

**BAIRAHA FARMS PLC | BFL.N**
**FOOD BEVERAGE & TOBACCO (GICS) | SRI LANKA | CSE**
**Report date: 04.05.2026**
**“Transforming with Volume and Value”**

BFL.N is one of Sri Lanka’s leading integrated poultry producers, with operations spanning the entire value chain from feed production and breeding to processing and value-added products. The Group is strategically transitioning toward higher-margin processed poultry and export markets, supported by evolving consumer preferences, positioning BFL to enhance earnings resilience and capture long-term growth opportunities. Given these growth prospects, we initiate coverage at a time when the share is trading at an attractive discount to its fair value, providing an upside of 37.28%. **BUY**

**BFL’s cold storage investment reduces earnings volatility and supports margin stability:** BFL has enhanced earnings resilience through a 500MT cold storage facility (~USD 1Mn investment), enabling better management of price volatility and perishability in broiler meat. By extending shelf life, the company can optimize sales timing, reduce forced sales during oversupply, and improve margin realization. The facility also supports efficient working capital management through FIFO systems, QR-based traceability, and reduced wastage, while mechanization improves throughput. Overall, this strengthens BFL’s vertically integrated model and supports a more stable, margin-accretive earnings profile.

**BFL’s fully vertically integrated poultry value chain enhances margin stability and earnings resilience by enabling end-to-end control over costs, production, and market exposure:** BFL operates a fully vertically integrated poultry value chain spanning feed production, breeding, hatchery, broiler farming, processing, value-added products, and exports, enabling end-to-end control over costs, quality, and supply dynamics. Upstream integration through feed milling and breeding operations secures critical inputs and stabilize margins, while midstream capabilities, including DOC production, commercial farms, and an out-grower network, provide scalable and cost-efficient production flexibility. Downstream expansion into value-added processing enhances margins and reduces exposure to commodity price volatility, supported by a diversified distribution footprint. The Group’s export-oriented subsidiaries further strengthen earnings by accessing higher-margin international markets and generating FX income. Overall, this integrated structure allows BFL to capture value across multiple stages of the chain, mitigating cyclical risks and supporting a more resilient and stable earnings profile.

**BFL’s strategic shift toward value-added products and exports enhances margin expansion, reduces domestic cyclicality, and strengthens earnings resilience:** BFL is transitioning from a commodity-driven poultry producer to a value-added and export-oriented protein player, aimed at driving structural margin expansion and earnings diversification amid a cyclical domestic market. The Group is scaling its value-added segment through

# BUY

**BFL.N**

Current price	LKR 87.70
Fair value	LKR 120.39 (+37.28%)

**Key data**
**Historical returns**

1-year capital gain	147.58%
1-year dividend yield	6.12%
1-year total return	153.70%
Beta	1.63
1-year high	98.10
1-year low	32.40

**Valuation multiples**

PE ratio	10.09x
PBV ratio	1.21x

**Per share data**

EPS (TTM)(LKR)	8.69
NAVPS (Dec 25) (LKR)	72.73
DPS (2025)	5.00

**Shareholding details (31st Dec 2025)**

Total no. of ordinary shares (000s)	88,000
MCAP (LKR Bn)	4.68
% held by public	63.74%

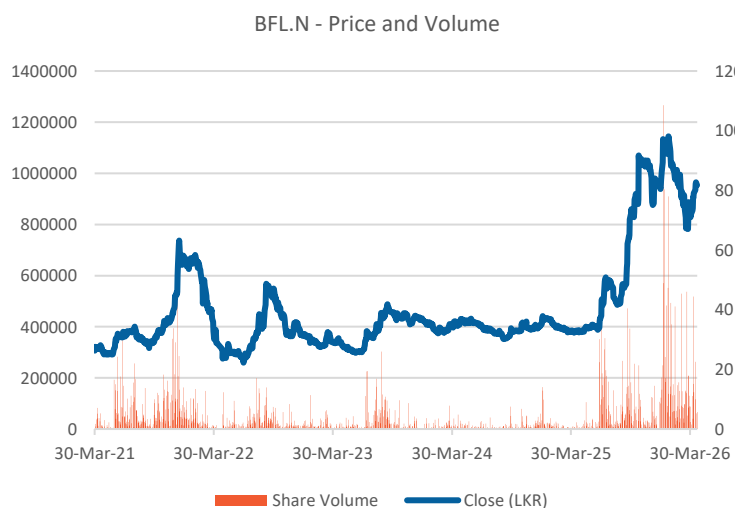
**Top 05 shareholders**

Mr. M N M Yakooth	10.64%
Mr. M N M Mubarak	10.38%
Mr. M N M Kamil	10.02%
Mrs. F S Imran	5.50%
Mr. M Y M Riyal	5.15%

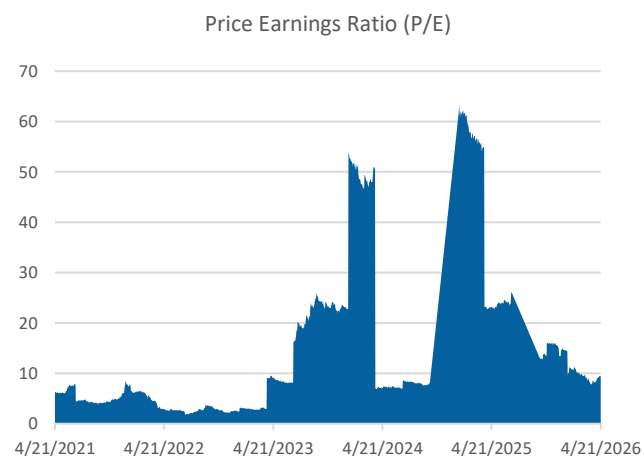
processed and pre-cooked products, enhancing pricing power, demand visibility, and revenue quality, while building stronger customer stickiness across modern trade and food service channels. Concurrently, BFL is expanding its export footprint via dedicated subsidiaries, enabling access to higher-margin international markets and generating foreign currency earnings. This strategic shift is supported by favorable consumption trends, including urbanization, rising incomes, and increasing demand for processed meat, which offers higher income elasticity and pricing premiums. Overall, the combined focus on value addition and exports reduces reliance on volatile domestic markets and strengthens earnings resilience over the medium term.

**Valuation upside:** The estimated weighted average fair value of BFL.N is LKR 120.39 for FY27E. The valuation provides a potential upside of 37.28% based on the current market price, indicating an attractive investment proposition for investors. The valuation strategy encompasses a combination of DCF and relative valuation methodologies to determine the stocks' intrinsic values, considering both fundamental value and market sentiment.

Key financials (LKR Mn)	FY23	FY24	FY25	FY26F	FY27F	FY28F
Revenue	11,868	13,291	13,916	15,586	17,456	19,726
Gross profit	1,601	2,156	1,733	2,805	3,491	3,945
Operating profit	367	559	105	1,047	1,516	1,705
PAT attributable to equity holders	283	436	125	810	1,182	1,369
EPS (LKR)	3.22	4.95	1.42	9.20	13.43	15.56
NAVPS (LKR)	59.18	66.01	66.44	71.10	76.35	84.52
Revenue growth	76.03%	11.99%	4.70%	12.00%	12.00%	13.00%
Profit growth	-63.05%	54.06%	-71.33%	547.60%	46.04%	15.82%
Net margin	2.38%	3.28%	0.88%	5.19%	6.77%	6.94%
ROE	5.43%	7.51%	2.14%	12.94%	17.60%	18.41%
ROA	3.32%	4.60%	1.27%	7.44%	10.20%	10.78%



Sources: CSE



Sources: Bloomberg

Note: The Sub-division of Ordinary Shares in the ratio of one (1) share into five (5) Ordinary Shares was completed, which shareholders approved on 17<sup>th</sup> December 2025.

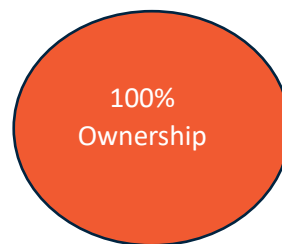
1. Company description

Established in 1975, Bairaha Farms PLC (BFL) is a pioneer and one of Sri Lanka’s leading integrated poultry producers, with nearly five decades of industry experience in delivering high-quality chicken products. Listed on the Colombo Stock Exchange, the Company operates across the full poultry value chain, encompassing breeding, hatchery operations, broiler farming, processing, and distribution, alongside an expanding portfolio of value-added and pre-cooked meat products.

BFL operates through a vertically integrated business model, supported by its network of subsidiaries and joint ventures, including breeder farms, hatcheries, feed milling operations, and processing facilities. This end-to-end integration enables BFL to maintain strict quality control, supply chain efficiency, and product consistency, while also collaborating with an extensive out-grower farmer network to scale production and support rural livelihoods.

BFL has established a strong consumer franchise and brand presence in Sri Lanka, supplying fresh chicken, broiler day-old chicks, and a diversified range of processed and ready-to-eat meat products across modern trade, general trade, food service, and export markets. The Company has also strengthened its forward integration into value-added segments, recognizing processed and branded poultry products as a key driver of margin expansion and long-term growth.

For 9M26, BFL delivered a strong earnings recovery, with revenue increasing to LKR 11.52Bn, up ~15% YoY, driven by improved pricing dynamics and recovery in demand across broiler and processed segments. Gross profit rose sharply to LKR 1.89Bn, with margins expanding to ~16.4% (vs. ~11.5% in 9M25), reflecting easing input cost pressures and improved operating leverage. Operating performance improved meaningfully, with PBT reaching LKR 498.6Mn (vs. a loss of LKR 263.4Mn in 9M25), supported by strong topline growth, margin expansion, and lower finance costs (down ~23% YoY). Despite a decline in share of profits from joint ventures (-29% YoY), overall profitability remained robust, with profit attributable to equity holders rising to LKR 640.1Mn. Earnings per share correspondingly increased to LKR 7.27, highlighting a significant turnaround in earnings trajectory. From a balance sheet perspective, the Company strengthened its financial position, with total equity increasing to LKR 6.39Bn (vs. LKR 5.84Bn as at FY25), supported by earnings accretion. Net asset value per share improved to LKR 72.73, reflecting enhanced shareholder value creation. Liquidity remained adequate, with cash and bank balances of LKR 410.7Mn, while total current assets stood at LKR 3.94Bn against current liabilities of LKR 3.07Bn, indicating a moderate but stable working capital position. Meanwhile, total assets expanded to LKR 10.59Bn, driven by continued investments in property, plant, and equipment, including capacity expansion initiatives.



**Bairaha Foods (PVT) Ltd.**

Specializes in crafting a diverse range of value added, pre-cooked meat products.

**Bairaha Trading (PVT) Ltd.**

Established to import and sell products needed by the poultry industry.

**BF Lands Development Ltd**

**Lanka Land Development Ltd**

**HCF Land Development Ltd**

Provide support services to the Group by leasing agricultural lands for setting-up poultry projects.

**Siyane Farms Ltd**

Breeding poultry for the production of broiler day-old chicks

**Nature’s Best Industry Ltd**

Operates a state-of-the-art broiler farm as a BOI-approved entity

**Hill Country Farms Ltd**

Manages breeder farms and a hatchery for the production of broiler day-old chicks

**Bairaha International FZCO**

A UAE-registered free zone company specializing in the export of chicken products to global markets.

**Global Reach Foods Pvt Ltd.**

An export-oriented company engaged in the production and export of certain meat-based niche products.

Sources: Company Reports

With a legacy anchored in vertical integration, brand strength, and continuous product innovation, Bairaha remains strategically positioned to capitalize on Sri Lanka’s growing protein consumption and increasing demand for value-added poultry products. However, earnings remain inherently exposed to feed cost volatility, supply-demand imbalances, and regulatory dynamics, underscoring the importance of its ongoing strategic shift toward higher-margin, branded, and export-oriented segments.

2. Industry Overview

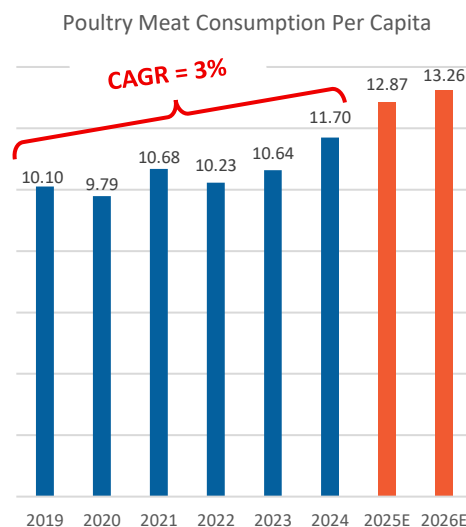
**Meat Consumption**

Per capita meat consumption in Sri Lanka has increased significantly over the long term, rising from approximately 100g in the 1980s to 11.7kg by 2024, reflecting a structural shift in dietary patterns. An annual growth was observed between 2014–2018 (~10% CAGR), followed by a temporary contraction in 2022, driven by the economic crisis, before normalizing in 2023. This trend underscores the strong correlation between meat consumption and household affordability, which remains a key demand driver.

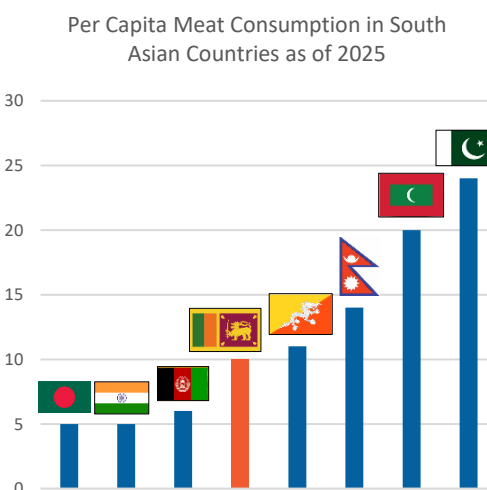
Sri Lanka’s median household income has increased materially from LKR 1,322 in 1980 to LKR 53,333 by 2019, supporting long-term consumption growth. However, the 2022 economic crisis, marked by inflation exceeding 70%, significantly eroded purchasing power, leading to a shift toward lower-cost protein substitutes. In a regional context, Sri Lanka’s poultry consumption remains relatively low compared to South Asian peers, primarily due to comparatively lower income levels. As macroeconomic conditions stabilize, improving household purchasing power is expected to drive a gradual transition away from inferior protein sources such as canned fish, which currently records consumption of ~200,000 cans per day, toward higher-quality, protein-rich meat products.

This transition reflects a broader behavioral shift from survival-driven consumption during the crisis period to nutrition-focused consumption during the recovery phase. As income levels recover and living standards improve, consumers are increasingly prioritizing protein intake and dietary quality, supporting structural growth in the meat industry.

In addition, the recovery in tourism has emerged as a key demand-side catalyst. Tourist arrivals increased by 15.1% YoY to 2.36 Mn in 2025, with continued momentum into February 2026 (+16.2% YoY to 279,328 arrivals). The resurgence in tourism has materially supported the hospitality sector, which exhibits significantly higher per capita meat consumption compared to domestic households. Tourists tend to consume a disproportionately higher share of poultry and processed meat products through hotels, restaurants, and catering channels, thereby creating a multiplier effect on meat demand. Consequently, incremental tourist inflows are reinforcing



Sources: DAPH – Livestock Statistical Bulletin, Ambeon Estimates



Sources: HelgiLibrary.com



Sources: SLTDA

volume growth and accelerating the shift toward value-added meat consumption, complementing the recovery in domestic demand.

**Volatile demand and supply situation**

The Sri Lankan poultry industry recorded a strong expansion in 2025, with day-old chick (DOC) production increasing by ~11.8% YoY, supporting a total chicken meat output of ~291,650 MT (+~13% YoY). However, industry supply dynamics remained uneven throughout the year. During the first quarter there was an oversupply situation with DOC production per month averaging over 17.5 Mn. Thus, the further exuberating the oversupply situation and low prices and margins during the year 2024. However, during the mid-year period, output was constrained by lower broiler weights, primarily due to poor feed quality linked to suboptimal locally sourced maize, as well as a slowdown in parent stock replenishment. This resulted in a temporary tightening of supply, which supported a rise in market prices during this phase.

In contrast, the latter part of the year saw a sharp increase in DOC placements, averaging ~17.5 million chicks per month, leading to a lagged surge in finished broiler supply. This created an oversupply situation, resulting in a decline in chicken prices and margin pressure across the industry. However, during the month of December, the country was impacted by the cyclone Ditwah. The flooding in the northwestern region of the country where the poultry farming remaining largely concentrated, has been likely to be experience a loss of birds, destruction of feed stock, and collapse of DOC supply, as the farmers are unable to place new chicks. Similarly, supply chain disruptions such as floods resulted in order cancellations and temporary situations resulting in a sharp decline in the prices.

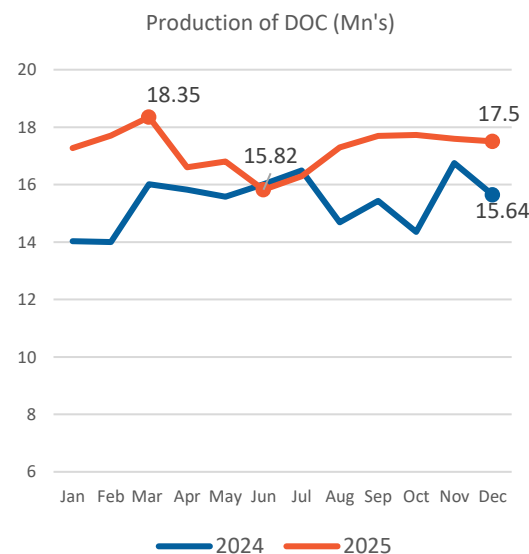
It is estimated that between 400,000 and 500,000 birds were lost during the disaster but noted that these losses had been absorbed by the existing surplus, preventing immediate shortages or price increases.

However, large commercial producers would experience paradoxical benefits during the crisis because of their vertical integration. With their own feed mills, hatcheries, commercial farms, they can absorb short-term disruptions by shifting production internally and maintaining operations. Ownership of breeding farms and hatcheries allows these integrated producers to reduce external DOC sales and redirect chicks to their own expanding commercial farms rather than selling to vulnerable external customers. As small-medium farmers exit the market and supply becomes scarce, large producers enjoy premium pricing opportunities, consolidate

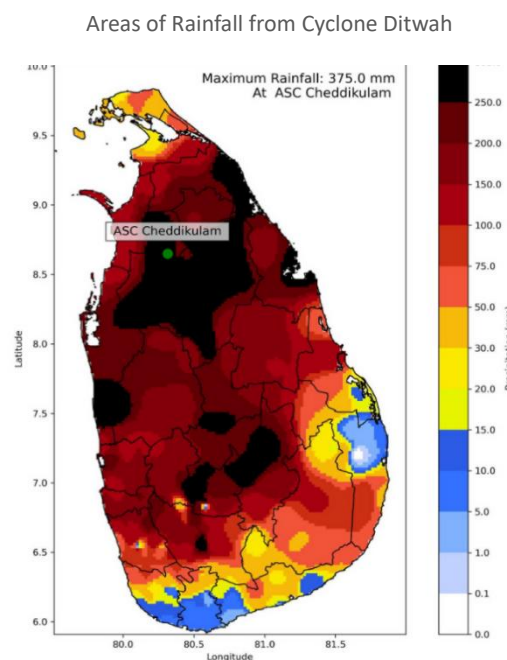
India	6.6
United Kingdom	84.1
Russian Federation	81.7
Germany	71.3
China	70.6

*Note: Highest tourist arrivals to Sri Lanka in FY25 by country and their poultry meat consumption*

*Sources: SLTDA, OCED data*



*Sources: DAPH – Livestock Statistical Bulletin*



*Sources: Institute of Policy Studies in Sri Lanka*

market share without investment, acquire distressed assets at depressed prices. This consolidation mechanism transforms a natural disaster into a competitive moat that protects the survivors and large players while permanently eliminating marginal operators from the industry.

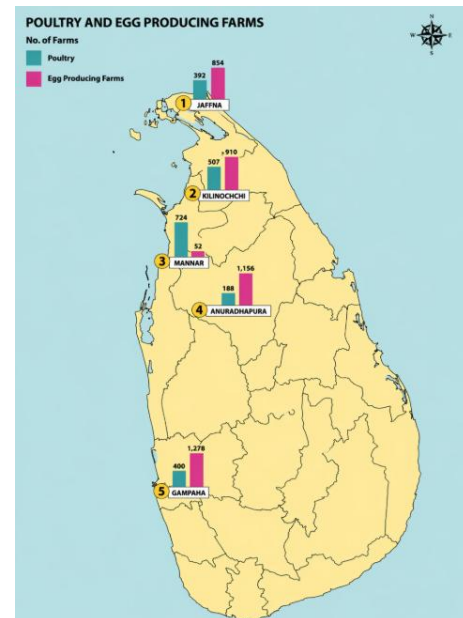
Overall, industry continues to exhibit high cyclicality, driven by short production cycles, feed input variability, and uncoordinated supply responses. Price movements tend to lag production decisions, leading to periodic supply gluts and shortages within the same year, reinforcing earnings volatility across poultry producers

**Implications of Taxes**

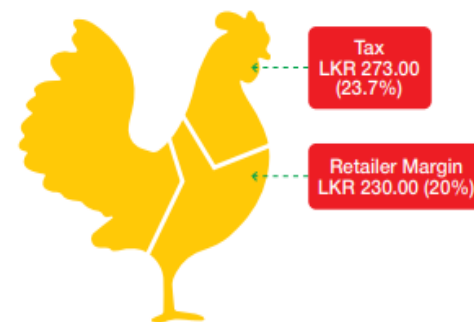
The poultry industry in Sri Lanka continues to face a structurally high tax burden, particularly at the feed level. Commercial poultry feed is subject to an 18% VAT (increased from 15% in January 2024), while other categories of animal feed remain exempt. This selective application of VAT places commercial feed manufacturers at a relative disadvantage, compressing margins and distorting industry competitiveness. In effect, VAT is imposed along the value chain, ultimately cascading into higher end-prices for poultry products. As the tax incidence is largely passed on to consumers, it functions as an implicit tax on the domestic consumption of chicken and eggs.

From a cost perspective, maize and soybean constitute the primary raw materials in poultry feed, collectively accounting for a significant share of the total production cost. Sri Lanka’s annual maize requirement is estimated at ~700,000 MT, against domestic production of ~300,000 MT, resulting in a substantial supply deficit and a structural reliance on imports. This import dependency exposes the industry to additional fiscal pressures, including import levies on maize—estimated at approximately LKR 25/kg in 2025, which further elevate input costs.

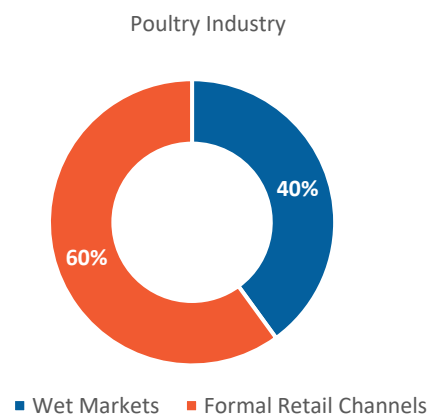
Given that feed accounts for nearly 70–75% of total poultry production costs, these layered taxes materially inflate the cost base. However, the industry’s ability to pass through these costs remains constrained by market structure. Approximately 40% of poultry supply is distributed through informal wet markets, where VAT compliance is limited, while the remaining 60% flows through formal retail channels. This creates an uneven playing field, where informal operators can undercut prices, limit the pricing power of formal, tax-compliant producers and thereby exert pressure on industry margins.



Sources: Department of Agriculture



Sources: Company Reports



Sources: Advocata Institute Research Article

**Maize-driven cost pressures amid supply shocks**

Feed represents the single largest cost component in the poultry industry, with maize serving as the primary input, accounting for ~60% of feed composition by weight. Consequently, maize alone contributes an estimated 45–60% of total poultry production costs, making profitability highly sensitive to fluctuations in maize prices.

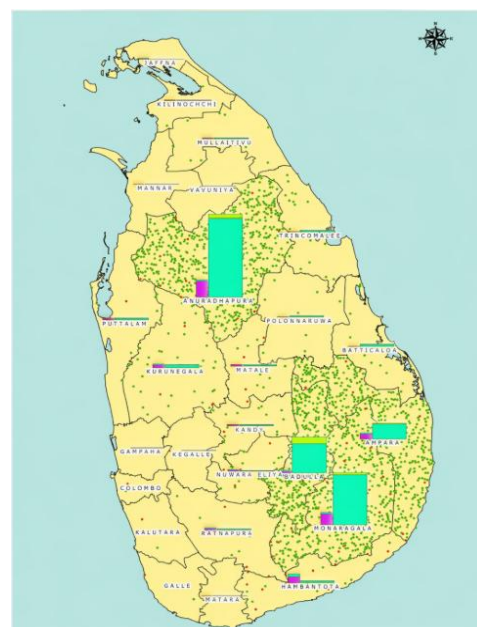
Sri Lanka’s annual maize requirement is estimated at ~700,000 MT, against an initial production forecast of ~475,000 MT for 2025. However, adverse weather conditions, most notably flood-related disruptions, significantly affected crop cycles, reducing output to ~300,000 MT. This supply shortfall led to a pronounced increase in maize prices during late 2025 and into 1Q2026, exerting upward pressure across the poultry value chain.

Maize cultivation in Sri Lanka is predominantly rain-fed and concentrated during the Maha season (October–February), with production heavily skewed toward the dry zone. The North Central Province accounts for ~44% of cultivated extent and ~54% of total production, with Anuradhapura District alone contributing ~53% of national output, underscoring the sector’s geographic concentration risk. The impact of Cyclone Ditwah, which severely affected key producing regions including Anuradhapura, Polonnaruwa, and parts of the Eastern Province, further exacerbated the domestic supply shock and reinforced reliance on imports.

The feed industry is structurally divided between commercial feed (78%) and self-mixed feed (22%), with approximately 45 - 47 registered feed mills in operation. Despite this, the market remains highly concentrated, with the top five producers accounting for ~80% of commercial feed output, indicating significant scale advantages among larger players.

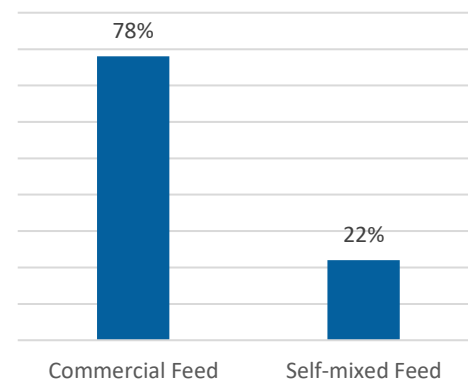
In this context, commercial feed manufacturers with the capacity to import maize in bulk are likely to gain a competitive edge in 2026, benefiting from better cost control and supply stability. In contrast, smaller-scale operators reliant on domestic sourcing or informal channels are expected to face margin compression, as limited local availability and import constraints drive up input costs. Reflecting these pressures, maize prices have risen to an average of ~LKR 190/kg (+20% QoQ), primarily driven by cyclone-induced supply disruptions.

Maize Producing Areas of Sri Lanka



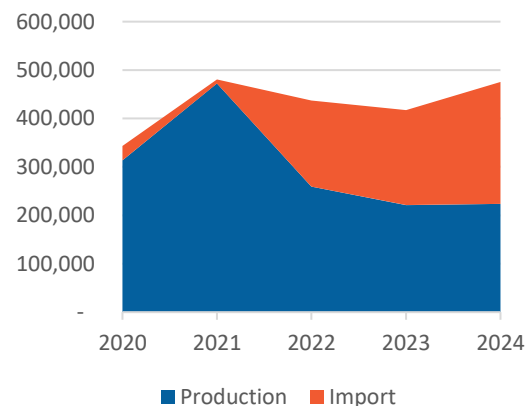
Sources: Department of Agriculture

Feed Industry



Sources: Advocata Institute Research Article

Production and Import of Maize



Sources: DAPH – Livestock Statistical Bulletin

3. Investment highlights

**Cold Chain Integration as a Structural Margin Stabilizer**

BFL has taken a meaningful step toward enhancing earnings resilience and operational sophistication through the commissioning of its 500MT state-of-the-art cold storage facility, representing a strategic investment of approximately USD ~1Mn. This development is particularly significant given the inherently price volatile and perishable nature of broiler meat, where pricing is driven by short-term supply-demand imbalances, often forcing producers into price-taking behavior and compressed margins during periods of oversupply.

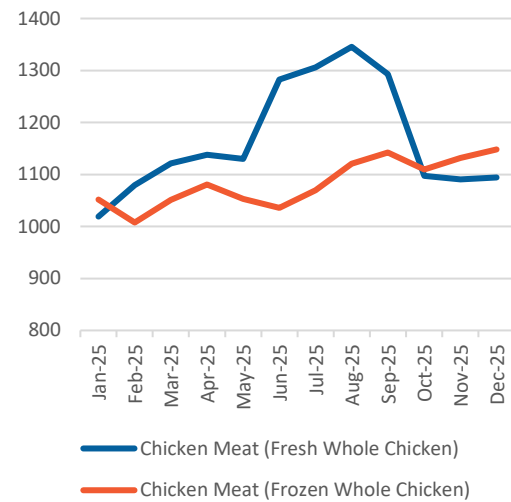
Historically, BFL’s earnings profile has been closely linked to spot market dynamics, with limited ability to defer sales due to the relatively short shelf life of fresh poultry. This structural constraint has contributed to earnings volatility, as inventory typically needs to be liquidated irrespective of prevailing market prices. The introduction of a large-scale cold storage facility fundamentally alters this dynamic by enabling BFL to extend the storage life of processed broiler meat to approximately 6–12 months under controlled conditions (-20°C).

From an economic standpoint, this capability allows BFL to decouple production cycles from real-time market pricing, effectively introducing an element of inventory arbitrage into its business model. During periods of market oversupply and depressed prices, the company can now strategically accumulate inventory, while deferring sales until pricing conditions normalize or strengthen. This is expected to reduce forced selling, smooth revenue recognition, and improve gross margin realization over the cycle, thereby enhancing overall earnings quality.

Beyond pricing flexibility, the facility also drives meaningful improvements in working capital efficiency and inventory management discipline. The integration of an advanced warehouse management system, incorporating FIFO-based stock rotation and QR-enabled traceability, enables real-time monitoring of stock movement, shelf life, and quality parameters. This not only minimizes wastage and obsolescence risk but also ensures consistent product quality across distribution channels, supporting brand integrity in both domestic and export markets.

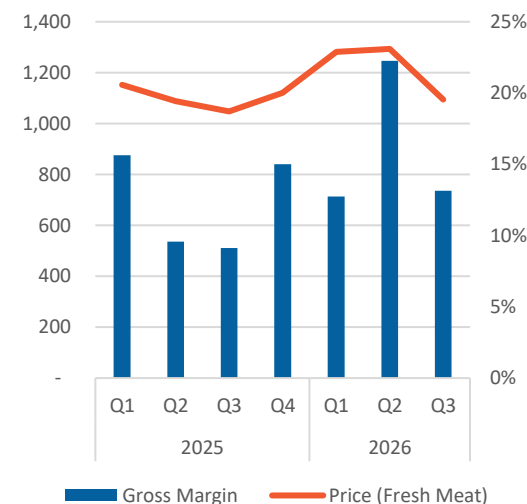
Operationally, the introduction of mechanized handling systems, including reach trucks, significantly reduces reliance on manual processes, resulting in lower handling losses, improved throughput efficiency, and enhanced workplace safety. These improvements are particularly relevant as BFL continues to scale production volumes and expand its market footprint, ensuring that logistics and storage infrastructure do not become a bottleneck to growth.

Market Price Fluctuation (LKR) - Industry



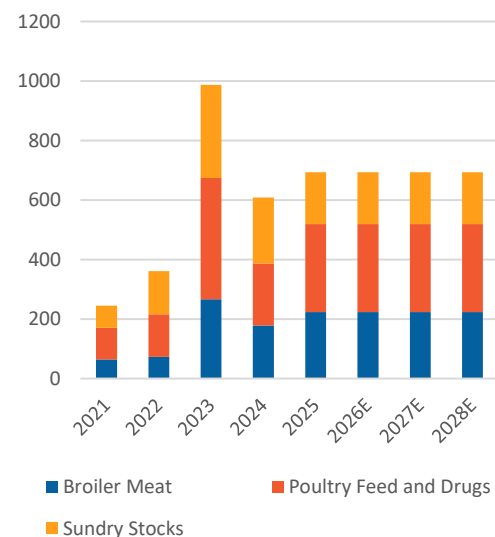
Sources: DAPH – Livestock Statistical Bulletin

Volatility of Gross Margin due to Price Fluctuations



Sources: Company Reports

Inventories Classification

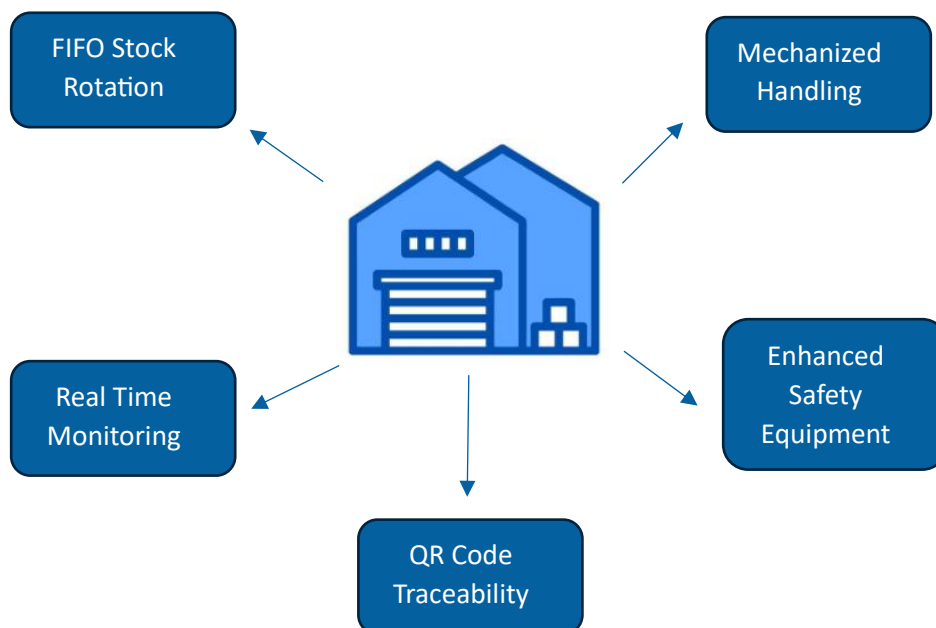


Sources: Company Reports

Importantly, the cold storage investment should also be viewed within the broader context of BFL’s vertically integrated poultry value chain, where control over breeding, feed, processing, and now storage enhances the company’s ability to optimize margins across multiple touchpoints. The addition of cold chain capacity strengthens this integration by providing greater control over post-processing inventory flows, enabling more strategic alignment between production planning, distribution, and market demand.

Overall, we view the commissioning of the 500MT cold storage facility as a structural positive for BFL, with the potential to reduce earnings volatility, enhance margin resilience, and improve revenue visibility over the medium term. While the full financial benefits will be realized progressively as utilization ramps up, the investment represents a critical step in transitioning BFL from a predominantly spot-driven poultry producer to a more strategically managed, margin-optimizing protein player.

Facilities of the 500MT Cold Storage Warehouse of BFL



Sources: Company Announcement

**Vertically Integrated Poultry Value Chain Driving Structural Resilience**

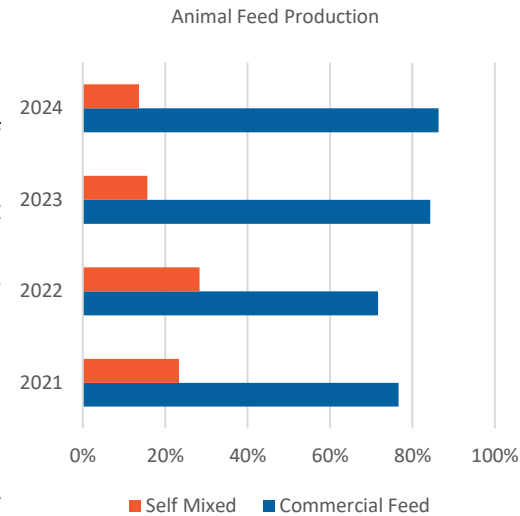
BFL operates a fully vertically integrated poultry value chain, spanning feed production, breeding, hatchery operations, broiler farming, processing, value-added manufacturing, and exports, supported by a network of strategically aligned subsidiaries and joint ventures. This integrated operating model enables the Group to exercise end-to-end control over cost structures, biological performance, product quality, and distribution, positioning BFL as one of the structurally resilient and operationally sophisticated players in Sri Lanka’s poultry sector.

At the upstream level, BFL’s integration is anchored by key joint ventures that secure critical inputs and enhance production efficiency. Fortune Agro Industries (Pvt) Ltd., which operates a state-of-the-art feed mill with storage and drying facilities, plays a pivotal role in managing feed costs, typically accounting for 60–70% of total production costs, while ensuring consistent feed quality and availability. Complementing this, Fortune G-P Farms (Lanka) Ltd. oversees grandparents breeding operations, providing a reliable pipeline of high-quality parent stock. Together, these entities enable BFL to reduce dependence on external suppliers, mitigate raw material price volatility, and improve flock productivity, forming a strong foundation for cost leadership and margin stability.

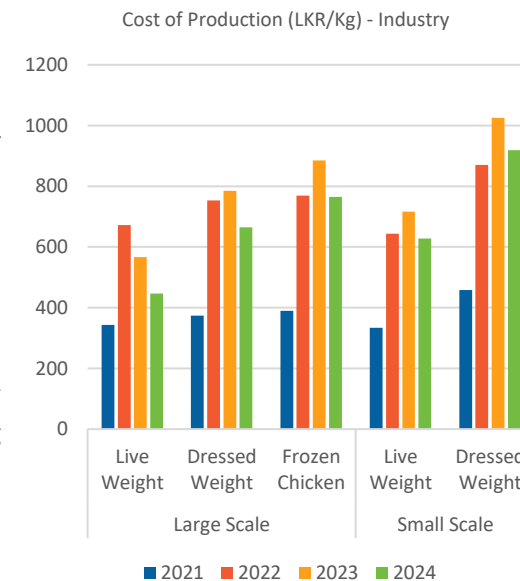
At the midstream level, subsidiaries such as Siyane Farms Ltd. and Hill Country Farms Ltd. are engaged in the production of broiler day-old chicks (DOCs), while Nature’s Best Industry Ltd. operates commercial broiler farms. These are complemented by an extensive out-grower farmer network, which allows the Group to scale production in a capital-efficient manner while maintaining oversight on quality and biosecurity. This hybrid farming model provides BFL with operational flexibility, enabling it to adjust output in response to demand cycles while preserving cost efficiencies. Moreover, control over DOC production allows BFL to capture margins across multiple stages of the value chain and influence supply dynamics within the industry.

At the downstream level, BFL has progressively strengthened its presence in processing and value-added segments, with Bairaha Foods (Pvt) Ltd. leading the production of pre-cooked and processed meat products. This strategic shift toward value addition is particularly important in a market characterized by price volatility in fresh poultry, as it enables the Group to enhance margins, build brand differentiation, and reduce exposure to commodity price cycles. The Company’s growing presence across modern trade, general trade, and food service channels further supports revenue diversification and demand stability.

The Group’s integration is further extended into export markets, with Global Reach Foods (Pvt) Ltd. (a fully export-oriented subsidiary) and Bairaha International FZCO facilitating access to international markets. These entities provide BFL with the ability to capture higher-margin opportunities,

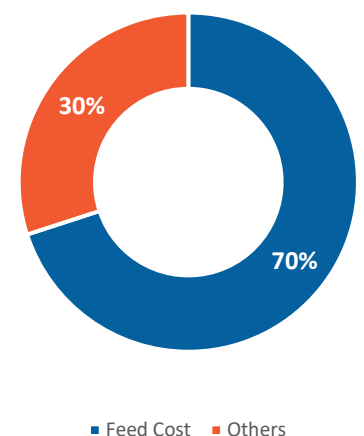


Sources: DAPH



Sources: DAPH

Breakdown of the Cost of Production - Industry

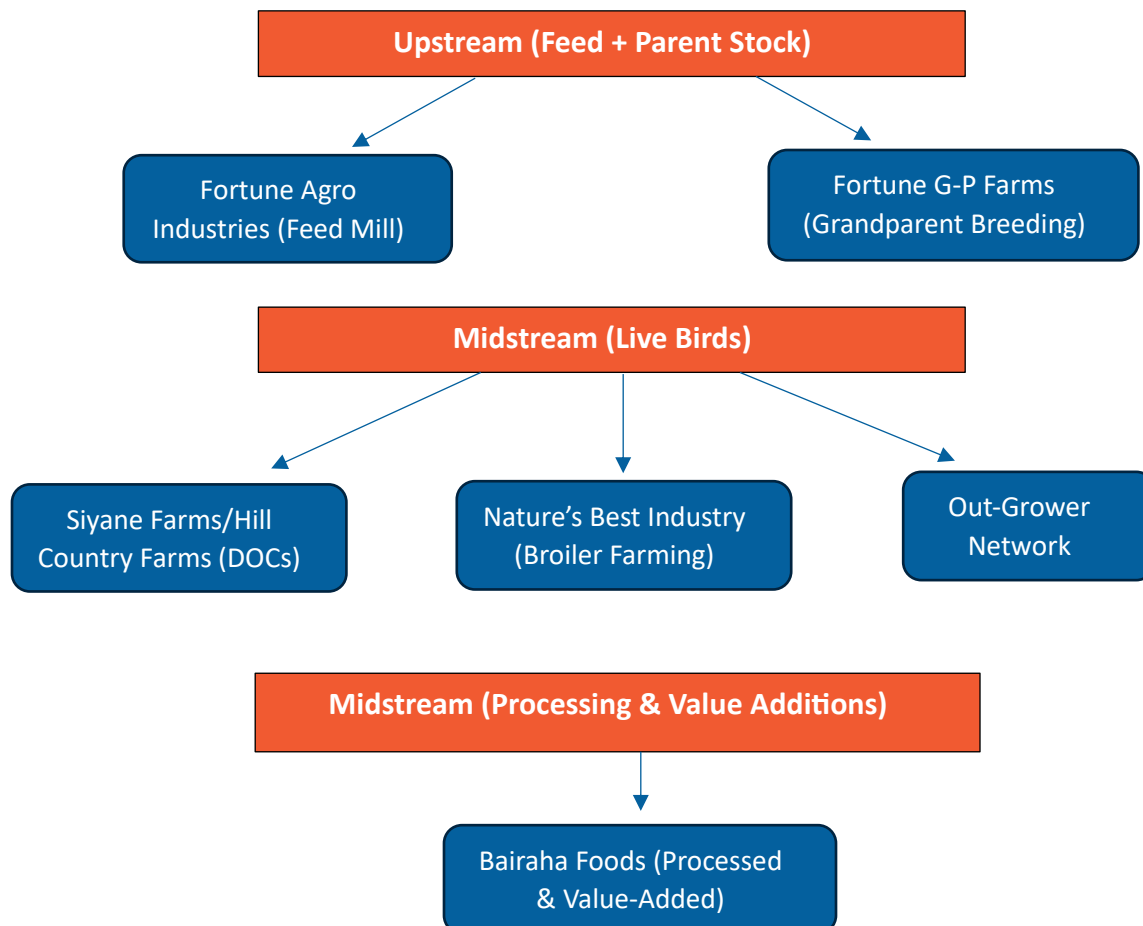


Sources: Company Reports

generate foreign currency earnings, and reduce reliance on domestic demand conditions, which have historically been subject to oversupply-driven price pressures. This export orientation represents a key strategic lever for long-term growth and margin expansion.

Supporting the core operations, land development subsidiaries and joint ventures such as BF Lands Development Ltd. and related entities ensure access to strategic agricultural land and infrastructure, which is critical for scaling farming operations and maintaining long-term operational continuity. In addition, adjacent diversification through Care 4 Wellbeing (Pvt) Ltd., focused on nutraceutical products, introduces exposure to higher-margin, health-oriented product categories, providing an additional avenue for value creation beyond traditional poultry operations.

While the poultry industry remains inherently cyclical, exposed to factors such as feed price volatility, disease risks, and demand fluctuations, BFL's integrated structure provides a significant structural buffer against these risks. By capturing value across upstream, midstream, and downstream segments, the Group is better positioned to offset margin pressures in one segment with gains in another, resulting in a more stable and defensible earnings profile over the cycle.



Sources: Company Reports

**Value-Added & Export Pivot Driving Margin Upside**

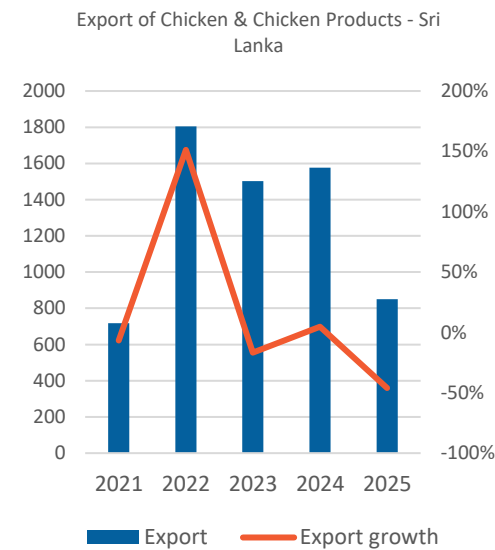
BFL is undergoing a strategic transition from a volume-driven, commodity poultry producer to a value-added and export-oriented protein player, positioning the Group for structural margin expansion and earnings diversification. This shift is particularly relevant given the domestic poultry market’s inherent cyclical nature and susceptibility to oversupply-driven price compression, as observed in 2025, where excess production led to depressed pricing and margin erosion across the industry.

A key pillar of this transformation is the Group’s increasing focus on value-added and pre-cooked poultry products, spearheaded by Bairaha Foods (Pvt) Ltd. This enables BFL to move up the value chain from commoditized fresh poultry into higher-margin, branded offerings, thereby enhancing pricing power and improving revenue quality. Moreover, value-added products drive greater customer stickiness across modern trade, food service, and quick-service restaurant (QSR) channels, resulting in improved demand visibility and reduced earnings volatility. The Company has explicitly identified this segment as a core growth driver, reflecting a strategic shift toward capturing a larger share of the consumer wallet.

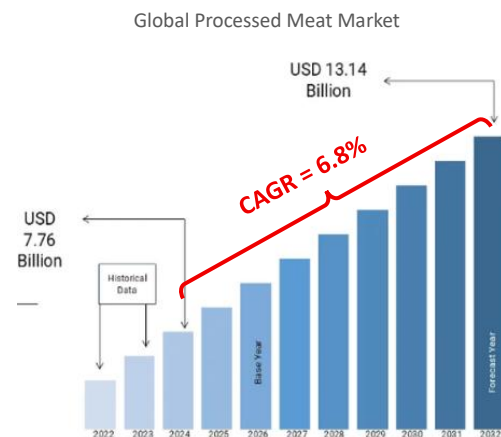
Complementing this, BFL has accelerated its export strategy through the establishment of Global Reach Foods (Pvt) Ltd., a fully export-oriented subsidiary focused on niche meat-based products. This initiative marks a meaningful step toward geographic diversification, enabling the Group to access international markets characterized by more stable pricing dynamics and superior margin potential. The presence of Bairaha International FZCO in the UAE further strengthens this strategy by enhancing market access and optimizing trade logistics, positioning BFL to scale its export footprint over the medium term.

Structurally, the shift toward value-added poultry is supported by broader consumption trends. Urbanization and rising incomes are driving a transition from wet-market fresh meat to processed and packaged formats, supported by increasing penetration of modern trade and cold-chain infrastructure. Globally, demand for processed meat is growing at a faster pace than overall meat consumption, driven by factors such as time constraints in dual-income households, food safety concerns, and preference for standardized quality. Notably, processed meat exhibits higher income elasticity, implying that as disposable incomes rise, consumers are more likely to upgrade from loose fresh meat to branded, value-added products.

The expansion of supermarkets and improved access to cold storage have further enhanced shelf space, product visibility, and impulse purchasing, supporting the growth of packaged meat products. For producers, value-added products offer the ability to command pricing premiums, while smaller pack sizes encourage higher purchase frequency, ultimately increasing consumer spending per capita.



Sources: DAPH



Sources: Fortune Business Insights Website

From an investment perspective, this dual focus on value addition and exports acts as a natural hedge against domestic market volatility, reducing reliance on cyclical fresh poultry demand and improving earnings resilience.

Comparison of Prices Between Fresh Chicken and Value-Added Products

Product	Quantity	Price
Bairaha Broiler Fresh Chicken (Skinless)	1 kg	1,370.00
Bairaha Broiler Fresh Chicken (With Skin)	1 kg	1,250.00
Bairaha Broiler Pre-cut (With Skin)	1kg	1,440.00
Bairaha Broiler Chicken Pre-Cut (Skinless)	1 kg	1,540.00
Cold Cuts	150g	850-980
Pre-cooked Products	150g-250g	200-850
Marinated Chicken	1 kg	2,670.00
Crispy Chicken	300g	1,050.00

Sources: Company Website

#### 4. Valuation Summary

We've calculated the weighted average fair value for BFL.N as LKR 120.39, representing a potential upside of 37.28% of its current market price of LKR 87.70. Additionally, with an estimated dividend yield of 1.6% for FY27F, the total return on investment could reach 38.88% by FY27F. Our valuation strategy encompasses a blend of absolute and relative valuation methodologies to gauge the stock's intrinsic value considering both fundamental value and market sentiment.

Weighted average intrinsic value per share	Weights	Value Per Share	
DCF Valuation	80%	125.07	100.05
PE Based Valuation	10%	77.80	7.78
PBV Based Valuation	10%	125.58	12.58
<b>Weighted average intrinsic value per share (LKR)</b>			<b>120.39</b>

Given below are key assumptions used for each of the valuation methods.

DCF valuation (LKR'Mn)	
Enterprise Value	12,882
Less: Debt	2,258
Add: Cash and Cash Equivalents	382
Equity Value	11,006
No. of Shares ('Mn)	88
<b>FCF-based equity value per share (LKR)</b>	<b>125.07</b>

WACC Calculations	
Debt+Equity	8,105
Equity	5,847
% of Equity	72%
Cost of Equity	22%
Risk Free Rate	8.52%
Beta	1.26
Equity Risk Premium	11%
Debt	2,258
% of Debt	28%
Cost of Debt	12%
Tax Rate	24%
<b>WACC</b>	<b>19%</b>
<b>Terminal Growth</b>	<b>3%</b>

Given below are assumptions for the relative valuations.

**PE Based Valuation**

Average PER of Peers	8.96*
TTM EPS of BFL.N (LKR)	8.68
<b>Value Per Share (LKR)</b>	<b>77.80</b>

\*Excluding outliers

**PBV Based Valuation**

Average PBV of Peers	1.73*
NAVPS of BFL.N (LKR)	72.73
<b>Value Per Share (LKR)</b>	<b>125.58</b>

\*Excluding outliers

Given below are peer PE and PBV ratios. The PE and PBV multiples have been used as a guidance in the valuation process.

Company	Ticker	PE	PBV
<b>Direct Peers</b>			
Ceylon Grain Elevators PLC	GRAN.N	7.83	1.83
Three Acre Farms PLC	TAFL.N	10.10	1.62
Keells Food Products PLC	KFP.N	24.13	2.04
<b>Peer Average</b>		<b>8.96</b>	<b>1.73</b>

Note: PE and PBV ratios of peers are taken based on the market prices of 24<sup>th</sup> April 2026.

**5. Environment, Social and Governance**

BFL demonstrates a structured approach to sustainability through its vertically integrated operations, with a clear focus on food safety, resource efficiency, stakeholder engagement, and governance discipline, as outlined in its integrated reporting framework. The Company integrates ESG considerations into its value creation model, spanning natural, human, and social capital, while maintaining compliance with regulatory standards and global reporting frameworks.

From an environmental perspective, BFL emphasizes resource optimization through renewable energy adoption (solar installations across five locations), water recycling practices, and reforestation initiatives including the planting of over 18,000 cinnamon trees and 1,000 pineapple plants. The Company also monitors greenhouse gas emissions in line with ISO 14064 standards and explores circular initiatives such as organic fertilizer production using poultry waste.

Socially, BFL maintains strong emphasis on food safety, quality assurance, and stakeholder relationships, supported by internationally recognized certifications such as FSSC 22000, ISO standards, and HACCP. The Company supports over 1,300 employees through structured welfare programs, training, and engagement initiatives, while also contributing to rural economic development through out-grower farming networks and local sourcing.

From a governance standpoint, BFL adheres to Sri Lanka Accounting Standards, CSE listing rules, and established corporate governance frameworks, supported by independent audit oversight, board committees, and enhanced governance structures including the establishment of a Nomination and Governance Committee during the year.

**Environmental, Social & Governance (ESG) Score**

**Environmental (E) – Score: 3.8/5**

Indicator	Evidence from Report	Score
Renewable energy & emissions	Solar installations: GHG verification aligned with ISO standards	4
Resource efficiency	Water recycling, optimized energy use across farms and factories	4
Waste management	Exploration of organic fertilizer from poultry waste	4
Environmental initiatives	Reforestation (18,000+ trees) and biodiversity efforts	4

Environmental targets	Limited disclosure on long-term decarbonization targets	3
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**Analysis:**

BFL demonstrates strong environmental stewardship with tangible initiatives across renewable energy, emissions monitoring, and waste utilization. However, disclosures lack formal long-term climate targets and quantified reduction pathways.

**Social (S) – Score: 4.0/5**

Indicator	Evidence from Report	Score
Food safety & quality	FSSC 22000, ISO, HACCP certifications	5
Employee welfare	Health screening, training, Great Place to Work certification	4
Community impact	Strong engagement with farmers and rural supply chains	4
Stakeholder engagement	Structured engagement framework and partnerships	4
Diversity & workforce metrics	Basic disclosures on workforce composition	3

**Analysis:**

BFL’s strongest pillar is social, driven by high food safety standards, strong stakeholder engagement, and contribution to national food security. Enhanced quantitative disclosures on diversity and workforce metrics would further strengthen transparency.

**Governance (G) – Score: 3.7/5**

Indicator	Evidence from Report	Score
Regulatory compliance	Full compliance with SLFRS, CSE, Companies Act	4
Board & committees	Audit, Remuneration, Nomination & Governance committees	4
Risk management	Formal risk management framework and internal controls	4
Transparency & reporting	Integrated reporting aligned with global frameworks	4
ESG governance structure	No standalone ESG committee disclosed	3

**Analysis:**

BFL maintains a robust governance framework with strong board oversight and regulatory compliance. The introduction of governance committees

enhances oversight, though ESG-specific governance structures remain evolving.

The following criteria have been used to assess the Company’s ESG scores.

Score	Definition
0	Not disclosed / No evidence available
1	Very weak disclosure or minimal policies
2	Basic qualitative disclosure with limited supporting evidence
3	Moderate disclosure with consistent practices and partial supporting data
4	Strong, well-documented policies and quantitative disclosures
5	Best-in-class disclosure with measurable targets and demonstrated outcomes

Based on the above information, the overall ESG score is 3.6 out of 5, which can be classified as a moderate ESG score. (Scoring Scale: 0 = Not disclosed | 1 = Weak | 2 = Basic | 3 = Moderate | 4 = Strong | 5 = Best Practice)

6. Investment risks

**Structurally cyclical industry with frequent oversupply and margin pressure.**

The Sri Lankan poultry industry is structurally prone to periodic overcapacity, driven by fragmented production decisions and low barriers to short-term supply expansion, particularly via broiler day-old chick (DOC) placements. This frequently results in supply-demand imbalances, as seen in FY25 where elevated DOC output (~16 Mn/month vs. ~14 Mn normalized) led to a sustained glut in both live bird and processed chicken markets, exerting downward pressure on prices.

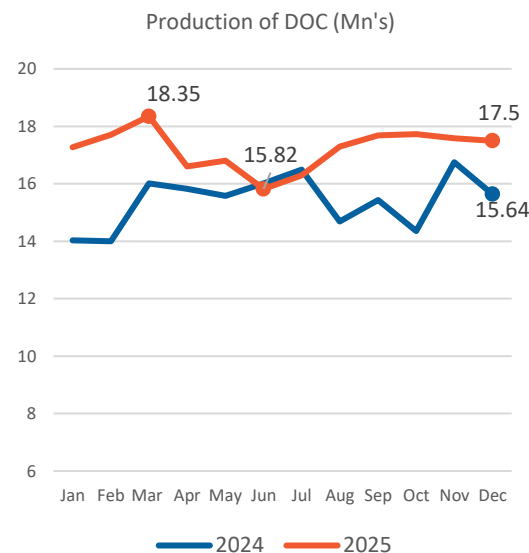
This dynamic underpins a classic boom-bust cycle, where periods of high prices incentivize rapid capacity expansion, followed by oversupply and sharp price corrections that erode industry profitability. For BFL, with significant exposure to downstream chicken sales, such imbalances translate into prolonged margin compression, largely independent of firm-level efficiencies.

The absence of effective supply discipline, coupled with demand sensitivity to macroeconomic conditions, reinforces the industry’s inherently cyclical and volatile earnings profile. Given the perishable nature of chicken and limited ability to defer sales, BFL is often compelled to sell at prevailing market prices during downturns, resulting in low revenue visibility and heightened margin volatility. This structural exposure highlights the commoditized and cyclical nature of the business, posing a key risk to long-term investment performance.

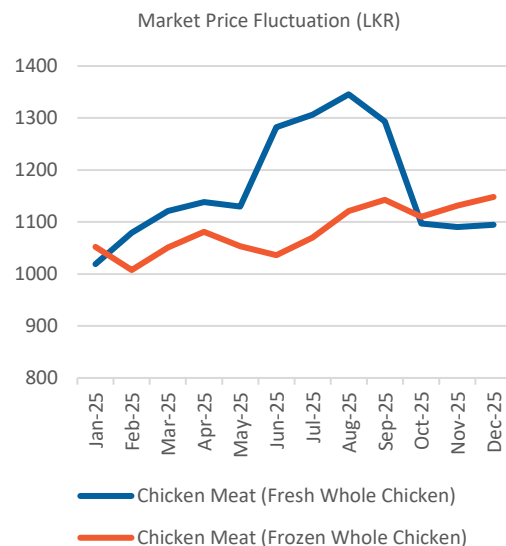
However, the commissioning of the new 500MT cold storage facility enhances BFL’s ability to temporarily hold inventory despite its perishable nature, providing a buffer against short-term supply gluts and price downturns. While this does not eliminate industry cyclicality, it enables better inventory management and timing of sales, thereby improving earnings visibility amid volatile market conditions.

**LKR depreciation poses cost pressures through higher import-dependent feed costs.**

The LKR depreciated by 4.2% YoY in February 2026, reaching 309.37 vs. 296.80 in February 2025. The pace of depreciation accelerated in 2H 2025, with the currency declining by 3.1%, compared to 2.5% in 1H 2025. This was primarily driven by elevated external debt repayments (~USD 4bn) and liquidity injections by the Central Bank into the interbank market, which increased rupee supply. Looking ahead, the LKR is expected to face further



Sources: DAPH – Livestock Statistical Bulletin



Sources: DAPH – Livestock Statistical Bulletin

depreciation pressures in 2026, particularly amid rising crude oil prices linked to geopolitical tensions in the Middle East.

For BFL, a weaker LKR is likely to exert cost pressures, given that maize—accounting for 45–60% of production costs—is largely imported due to insufficient domestic supply. While this could weigh on margins, the impact is partially mitigated by the industry-wide nature of cost inflation, enabling prices to pass through to consumers. Additionally, BFL’s exposure to export-oriented, value-added meat products provides a natural hedge, as LKR depreciation enhances export earnings in local currency terms. The relatively lower price elasticity of value-added products further supports margin resilience despite input cost pressures.

LKR Depreciation Against the USD

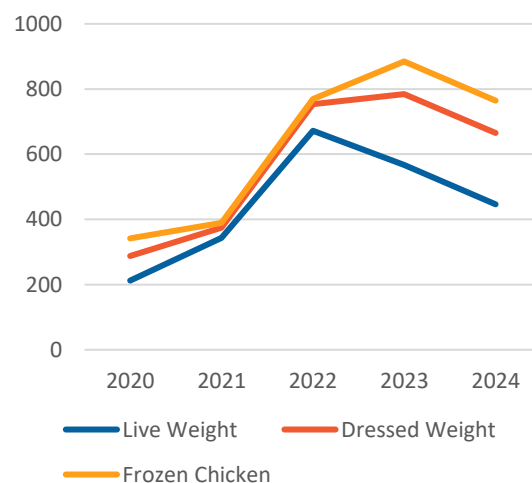


Sources: Tradingeconomics.com

**Maize import policy volatility drives feed cost uncertainty.**

Sri Lanka’s maize import regime remains highly interventionist and policy-driven, characterized by frequent shifts in taxation, licensing requirements, and import controls, which collectively contribute to elevated input cost volatility across the poultry value chain. Since 2023, the introduction of the Special Commodity Levy (SCL) has replaced multiple border taxes, but subsequent revisions—ranging from reductions to increases (e.g., ~LKR 25/kg to ~LKR 75/kg and back)—highlight a lack of policy consistency. These measures, often implemented to protect domestic farmers, are complemented by import licensing requirements and periodic restrictions or delays in approvals, which have historically constrained supply and triggered price spikes in maize and poultry feed. Notably, the temporary suspension of maize imports in early 2025, followed by a phased reopening from April 2025, underscores the reactive nature of policy amid structural supply deficits, with domestic production (~300,000–350,000 MT) falling significantly short of annual demand (~600,000–700,000 MT). As a result, Sri Lanka remains inherently reliant on imports, necessitating periodic policy reversals to manage food inflation. For poultry producers such as BFL, this

Cost of Production of Large Scale Chicken Meat Producers (LKR/Kg) - Industry



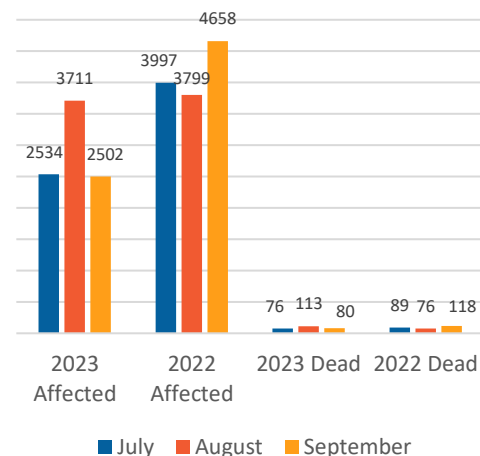
Sources: DAPH – Livestock Statistical Bulletin

creates a structurally volatile cost environment, as maize—accounting for ~45–60% of production costs—is directly exposed to both global price movements and domestic regulatory uncertainty, reinforcing earnings volatility and limiting margin visibility.

**Disease outbreaks drive earnings volatility for BFL**

Disease outbreaks represent a key operational and earnings risk for Bairaha Farms PLC, given the biological nature of its core poultry operations and the high susceptibility of broiler populations to infectious diseases. These outbreaks can lead to elevated mortality rates, forced culling, and temporary production disruptions, directly impacting supply volumes and revenue generation. Moreover, disease incidents often trigger regulatory restrictions on movement, processing, and exports, further constraining market access and amplifying financial impact. On the demand side, food safety concerns during outbreak periods can weaken consumer confidence, leading to short-term declines in poultry consumption and downward pressure on prices. Consequently, disease outbreaks introduce significant earnings volatility, with potential for sharp margin compression due to both volume losses and price weakness, underscoring the inherent biological risk embedded within the poultry business model. However, BFL’s vertically integrated operations and biosecurity protocols provide a degree of mitigation.

Distribution of Fowl pox during the third quarter of 2023



Sources: Veterinary Epidemiological Bulletin Sri Lanka

**Annexure I: Financial statements**

<b>Statement of Profit or Loss (LKR'Mn)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Revenue	13,291	13,916	15,586	17,456	19,726
Cost of Sales	(11,135)	(12,183)	(12,780)	(13,965)	(15,780)
<b>Gross Profit</b>	<b>2,156</b>	<b>1,733</b>	<b>2,805</b>	<b>3,491</b>	<b>3,945</b>
Other Operating Income	55	31	46	45	43
Distribution Costs	(948)	(876)	(935)	(1,047)	(1,184)
Administrative Expenses	(696)	(771)	(857)	(960)	(1,085)
Other Operating Expenses	(8)	(11)	(12)	(13)	(15)
Finance Cost	(391)	(259)	(318)	(326)	(342)
Share of Profit/(Loss) from Joint Venture Companies (Net of Tax)	262	286	270	269	328
<b>Profit/(Loss) before Tax</b>	<b>430</b>	<b>133</b>	<b>999</b>	<b>1,460</b>	<b>1,690</b>
Income Tax Expense	6	(11)	(190)	(277)	(321)
	<b>436</b>	<b>122</b>	<b>810</b>	<b>1,182</b>	<b>1,369</b>
<b>Profit/(Loss) Attributable to:</b>					
Equity Holders of the Parent	436	125	810	1,182	1,369
Non-Controlling Interest	-	(3)	-	-	-
<b>Profit/(Loss) for the Year</b>	<b>436</b>	<b>122</b>	<b>810</b>	<b>1,182</b>	<b>1,369</b>
Basic/Diluted Earnings Per Share	4.95	1.42	9.20	13.43	15.56

Source: Company Reports, Ambeon Estimates

Statement of Financial Position (LKR'Mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	3,746	3,869	4,278	4,437	4,804
Right of use Assets	29	23	28	31	35
Intangible Assets	31	26	25	24	23
Investments in Joint Ventures	1,934	2,081	2,268	2,473	2,646
Other Investments	1	1	1	1	1
Biological Assets- Bearer	105	131	86	121	147
	5,846	6,132	6,687	7,088	7,656
<b>Current Assets</b>					
Inventories	607	692	805	842	908
Biological Assets- Consumable	532	523	551	588	627
Biological Assets- Bearer	926	915	988	981	982
Trade and Other Receivables	1,211	1,139	1,422	1,545	1,800
Income Tax Receivable	18	21	21	21	21
Other Investments	26	26	26	26	26
Amounts Due from Related Parties	9	1	1	1	1
Cash and Bank Balances	296	382	382	497	683
	3,624	3,699	4,196	4,501	5,047
<b>Total Assets</b>	<b>9,470</b>	<b>9,830</b>	<b>10,884</b>	<b>11,589</b>	<b>12,704</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	536	536	536	536	536
Revaluation Surplus	1,105	1,105	1,105	1,105	1,105

Fair Value Reserve	(1)	(1)	(1)	(1)	(1)
Actuarial Gain on Defined Benefit Plans	(7)	(6)	(6)	(6)	(6)
Retained Earnings	4,175	4,213	4,623	5,085	5,804
<b>Total Equity attributable to Equity Holders of the Company</b>	<b>5,808</b>	<b>5,847</b>	<b>6,257</b>	<b>6,719</b>	<b>7,438</b>
Non-Controlling Interest	-	(3)	-	-	-
<b>Total Equity</b>	<b>5,808</b>	<b>5,844</b>	<b>6,257</b>	<b>6,719</b>	<b>7,438</b>
<b>Non-Current Liabilities</b>					
Financing and Lease (Ijara) Payables	344	544	640	659	695
Deferred Tax Liabilities	471	454	454	454	454
Retirement Benefit Liability	151	174	174	174	174
	966	1,171	1,268	1,287	1,323
<b>Current Liabilities</b>					
Trade and Other Payables	569	1,087	1,317	1,477	1,712
Dividends Payable	8	14	18	21	30
Financing and Lease (Ijara) Payables	2,118	1,714	2,025	2,086	2,201
	2,695	2,815	3,360	3,583	3,943
<b>Total Equity and Liabilities</b>	<b>9,470</b>	<b>9,830</b>	<b>10,884</b>	<b>11,589</b>	<b>12,704</b>
<b>NAVPS</b>	<b>66.01</b>	<b>66.44</b>	<b>71.10</b>	<b>76.35</b>	<b>84.52</b>

Source: Company Reports, Ambeon Estimates

**Annexure III: Key ratios**

	FY24	FY25	FY26E	FY27E	FY28E
<b>Profitability Ratios</b>					
Gross Profit Margin (%)	16.22%	12.45%	18.00%	20.00%	20.00%
EBIT Margin (%)	6.18%	2.82%	8.45%	10.23%	10.30%
Net Profit Margin (%)	3.28%	0.88%	5.19%	6.77%	6.94%
Return on Assets (ROA) (%)	4.60%	1.27%	7.44%	10.20%	10.78%
Return on Equity (ROE) (%)	7.51%	2.14%	12.94%	17.60%	18.41%
Revenue Growth (%)	11.99%	4.70%	12.00%	12.00%	13.00%
Net Profit Growth (%)	54.06%	-71.33%	547.60%	46.04%	15.82%
Dividend Payout Ratio (%)	29.04%	67.47%	13.64%	12.27%	13.50%
<b>Activity Ratios</b>					
Inventory Turnover Ratio (Times)	18.33	17.59	15.87	16.59	17.38
Receivable Turnover Ratio (Times)	12.85	16.15	14.04	14.60	14.04
Payables Turnover Ratio (Times)	52.26	15.99	15.87	15.21	14.60
Days of Sales Outstanding (DSO)	28.40	22.60	26.00	25.00	26.00
Days of Inventory on Hand (DOH)	19.91	20.75	23.00	22.00	21.00
Days of Payables Outstanding (DPO)	6.98	22.82	23.00	24.00	25.00
Asset Turnover Ratio (Times)	1.40	1.42	1.43	1.51	1.55
<b>Gearing Ratio</b>					
Debt to Total Assets	0.26	0.23	0.24	0.24	0.23
Debt to Equity	0.42	0.39	0.43	0.41	0.39
Interest Coverage Ratio (Times)	0.10	(0.49)	2.14	3.48	3.94
<b>Liquidity Ratio</b>					
Current Ratio (Times)	1.34	1.31	1.25	1.26	1.28
Quick Ratio (Times)	1.12	1.07	1.01	1.02	1.05
Cash Ratio (Times)	0.11	0.14	0.11	0.14	0.17
Cash Conversion Cycle (Days)	41.33	20.52	26.00	23.00	22.00

Source: Company Reports, Ambeon Estimates

**Annexure IV: Recommendation criteria**

The recommendations are based on the stock returns compared against the 1-year Treasury bill rate as a benchmark.

BUY	Return of the stock > 1-year T-bill rate plus 5%
HOLD	1-year T-bill rate plus 5% > Return of the stock > 1-year T-bill rate
SELL	Return of the stock < 1-year T-bill rate

1-year T-bill rate used for comparison = 8.52%

**Abbreviations**

CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CBSL	Central Bank of Sri Lanka
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
DOC	Day Old Chick
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EPS	Earnings Per Share
KFP	Keells Food Products
MT	Metric Tonne
PBV	Price-to-Book Value
PER	Price-to-Earnings Ratio
SCL	Special Commodity Levy
T AFL	Three Acre Farms
YoY	Year-on-Year

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