125.5	156.2	23.8
PE ratio (x)	22.4	36.2	76.4	29.0	12.8	9.0
P/B (x)	1.19	1.14	1.12	1.09	1.03	0.95
DPS Rs.	0.16	0.15	0.15	0.20	0.50	0.75
NAV/Share	19.30	20.26	20.50	21.04	22.44	24.16
ROE %	5.33	3.14	1.47	3.23	7.76	8.93

# John Keells Holdings PLC (JKH)



John Keells Holdings (JKH) delivered a robust performance for 3Q of FY26, characterized by a substantial acceleration in earnings and the successful scaling of its long-term infrastructure and integrated resort projects. Net earnings for the quarter improved sharply by 128%, reaching Rs. 6.48 billion. On a cumulative basis, Group EBITDA for the first nine months stands at Rs. 55.10 billion, an 84% year-on-year increase. This growth is underpinned by significant operational milestones in the Transportation, Retail, and Leisure sectors.

**Transportation and Infrastructure** The Transportation segment remains a primary growth engine. The West Container Terminal (WCT) has reported a positive Profit After Tax (PAT) with capacity utilization already at 90%. Complementing this, Lanka Marine Services (LMS) recorded its highest-ever quarterly bunkering volumes, marking a 43% increase compared to the previous year. This volume growth was accompanied by a notable improvement in margins, reflecting strong demand and operational efficiency in the Colombo port. WCT Stage 2 is due completion by Dec 2026.

**Retail and Consumer Foods** The Retail sector continues to demonstrate resilience and growth. The supermarket business achieved a 15% growth in same-store sales, primarily driven by a 13% increase in customer footfall. Despite the ongoing customs dispute the BYD vehicle distributorship (JKCG) has successfully delivered 7,900 units to date and maintains a healthy order pipeline of 3,900 vehicles. BYD's luxury brand Denza had a promising start and new vehicles in BYD's lineup will keep getting introduced.

In the Consumer Foods segment, the Beverages category reported a 17% volume growth with improved margins. Conversely, while the Confectionery segment saw volume growth, EBITDA margins were compressed due to a lower proportion of sales in the higher-margin impulse segment which we believe is largely due to the adverse weather conditions seen in the quarter.

# John Keells Holdings PLC (JKH)



**Leisure and Integrated Resorts** A landmark achievement this quarter was the "Cinnamon Life City of Dreams" (CoD) recording a positive EBITDA of Rs. 1.43 billion for the first time since commencing operations. Even excluding fair value (FV) gains on investment property of Rs. 606 million, the underlying operational improvement is approximately Rs. 2.4 billion compared to the negative Rs. 1.57 billion reported in Q3 last year.

In the broader Leisure sector, Sri Lankan Resorts saw profitability driven by increased occupancy and higher room rates across all properties. The Colombo Hotels segment also benefited from higher occupancies, although the entry of new supply in the market led to a decrease in average room rates, which partially offset profit gains. In the Maldives, EBITDA declined marginally in USD terms due to increased maintenance and repair costs, though this was mitigated in LKR terms by the translation impact of currency depreciation.

**Property and Real Estate:** The Cinnamon Life office complex is now 100% occupied, and cumulative apartment sales at Cinnamon Life have reached 319 units. The quarter's net earnings were further bolstered by fair value gains on investment properties and net exchange losses, which together provided a net positive impact of Rs. 1.45 billion. The Group's next significant real estate project will be the Vauxhall Street property.

**Financial Services** Nations Trust Bank (NTB) remains a standout performer with some of the highest ROEs within the financial services vertical, growing its loan book while benefiting from reduced impairment charges. A significant strategic milestone was reached with CBSL approval for the acquisition of HSBC Sri Lanka's retail banking business, which is expected to enhance the bank's market share significantly. Union Assurance PLC (UAL) continued to grow GWP, though interest income was impacted by the bancassurance investment related to the Sampath Bank partnership.

The Q3 results confirm that JKH's large-scale capital investments—WCT and City of Dreams—are transitioning from the gestation phase to the contribution phase. With a net debt-to-equity ratio maintained at a comfortable 32% the company is well-positioned for next few years to deliver significant earnings growth. The primary focus for the upcoming quarters will be the variable rental revenue triggers from the gaming operations at City of Dreams and the completion of Phase 2 of the West Container Terminal.

## JKSB Recommendations

Ticker	Company	Current Price (Rs.)	Fair Value (Rs.)	Upside (%)
<b>Report - Equity Market Outlook 2026 (Jan)</b>				
<b>JINS</b>	Janashakthi Insurance PLC	130.25	166.00	27.4
<b>HHL</b>	Hemas Holdings PLC	34.60	50.25	45.2
<b>LMF</b>	Lanka Milk Foods PLC	69.40	108.00	55.6
<b>AEL</b>	Access Engineering PLC	71.60	92.00	28.5
<b>HAYC</b>	Haycarb PLC	125.00	152.00	21.6
<b>TKYO</b>	Tokyo Cement PLC	110.00	127.00	15.5
<b>ACL</b>	ACL Cables PLC	101.00	137.88	36.5
<b>JKH</b>	John Keells Holdings PLC*	22.70		
<i>*We do not publish a recommendation on JKH although we publish earnings estimates</i>				
<b>Report - Equity Market Outlook 2025 (Sep)</b>				
<b>COMB</b>	Commercial Bank of Ceylon PLC	227.00	280.00	23.3
<b>HNB</b>	Hatton National Bank PLC	426.25	524.00	22.9
<b>CFIN</b>	Central Finance PLC	283.00	464.00	64.0
<b>PLC</b>	People's Leasing and Finance PLC	25.80	32.00	24.0
<b>AHUN</b>	Aitken Spence Hotel Holdings PLC	114.25	129.00	12.9
<b>DIAL</b>	Dialog Axiata PLC	32.70	33.00	0.9
<b>MELS</b>	Melstacorp PLC	184.25	202.00	9.6

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