

Haycarb PLC (HAYC.N) is Sri Lanka's leading global producer of coconut shell-based activated carbon, commanding an estimated 16% share of the global activated carbon market while operating manufacturing facilities across Sri Lanka, Indonesia, and Thailand and serving customers across eleven countries worldwide. Supported by rising global demand for water and air purification, expanding applications in energy storage, and continued capacity additions across its regional manufacturing footprint, Haycarb is well positioned to capture structural growth in the specialty carbon and environmental solutions space. 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 23.68%. **BUY**

Energy storage carbon - the structural growth engine: Haycarb produces specialty activated carbon used in lithium-ion battery anodes and supercapacitors, a small but fast-growing niche within its broader activated carbon business (which otherwise serves gold recovery, water purification, and air filtration). Demand is being pulled by AI data center power backup, EV battery performance needs, and grid-storage requirements for renewable energy (notably in China), prompting Haycarb to double its Sri Lanka-based energy storage carbon capacity in FY26 (~Rs. 1.4 Bn invested), with Sri Lanka now positioned as the Group's dedicated hub for this line. From a FY26 base of ~Rs. 3.23 Bn (~5% of Group revenue), management guides to ~Rs. 4-5 Bn in FY27, Rs. 5-10 Bn by FY28-30, and a longer-term plateau near Rs. 12.5 Bn, a high-value, low-volume specialty product line.

Riding Gold's Cycle, Built on Water's Structural Growth: Haycarb's investment case rests on two well-aligned growth drivers. Near-term, record gold prices are lifting mining activity and demand for activated carbon (used in over 70% of global gold extraction), a trend Haycarb is well placed to capture given its deep-rooted presence in Africa, the world's largest gold-producing region and largest consumer of coconut shell carbon. Longer-term, mandatory PFAS removal regulations across the US, Europe, and Asia are driving durable, price-independent demand, with the PFAS-specific activated carbon market growing from ~USD 2.9 Bn (2026) to USD 8.2 Bn by 2036. Together, these give Haycarb both a high-margin cyclical tailwind today and a regulation-backed structural growth engine for the years ahead.

Philippines Greenfield & Sri Lankan 18m Expansion: Haycarb's June 2026 expansion plans mark a concrete step toward reshaping its supply base and margins. A USD 18.18 million BOI agreement (~Rs. 5.5 Bn, ~8% of total assets) will expand Sri Lanka's energy storage carbon capacity, the Group's highest-value segment, supporting a medium-term target of 40% value-added carbon revenue. Meanwhile, the BOI-approved Philippines facility (7,500 MT/annum, Phase 1 commissioning 1H2027) structurally addresses the raw material scarcity that compressed FY26 gross margin by 800bps

BUY

HAYC.N

Current price	LKR 167.25
Fair value	LKR 206.86 (+23.68%)

Key data

Historical returns

1-year capital gain	85.02%
1-year dividend yield	2.54%
1-year total return	87.54%
Beta	0.64
1-year high	167.75
1-year low	87.60

Valuation multiples

PE ratio	13.73x
PBV ratio	1.69x

Per share data

EPS (TTM)(LKR)	12.18
NAVPS (Mar 26) (LKR)	98.83
DPS (2026)	4.07

Shareholding details (31st Mar 2026)

Total no. of ordinary shares (000s)	297,124
MCAP (LKR Bn)	32.54
% held by public	30.98%

Top 05 shareholders

Hayleys PLC No 3 Share Investment Account	67.73%
Employee's Provident Fund	4.45%
Mr. Toshiya Ueda	1.70%
Dr. Dilesh Jayanththa	1.53%
Mr. Hegodagamage Senarath Rajitha Kariyawasan & Mrs. K.H.S. Kariyawasan	1.23%

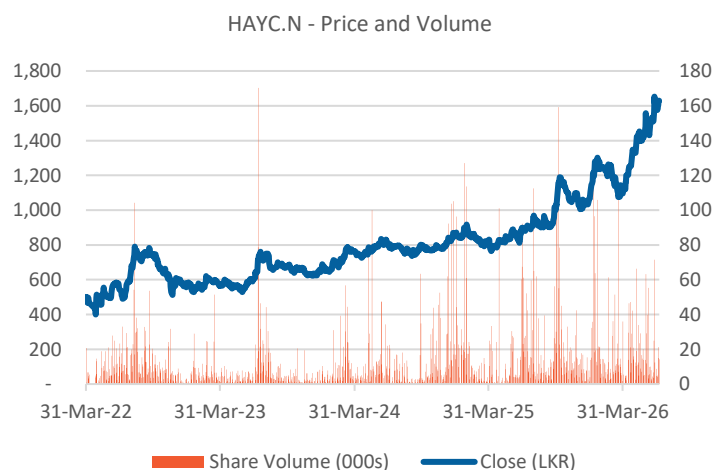
(27.9% to 19.9%), by sourcing locally in one of the world's largest coconut-producing regions. Combined, richer product mix and lower-cost sourcing should lift gross margin toward 24-28% by FY2028-29, with PAT growth outpacing revenue growth given the largely fixed cost base.

FX Translation Tailwind - A Structural, Underwritten Earnings Amplifier:

Since 97.6% of Group revenue is earned outside Sri Lanka, Haycarb is effectively a dollar-earnings business reporting in rupees, and rupee depreciation (seen in 8 of the last 10 years) mechanically boosts reported revenue and margins. FY26's implied rate of ~Rs. 292/USD sits well below the current spot of ~Rs. 336 (up 10.84% YoY); even a conservative FY27 average of Rs. 320/USD would add ~Rs. 6.4 Bn to report revenue from currency translation alone. Part of this reflects a partially reversible geopolitical shock, but a more durable driver persists in Sri Lanka's structural trade deficit and energy import dependence. Because costs are only partially dollar-linked while revenue is almost entirely so, depreciation also delivers a net positive margin effect beyond pure revenue translation.

Valuation upside: The estimated weighted average fair value of HAYC.N is LKR 206.86 for FY27E. The valuation provides a potential upside of 23.68% 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 000s')	2024	2025	2026	2027E	2028E	2029E
Revenue	43,179,205	43,201,785	67,083,695	73,945,519	78,344,465	82,845,275
Gross profit	13,268,830	12,062,347	13,379,834	15,528,559	16,452,338	19,054,413
Operating profit	6,521,097	5,753,600	6,337,250	7,645,967	8,179,162	8,980,428
PAT attributable to equity holders	3,743,929	3,596,517	3,618,876	3,888,630	4,189,302	4,623,008
EPS (LKR)	12.60	12.10	12.18	13.09	14.10	15.56
NAVPS (LKR)	77.09	89.30	98.83	108.00	117.87	128.76
Revenue growth	-29.15%	0.05%	55.28%	10.23%	5.95%	5.74%
Profit growth	-35.71%	-3.94%	0.62%	7.45%	7.73%	10.35%
Net margin	8.67%	8.32%	5.39%	5.26%	5.35%	5.58%
ROE	16.35%	13.55%	12.32%	12.12%	11.96%	12.08%
ROA	9.31%	7.84%	5.67%	5.26%	5.24%	5.22%



Sources: CSE



Sources: Bloomberg

1. Company description

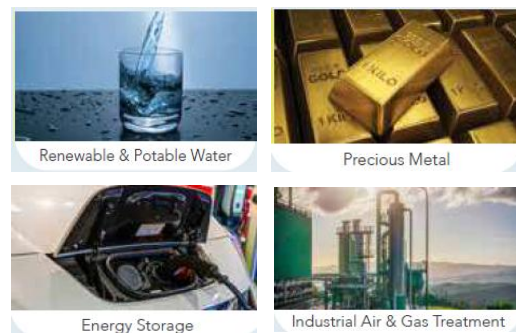
Haycarb PLC (HAYL.N), incorporated in 1973 and listed on the Colombo Stock Exchange since 1975, is a global leader in coconut shell-based activated carbon, serving customers in more than 50 countries through a portfolio of over 1,500 products. The Group is majority-owned by Hayleys conglomerate, with Hayleys PLC's No. 3 Share Investment Account holding 67.73% of the 297.1Mn shares in issue as of 31 March 2026. Sri Lanka accounted for 61% of the Group's total asset base as at year-end, with the balance spread across an international manufacturing, marketing and distribution footprint spanning 11 countries and marketing offices as far afield as Canada, the UK, Germany, Poland, South Korea, Japan, China, the UAE, Saudi Arabia, Ghana, Ethiopia, South Africa and Ecuador.



Sources: Company Reports

Haycarb operates two reportable segments, with Activated Carbon overwhelmingly dominant, contributing 97% of Group assets.

Activated Carbon Segment converts coconut shell charcoal and other sustainable raw materials into activated carbon for purification, gold recovery, energy storage and industrial applications. FY25/26 segment revenue was Rs. 65.3Bn (+57% YoY) with profit after tax of Rs. 4.30Bn (+2% YoY), capacity utilization of 91% (up from 85%) and a global market share the Group estimates at 16%. Manufacturing is anchored by Haycarb's own Sri Lankan plants (Madampe, Badalgama) and extends through majority- and wholly owned subsidiaries in Indonesia (PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra), Thailand (Carbokarn Co. Ltd -

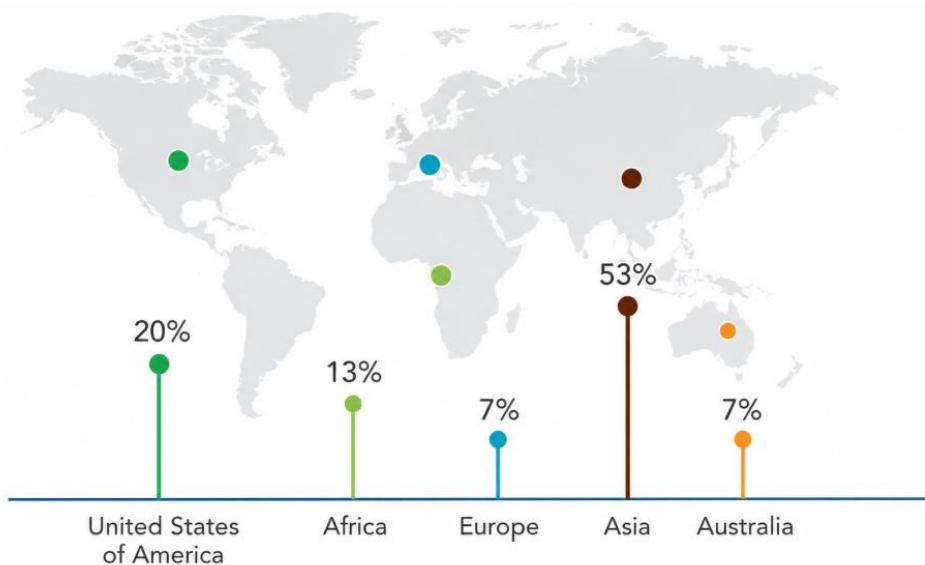


50%, CK Regen Systems - 50%, Shisuka Co. Ltd - 50%) and, most recently, a Philippines greenfield facility (Haycarb Philippines Corporation, incorporated 2024) supported by a parallel local charcoal procurement network. Distribution/marketing subsidiaries cover the UK (Eurocarb Products Ltd, plus a new Eurocarb Germany GmbH entity incorporated 2025), Australia (Haycarb Holdings Australia), the USA (Haycarb USA Inc.), India, Singapore (Haycarb Singapore Pte Ltd) and Puricarb Pte Ltd for engineering consultancy. Fourteen new products were launched during the year, including additions to the energy storage carbon and impregnated/air-treatment ranges, alongside continued R&D toward fine, pharmaceutical-grade carbon; R&D spend was Rs. 261Mn.

Environmental Engineering Solutions Segment, run through Puritas (Pvt) Ltd (100%-owned, established 1995) and its associate Lakdiyatha (Pvt) Ltd (49%), provides water and wastewater treatment plants, O&M contracts, RO/UF membrane filtration, packaged sewage treatment plants and water-supply infrastructure projects, chiefly in Sri Lanka and the Maldives. Segment revenue was Rs. 1.93Bn (+27% YoY) but profit before tax fell 23% YoY to Rs. 64.4Mn, with growth coming from stronger Maldivian project activity and O&M/distribution demand while margins compressed.



Revenue by Geography



Sources: Company Reports

2. Industry Overview

Market: a fragmented picture, but a consistent direction

The activated carbon industry is mainly driven by coal based raw material, which commands a 42.5% share in 2025, due to its abundant availability and cost-effectiveness in large-scale industrial applications. This is followed by coconut shell-based and wood-based activated carbon which accounts for 33.0% and 14.5%, respectively.

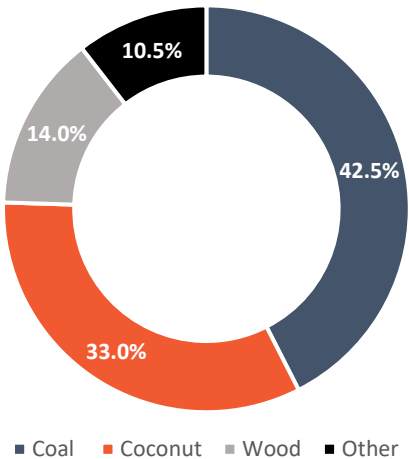
Coal Based: 42.5% - high carbon content and consistent adsorption performance, suited to large-scale industrial and water treatment applications where volume and cost efficiency are primary procurement criteria

Coconut shell-based: 33.0% - commands strong demand due to its superior micropore structure and hardness, with environmental sustainability preferences driving buyers toward this renewable raw material; performs exceptionally well in drinking water treatment and PFAS adsorption, making it preferred in high-purity filtration applications across developed markets.

Wood-based: 14.0% - offers a larger pore size distribution suitable for decolorization and liquid-phase applications, frequently selected for sugar refining and pharmaceutical purification, but holds a smaller market share than coal and coconut shell due to lower adsorption density

Other (peat, petroleum coke) - serve niche industrial applications with limited market contribution

Activated Carbon Market Share by Raw Material



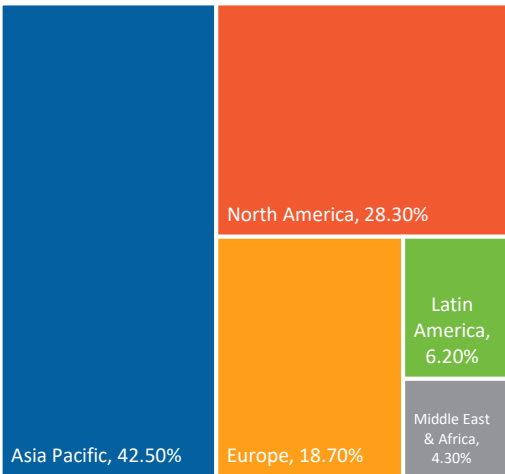
■ Coal ■ Coconut ■ Wood ■ Other

Sources: Company Report

Raw Material	Market Share	Strength	Typical End Markets
Coal	42.5%	Low cost, high availability	Municipal water, industrial
Coconut Shell	33.0%	High hardness, superior micropores	Drinking water, PFAS, premium filtration
Wood	14.5%	Larger pores	Sugar refining, pharma
Others	10.0%	Niche	Specialty industries

Market research estimates the market size for 2026 to range from approximately USD 4.2 billion at the conservative end to USD 9.3–12.7 billion at the more inclusive end, with the variance explained almost entirely by scope rather than disagreement on underlying demand. The narrower estimates count only raw activated carbon production value, while the broader figures incorporate reactivation services, filter system integration, and specialty chemical applications. For a Sri Lankan exporter of raw and lightly processed activated carbon such as Haycarb, the narrower, production-value-based figures are the more directly comparable reference

The Activated Carbon Market by Region (2025)

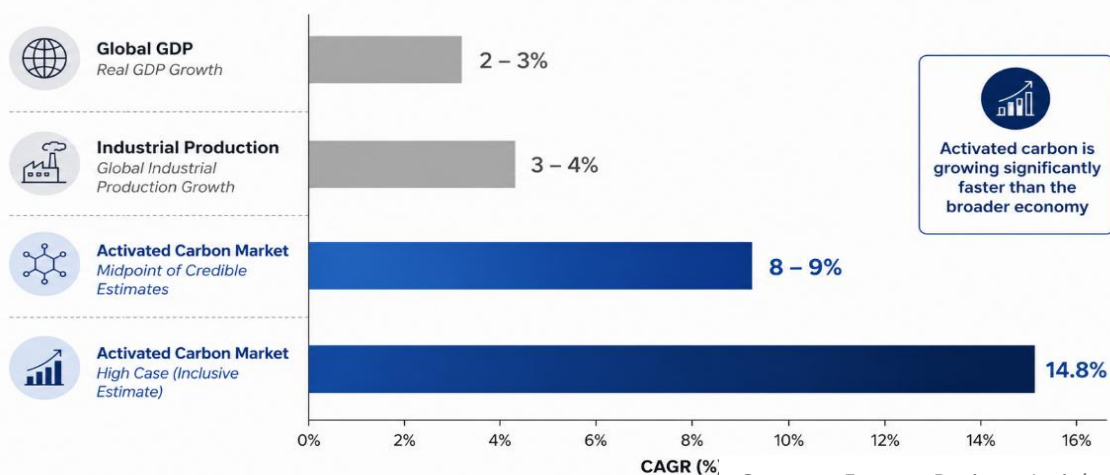


Sources: Company Report

point, placing the addressable market Haycarb competes in at roughly USD 4–6 billion in 2026.

Activated carbon demand is structurally expanding at a high single-digit to low double-digit CAGR through the early 2030s, with estimates ranging from 4.0% (the most conservative, narrowly scoped forecast) up to 14.8% (the most inclusive). The midpoint of credible estimates clusters around 8–9% CAGR through 2032–2034. This is materially faster growth rate than global GDP or general industrial production, confirming that activated carbon is a share-gaining category within the broader chemicals and materials complex, driven by structural rather than cyclical demand.

Activated carbon growth significantly outpaces global GDP and industrial production



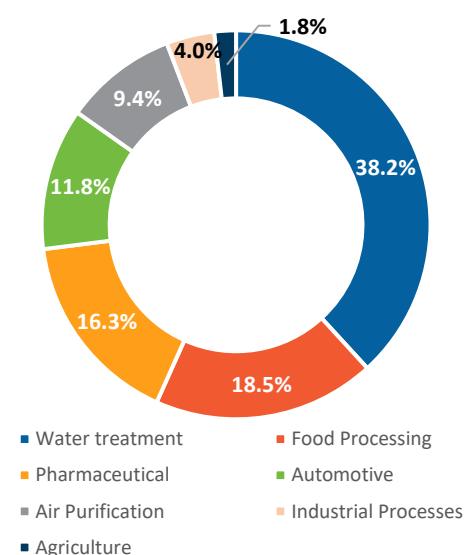
Asia-Pacific is identified as both the largest and fastest-growing regional market, holding between 44% and 49% of global market share. This is directly favorable to Haycarb's positioning: as a Sri Lanka-headquartered producer with manufacturing operations across Thailand, Indonesia, and now the Philippines, Haycarb is geographically embedded within the world's largest and fastest-growing demand region.

Demand drivers: three distinct end-markets converging on the same raw material

The activated carbon industry is undergoing a structural transformation in its demand composition, and Haycarb's product portfolio sits at the centre of this shift. Historically, the dominant demand drivers were water treatment, with municipal and industrial water purification long representing the single largest end-use category, alongside air purification, food and beverage processing, and precious metal recovery (principally gold mining).

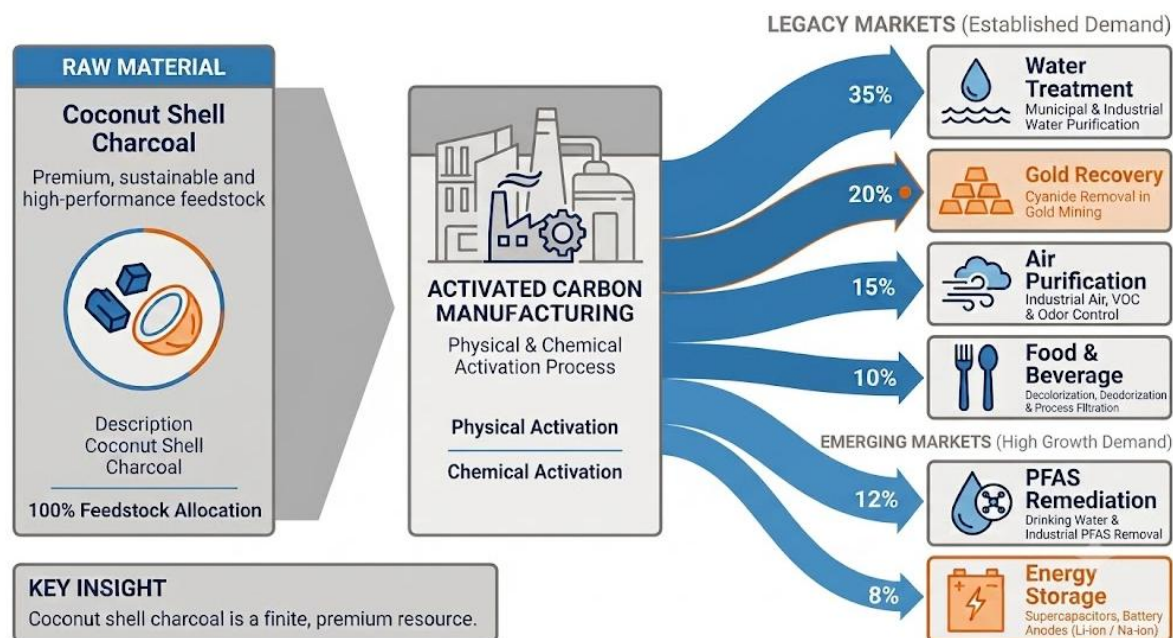
Two newer demand vectors are now growing meaningfully faster than these legacy applications and are reshaping the competitive landscape. The first is regulatory-driven demand from PFAS (per- and polyfluoroalkyl substances) remediation in drinking water, particularly in North America, where

Activated Carbon Market by Application (2025)



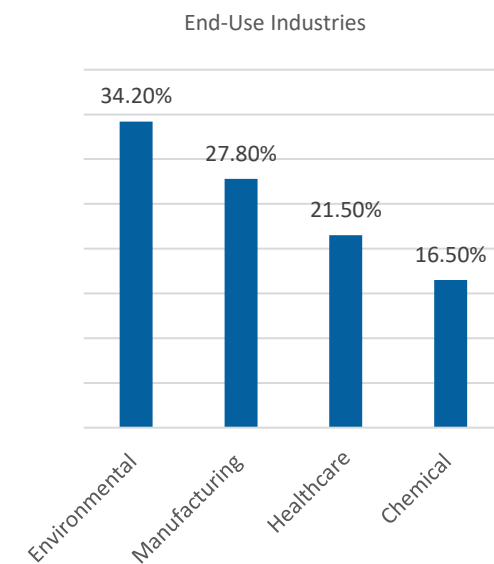
Sources: Fortune Business Insights

tightening EPA standards are forcing utilities and industrial water systems into multi-year granular activated carbon infrastructure buildouts. This is creating a structurally different demand pattern than traditional spot-purchase commodity buying, with buyers increasingly seeking 12–24 month blanket supply agreements to lock in volume and pricing ahead of compliance deadlines. While this trend is most pronounced in the United States and is more directly relevant to Haycarb's competitors with stronger North American distribution networks, it tightens the global supply-demand balance for high-quality coconut shell carbon generally, supporting pricing for all coconut shell-based producers, Haycarb included.



Sources: Fortune Business Insights

The second, and more directly relevant to Haycarb's own strategic positioning, is the emergence of energy storage as a major new demand category. Activated carbon and its derivative porous carbon materials are increasingly used as electrode materials in supercapacitors and as precursor materials for next-generation battery anodes, including both lithium-ion and sodium-ion battery chemistries. This demand is not merely additive to existing applications, it is directly competing for the same coconut shell raw material that has traditionally supplied gold recovery, water treatment, and air purification carbon. This dynamic is double-edged for Haycarb: as a producer that has invested specifically in energy storage carbon capacity, Haycarb is positioned to capture this premium-priced new demand directly; but as a producer also reliant on coconut shell charcoal for its legacy

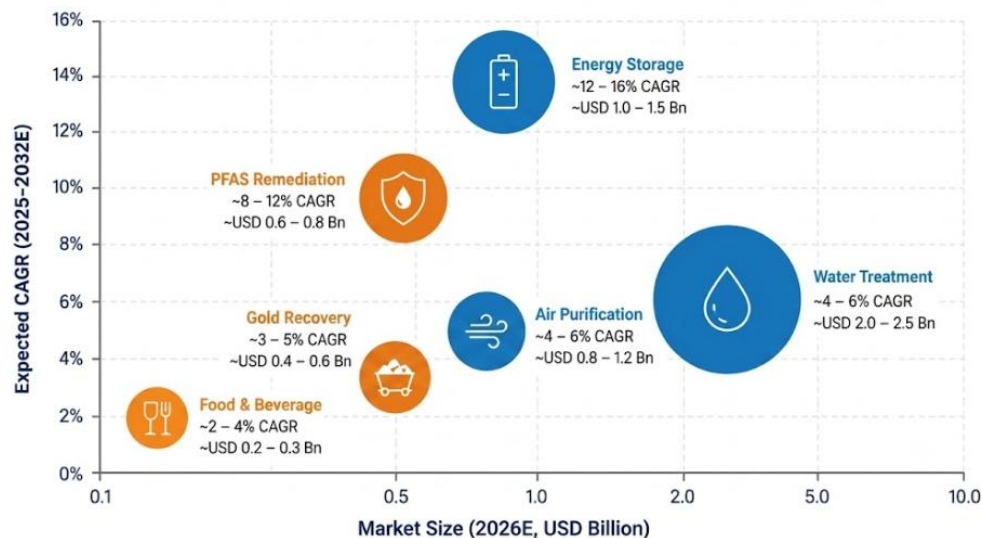


Sources: Fortune Business Insights

commodity-grade business, Haycarb faces the same raw material cost inflation that is compressing margins industry-wide.

Market Size vs. Expected CAGR (2025–2032E)

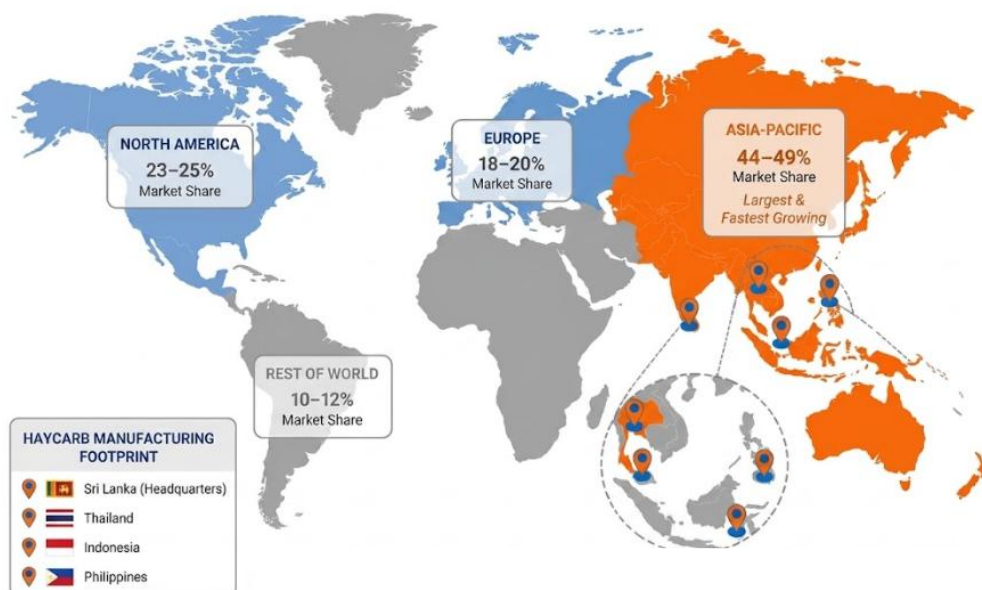
Bubble size represents relative demand (2026E)



Sources: Fortune Business Insights

Supply-side dynamics: a structural raw material constraint

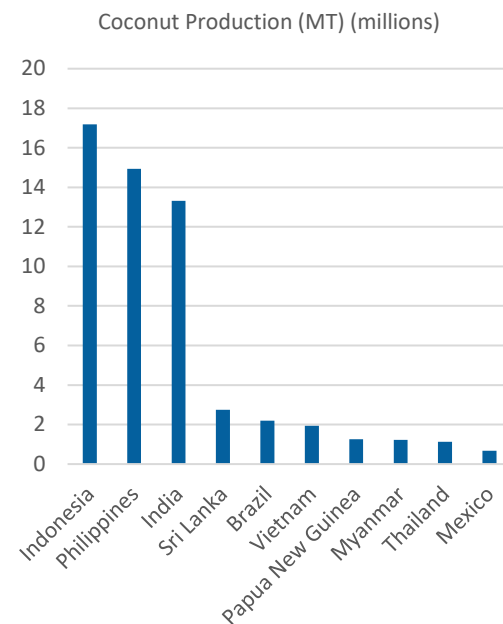
The coconut shell activated carbon supply chain has been under sustained pressure, and the drivers behind this are unlikely to fully reverse in the near term. Indonesia, the Philippines, India, and Sri Lanka collectively account for over 70% of global coconut production, and these producing regions have faced a combination of adverse weather (drought and abnormal rainfall patterns affecting Thailand and Indonesia in particular), pest and disease pressure, and tightening environmental regulation on carbonization and activation processes that has forced some smaller, non-compliant processing facilities to shut down, simultaneously reducing both raw coconut shell availability and processing capacity.



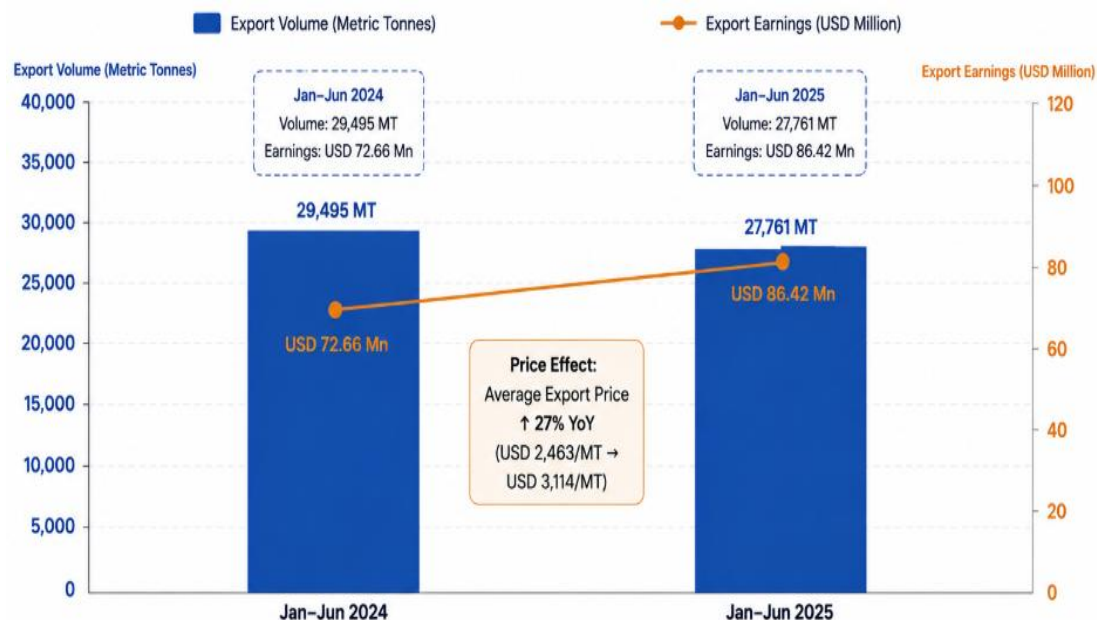
Sources: Company Report

Compounding the supply constraint is the low conversion yield inherent to the process itself: only 20–30% of raw coconut shell mass converts through to finished activated carbon, meaning that any reduction in coconut harvest volumes translates into a magnified shortfall in available shell charcoal. Layered on top of this agricultural constraint is the entirely new demand pull from sodium-ion battery and broader energy storage material producers competing for the same feedstock, a demand source that essentially did not exist on scale years ago and is now a material claimant on global coconut shell supply.

Sri Lankan activated carbon export volumes for January–June 2025 fell 6% year-on-year to 27,761 metric tonnes, explicitly attributed to coconut shell shortages linked to reduced domestic production, yet export earnings rose 19% to USD 86.42 million over the same period, as elevated global pricing more than offset the volume decline. This is the exact dynamic visible in Haycarb's own FY2026 results, where gross margin compressed even as revenue grew strongly, reflecting an industry-wide pattern rather than a company-specific execution issue.



Sources: Fortune Business Insights



Sources: Coconut Development Authority

For Haycarb specifically, this reinforces the strategic logic of the Philippines greenfield plant and the broader push toward backward integration into charcoal sourcing: securing direct access to raw material supply, rather than competing for open-market coconut shell charcoal, is becoming a more important competitive differentiator than manufacturing scale alone.

Competitive landscape: where Haycarb sits among global producers

The activated carbon industry is moderately fragmented, with a long tail of regional and specialty producers alongside a smaller group of globally scaled players. Industry classifications consistently group Haycarb among the leading global names, alongside Cabot Corporation, Kuraray, Jacobi Carbons Group, Kureha Corporation, Calgon Carbon (part of Kuraray since its acquisition), Donau Carbon, and Osaka Gas Chemical. Within this group, however, competitive positioning varies significantly by feedstock and application and understanding where Haycarb sits is more useful than treating the industry as a single undifferentiated competitive set.

Company	Feedstock	Core Markets	Energy Storage	Global Scale
Haycarb	Coconut	Water, Gold, Energy	✓✓✓	Medium
Jacobi	Coconut	Water, Gold	✓	Large
Kuraray	Coal + Reactivated	Water	✓	Very Large
Cabot	Coal	Air, Water	Limited	Largest
Donau	Mixed	Industrial	Limited	Medium
Osaka Gas	Mixed	Industrial	Limited	Medium

Sources: Company Reports

Cabot Corporation and Kuraray (through its Calgon Carbon subsidiary) are the largest players by overall revenue, but their scale is built predominantly on coal-based and reactivated carbon serving North American and European water treatment and air purification markets, a different feedstock base and geographic focus than Haycarb's coconut shell, Asia-and-export-oriented model. Jacobi Carbons Group is the most directly comparable global competitor to Haycarb, explicitly identified as the world's largest manufacturer of coconut shell-based activated carbon, with manufacturing operations spanning France, Italy, China, Vietnam, Sri Lanka, and India, and a strong presence in water treatment and gold refining, the same core end-markets where Haycarb has historically been strongest. Notably, Jacobi maintains manufacturing operations within Sri Lanka itself, meaning Haycarb faces direct domestic competition for both coconut shell raw material sourcing and skilled processing labor from a globally larger rival operating in the same country.

Within this competitive set, Haycarb's differentiation rests on three pillars that are independent of scale. First is its multi-decade specialisation specifically in coconut shell carbon, as distinct from the more diversified coal-and-coconut feedstock base of competitors like Cabot and Kuraray, a

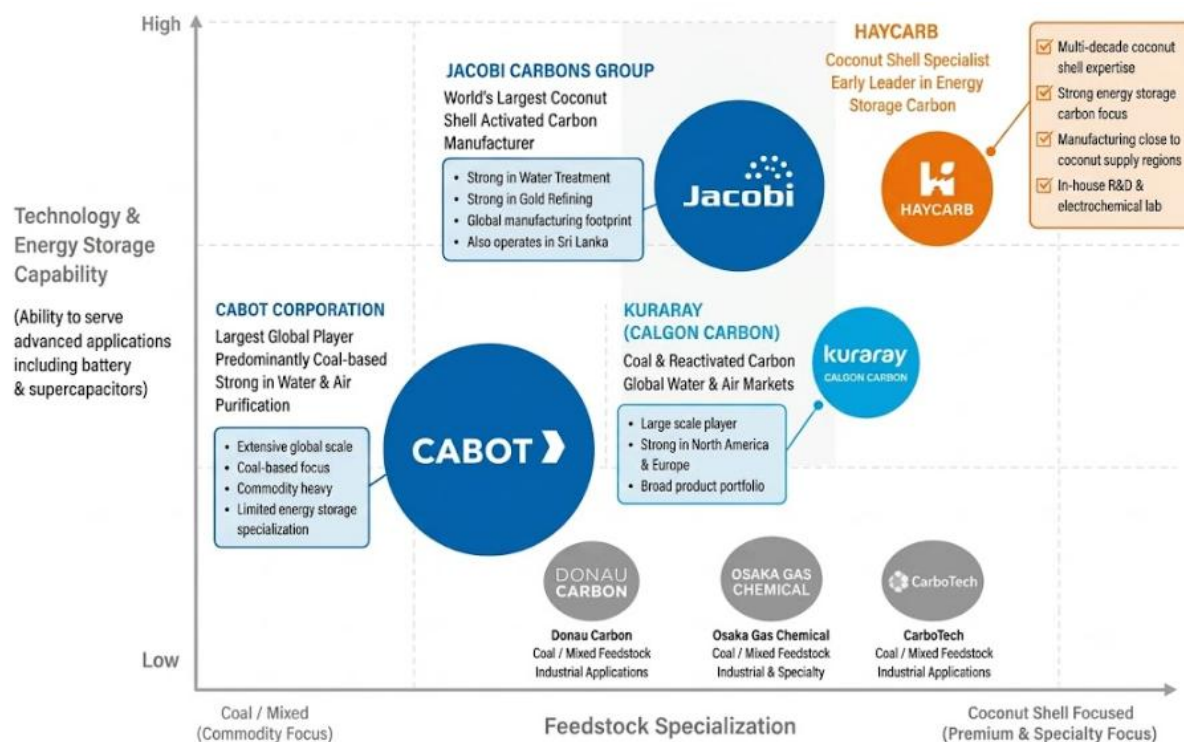
HAYCARB 	• 4 Countries • 6+ Manufacturing Facilities • Close to Coconut Supply Belt • Coconut Shell Specialist – Asia Focused	
JACOBI CARBONS GROUP 	• 6 Countries • 10+ Manufacturing Facilities • Strong Global Presence • Operating in Sri Lanka	
KURARAY (CALGON CARBON) 	• 6+ Countries • 20+ Manufacturing Facilities • Global Water & Air Markets • Coal & Reactivated Carbon Focus	
CABOT CORPORATION 	• 10+ Countries • 40+ Manufacturing Facilities • Coal-based Leader • Global Scale Advantage	
OTHERS 	• Donau Carbon (Germany) • Osaka Gas Chemical (Japan) • CarboTech (Germany) • Other Regional / Specialty Players	

Sources: Company Reports

focus that has allowed Haycarb to develop process expertise particularly suited to the microporous structure that coconut shell carbon offers, which is the same structural property that makes it attractive for energy storage applications.

Second is the multi-country manufacturing footprint Haycarb has built across Sri Lanka, Thailand, Indonesia, and now the Philippines, which provides geographic proximity to coconut-growing regions that European-headquartered competitors like Donau Carbon and CarboTech cannot easily replicate.

Third, and most forward-looking, is Haycarb's early and explicit strategic commitment to energy storage carbon, including the recently commissioned in-house electrochemical laboratory and silicon-carbon composite R&D, a positioning that, if it translates into qualified commercial supply relationships with battery and supercapacitor manufacturers, would represent a genuine point of technical differentiation from the broader coconut shell carbon peer group, most of which remains focused on traditional water, air, and gold recovery applications rather than electrochemical energy storage.



Sources: Internet Sources

Regulatory Drivers for Activated Carbon

In Europe, the rules are already locked in. Since January 2026, every EU country must test drinking water for PFAS ("forever chemicals") and report the results. If a water utility's PFAS levels are too high, they need to install treatment, and activated carbon is one of the few technologies that actually works for this. So European demand for activated carbon tied to PFAS compliance should ramp up quickly and predictably.

In the US, it's messier. The core PFAS limits (for PFOA and PFOS, the two most common types) are still legally required. But the EPA is now letting some water utilities push their compliance deadline back from 2029 to 2031, and it's dropping the requirement for several other PFAS chemicals altogether. So, the rule isn't going away, but it's being loosened and slowed down.

The US is Haycarb's biggest market outside of Asia. If American utilities can legally delay their spending, they will, as water utilities are usually cash-constrained and will take any extra time they're given. That means the wave of US demand we might have expected by 2029 could now arrive later, in smaller pieces, and with less certainty about exactly when.

Europe gives Haycarb a smaller but more reliable, faster-arriving boost. The US gives Haycarb a bigger potential opportunity, but it's now more spread out and less predictable and we won't know the final shape of it until the EPA finishes its rulemaking, expected by the end of 2026.

Porters Five Forces

Bargaining Power of Suppliers – High

Despite revenue increasing by 55% in FY2025/26, gross margin declined sharply from 27.9% to 19.9%, indicating that the pricing benefits of the tight activated carbon market accrued primarily to coconut shell charcoal suppliers rather than producers such as Haycarb. Raw material sourcing remains concentrated across a limited number of climate-sensitive producing countries—including Sri Lanka, Indonesia, Thailand, India, and Vietnam—meaning that adverse weather conditions, pest outbreaks, and supply disruptions can simultaneously affect a large proportion of global feedstock availability. Geographic diversification therefore provides only partial protection against industry-wide shortages. Moreover, converting coconut shells into activated carbon requires specialized carbonization, activation, and processing capabilities, limiting the number of qualified suppliers and strengthening their pricing power during periods of constrained supply.

Threat of New Entrants – Moderate

High capital costs (capex tripled to Rs. 4.2 Bn in FY25/26), technical know-how, patents, and environmental regulations keep most entrants out. Easier to enter the lower-end coal-based AC market than Haycarb's premium coconut-shell niche. Established players hold strong supplier and buyer relationships that new entrants struggle to match.

Bargaining Power of Buyers – Moderate

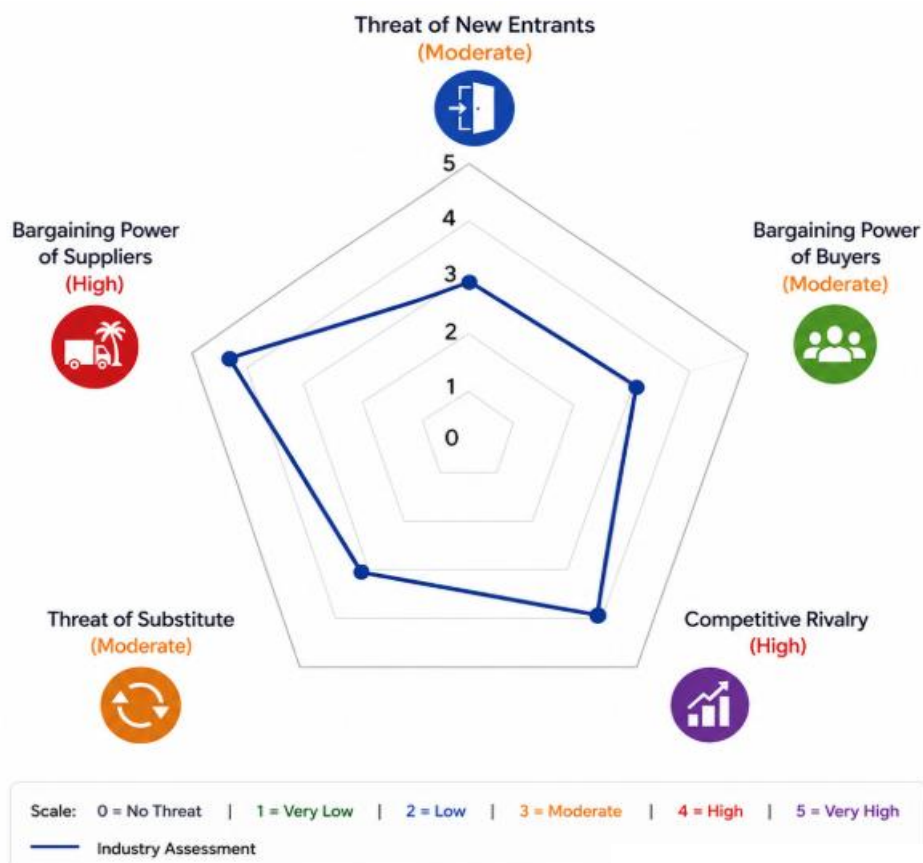
Large customers (water utilities, gold miners, beverage/pharma companies) have some leverage, but Haycarb's customized, technically qualified products create real switching costs for premium CSAC grades.

Threat of Substitute – Moderate

Activated carbon itself isn't being displaced by another technology, it's still the preferred tool for PFAS removal and other purification needs. The real risk is more subtle: if coconut shell charcoal stays scarce, customers could shift to cheaper coal- or wood-based activated carbon instead. Haycarb is already researching non-coconut alternatives as a hedge.

Competitive Rivalry – High

With industry demand projected to grow at 8–10% annually, producers face a dual competitive landscape. Commodity-grade activated carbon competes primarily on price and cost efficiency, while specialty applications compete on product performance and technical innovation. Consequently, long-term success depends on combining operational excellence with differentiated, value-added product development.

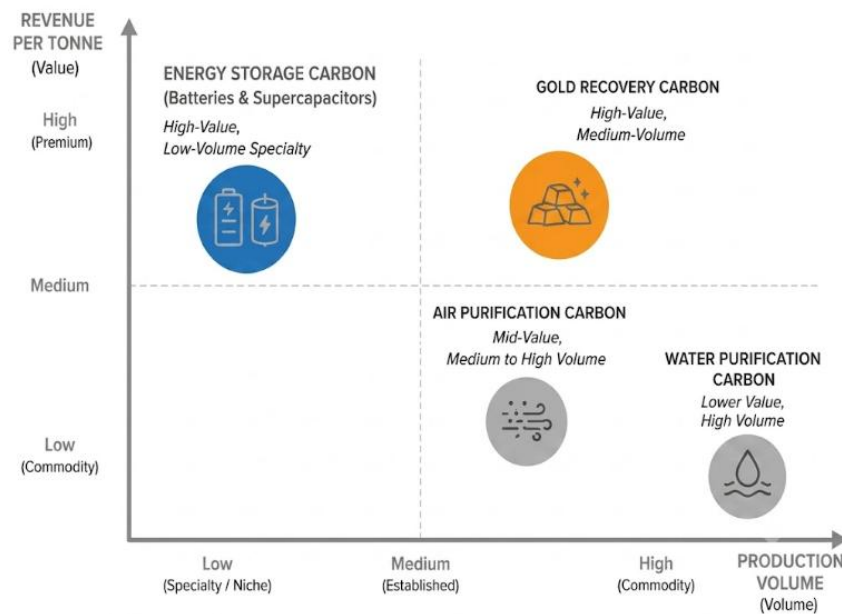


Sources: Ambeon Estimates

3. Investment highlights

Energy storage carbon - the structural growth engine

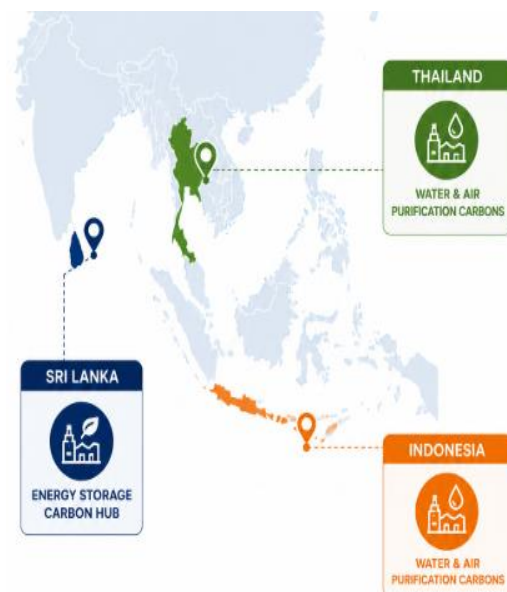
Every battery or supercapacitor needs a material inside it that can hold and release energy quickly, and Haycarb makes a specially engineered form of activated carbon, produced from coconut shells, that does exactly this. Carbon for lithium-ion battery anodes, used in silicon-carbon composites to help batteries charge faster and hold more energy, and carbon for supercapacitors, used where a device needs a very fast burst of power such as grid balancing, regenerative braking, or backup power for data centres. This is still a small but fast-growing slice of Haycarb's much bigger activated carbon business, which also makes carbon for gold recovery, water purification, and air filtration.



Sources: Company Reports

Three global trends are pulling demand toward this niche: AI data centres need reliable, fast power backup and grid balancing; electric vehicles need better, faster-charging batteries; and renewable energy grids such as solar and wind need storage devices that can absorb and release power quickly to keep the grid stable, a dynamic Haycarb specifically calls out as especially visible in China. In response, Haycarb doubled its energy storage carbon manufacturing capacity in Sri Lanka during FY26, investing roughly Rs. 1.4 billion in this specific expansion. Sri Lanka has been designated the Group's primary hub for this product line, while Thailand and Indonesia continue to focus on water and air purification carbons.

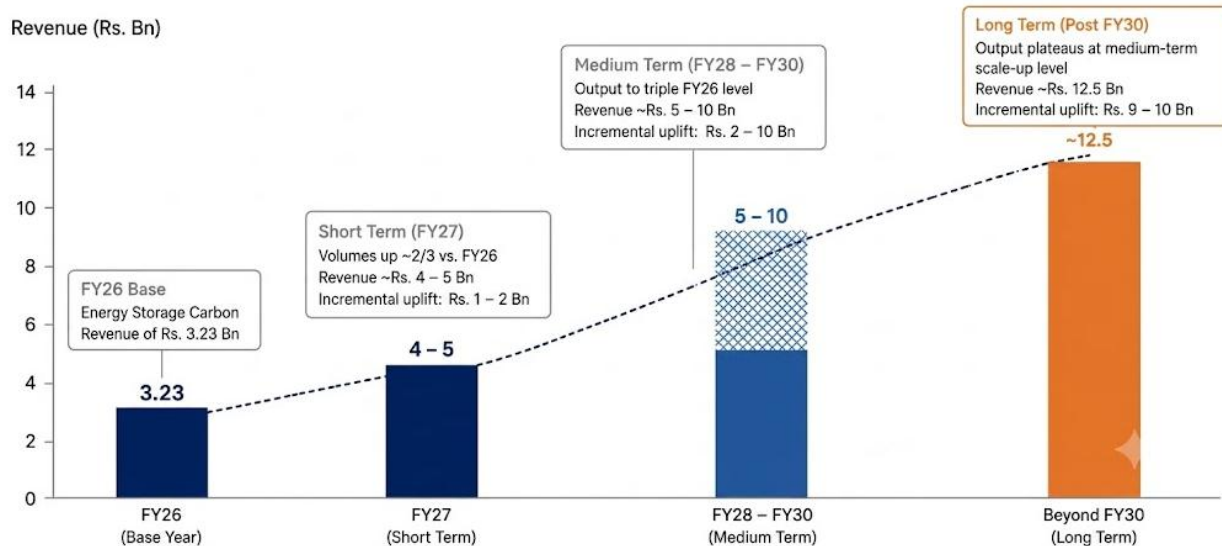
Energy storage carbon is still a small business today, but management is guiding to fast multi-year growth. The FY26 base is around Rs. 3.23 Bn in revenue (cf. to 67bn of total revenue). For the short term, FY27, Haycarb expects volumes to rise by roughly two-thirds versus this year, taking revenue to around Rs. 4-5 Bn, an incremental uplift of Rs. 1-2 Bn. For the medium term,



Sources: Company Reports

spanning FY28 to FY30, output is expected to triple the FY26 level, taking revenue to a range of Rs. 5-10 Bn, an uplift of Rs. 2-10 Bn. For the long term, beyond FY30, output is expected to plateau at the medium-term scale-up level, with indicative revenue of around Rs. 12.5 Bn, an uplift of Rs. 9-10 Bn versus the current baseline. Energy storage carbon made up only about 1% of activated carbon production volume in FY26, but around 6% of climate-solution sales revenue, up sharply from 2% the year before, which tells that it is a high-value-per-tonne, low-volume specialty product rather than a commodity.

Strong multi-year growth trajectory driven by capacity expansion and rising global demand



Sources: Ambeon Estimates

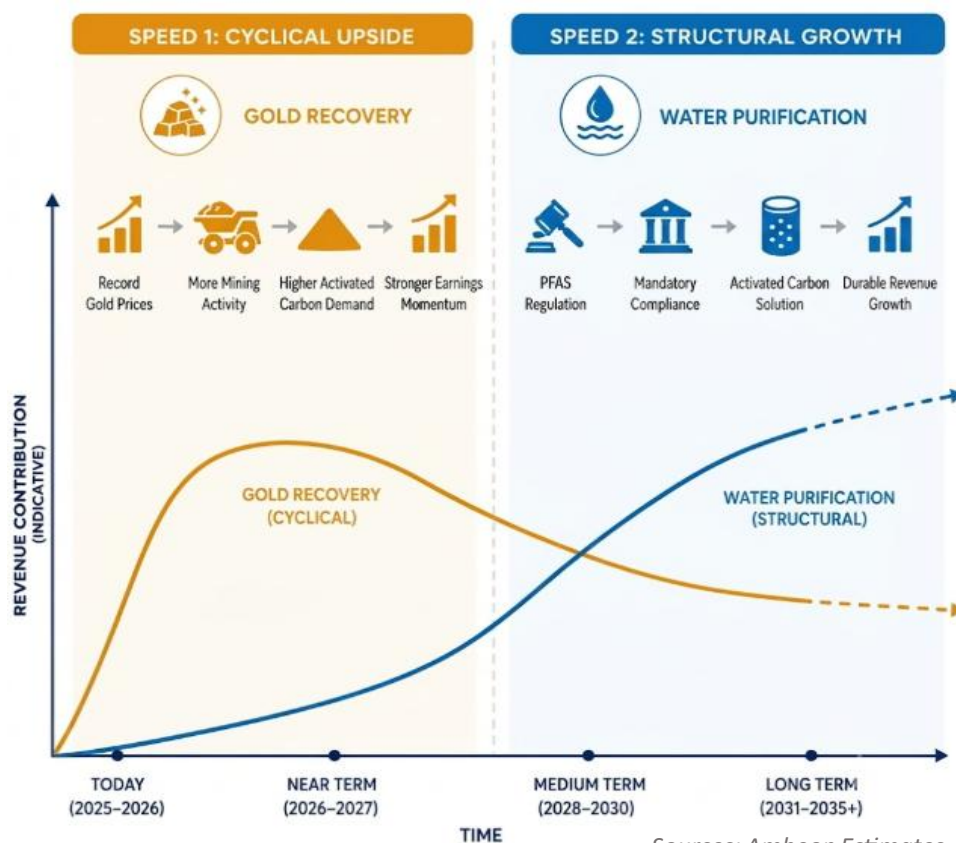
On the product side, Haycarb points to two specific innovations gaining traction: coconut-shell-based carbon tailored for silicon-carbon composites in lithium-ion battery anodes, aimed at higher energy density and faster charging, and supercapacitor carbons engineered for low equivalent series resistance and high specific capacitance, meaning they deliver power quickly and efficiently. Haycarb is among the small group of global suppliers in the supercapacitor-grade activated carbon space, alongside larger players like Kuraray and various Chinese producers. Estimates of the global supercapacitor activated carbon market itself range quite widely, from roughly USD 150-300 Mn by the mid-2030s in some reports to over USD 1-3 Bn by the early 2030s in others, with Asia-Pacific consistently cited as the dominant region at 60% or more of global share.

Every energy storage carbon grade made in Sri Lanka requires washing, and Sri Lanka is the planned hub for this product, so under severe water-stress scenarios, some expected energy storage carbon production may also be affected if resilience investments such as reverse osmosis, recycling and storage prove insufficient.

Riding Gold's Cycle, Built on Water's Structural Growth

The strongest reason to invest right now is that Haycarb sits at the center of two very different but currently well-aligned growth stories, giving it both near-term earnings momentum and longer-term stability. Gold recovery gives the business real upside today. Gold prices have surged to record highs, above \$5,500/oz at one point, with forecasters expecting average prices near \$4,920/oz through 2026. Because activated carbon is the standard material used in over 70% of gold extraction globally, every dollar increase in gold prices tends to bring more mines into production, and more mining activity directly means more carbon demand. Haycarb is especially well placed to capture this because Africa, the world's largest and fastest-growing gold-producing region, is also the largest consumer of coconut shell carbon Haycarb specializes in, and Haycarb has decades of relationships in this space going back to the 1970s.

Water purification gives the business a much steadier, longer-lasting growth engine that doesn't depend on commodity prices at all. Governments in the US, Europe, and increasingly Asia are now legally requiring the removal of PFAS ("forever chemicals") from drinking water, backed by billions of dollars in mandatory funding and compliance deadlines. Activated carbon is the leading technology used to remove PFAS, and this specific market is expected to grow fast, from about USD 2.9 Bn in 2026 to USD 8.2 Bn by 2036. The broader activated carbon market for water treatment is expected to grow from USD 3.28 Bn in 2025 to USD 7.85 Bn by 2035. Unlike gold, this growth isn't driven by prices swinging up and down, it's driven by laws that utilities and industries simply must comply with, which makes it a much more predictable and durable source of future revenue.



Gold recovery offers strong, high-margin upside right now while prices are elevated, and water purification offers a reliable, regulation-backed growth runway that should keep generating revenue for years regardless of what happens to gold prices. Few companies combine a legitimate near-term cyclical tailwind with a genuinely defensive, long-term structural growth driver in the same business.

Philippines Greenfield & Sri Lankan 18m Expansion

Haycarb's capacity expansion story entered a materially more concrete phase in June 2026, when the company signed an agreement with the Board of Investment of Sri Lanka to invest an additional USD 18.18 million in expanding its specialized energy storage carbon manufacturing operations domestically. Simultaneously Haycarb expect to advance the commissioning of its greenfield manufacturing facility in the Philippines, which has received formal approval from the Board of Investments of the Philippines and is on track for Phase 1 commissioning in the first half of 2027.

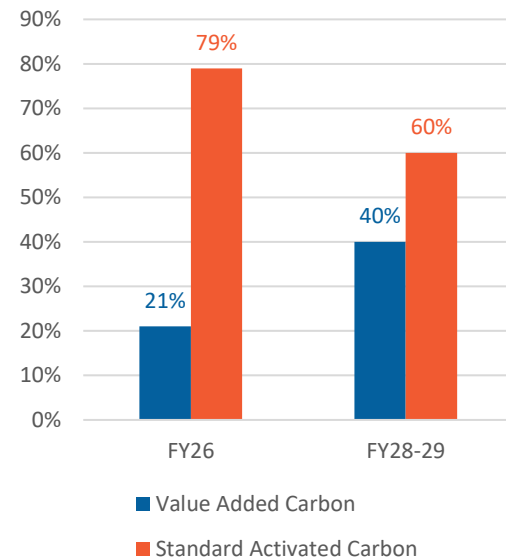
The BOI expansion of USD 18.18 million into energy storage carbon - The agreement with Sri Lanka's Board of Investment is significant not only for its financial quantum but for what it signals about the trajectory of Haycarb's domestic manufacturing strategy. The USD 18.18 million commitment, equivalent to approximately Rs. 5.5 Bn at current exchange rates and representing roughly 8% of the Group's total asset base as of March 2026, is directed specifically at energy storage carbon manufacturing, the highest-value, fastest-growing, and most technically differentiated segment of Haycarb's product portfolio.

At a project level, the USD 18.18 million expansion will enhance Haycarb's Sri Lankan operations, which serve as the primary manufacturing and export hub. The expansion is expected to add meaningfully to Haycarb's energy storage carbon output, supporting the Group's stated medium-term target of growing value-added carbon's contribution to 40% of total revenue.

Haycarb Philippines Corporation — Activated Carbon Manufacturing facility. Within the next twelve months, Haycarb Philippines Corporation will begin contributing production output to the Group by 7,500 MT per annum, with all the strategic benefits that the Philippines location uniquely provides.

The Philippines is one of the world's largest coconut-producing nations, generating approximately 14–15 million metric tonnes of coconuts annually. By establishing manufacturing operations in the Philippines, Haycarb places its activation capacity within the raw material catchment area itself, reducing the logistical cost, transit risk, and supply chain fragility associated with importing coconut shell charcoal from origin countries to processing facilities in Sri Lanka or Thailand. This is a structural rather than a cyclical solution to the supply constraint that compressed the Group's gross margin by 800 basis points in FY2026, from 27.9% to 19.9%.

Value-added carbon as % of revenue



Sources: Company Reports



SRI LANKA

Production capacity

31,800 TPA

Of total production capacity

54%

Sources: Company Reports



INDONESIA

Production capacity

13,000 TPA

Of total production capacity

22%

Sources: Company Reports

Haycarb enters this period with demand already exceeding its ability to supply, evidenced by the raw material-driven volume constraint in FY2026 despite strong end-market demand across gold recovery, energy storage, water purification, and air treatment, and exits it with a materially larger, geographically diversified, and raw-material-secured production base.

The Philippines plant, by sourcing charcoal locally rather than importing it, reduces the input cost per tonne of activated carbon produced at that facility. As Philippines output ramps and its lower-cost production is consolidated into Group financials, the blended cost of goods sold per tonne declines. Simultaneously, the BOI expansion increases the proportion of energy storage carbon, which carries a premium average selling price, in the Sri Lanka facility's output mix, driving average selling price improvement at the parent company level. The combined effect should generate meaningful gross margin recovery toward the 24–28% range by FY2028–FY2029, translating into Group PAT growth that is disproportionate to revenue growth, as the fixed cost base is already largely in place

FX Translation Tailwind - A Structural, Underwritten Earnings Amplifier:

With 97.6% of Group Revenue derived from outside Sri Lanka, Haycarb functions, in currency terms, as a dollar-earnings business wrapped in a rupee-reporting shell, and in an economy where the rupee has depreciated against the dollar in eight of the last ten years, this structural mismatch consistently and mechanically inflates reported revenue and earnings.

The implied average rate embedded in Haycarb's FY2026 results, derived from Rs. 67.1 Bn of revenue against an approximate USD 230 Mn equivalent, points to an effective average rate in the region of Rs. 292/USD across the financial year. As of 02 July 2026, the spot USD/LKR rate stands at Rs. 336.04, having risen as high as Rs. 345.39 on 21 May 2026 amid the escalation of the Middle East conflict, before partially retracing. Measured year-on-year, the dollar has appreciated 10.84% against the rupee over the trailing twelve months to mid-June 2026.

If Haycarb's FY2027 trades for even a portion of the year at rates approaching the current spot level of Rs. 332–345/USD, the translation uplift to reported revenue will be substantially larger. A move from an effective FY2026 average of approximately Rs. 292/USD to an FY2027 average of, say, Rs. 320/USD, a level below the current spot rate and therefore not an aggressive assumption, would represent a 9.6% depreciation, translating into a corresponding uplift to reported USD-denominated revenue once converted to LKR, before any volume or pricing improvement is considered. On a Rs. 67.1 Bn FY2026 revenue base, a 9.6% pure currency effect equates to approximately Rs. 6.4 Bn of incremental reported revenue.



Production capacity

13,700 TPA

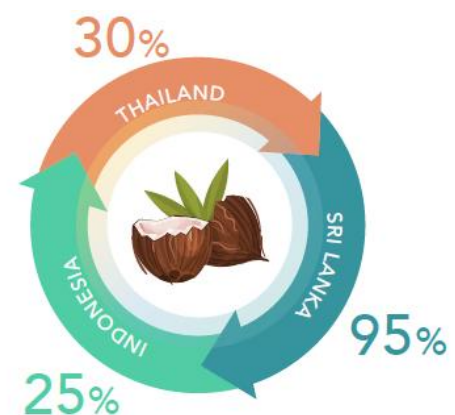
Regeneration capacity

3,600 TPA

Of total production capacity

24%

Sources: Company Reports



Sources: Company Reports

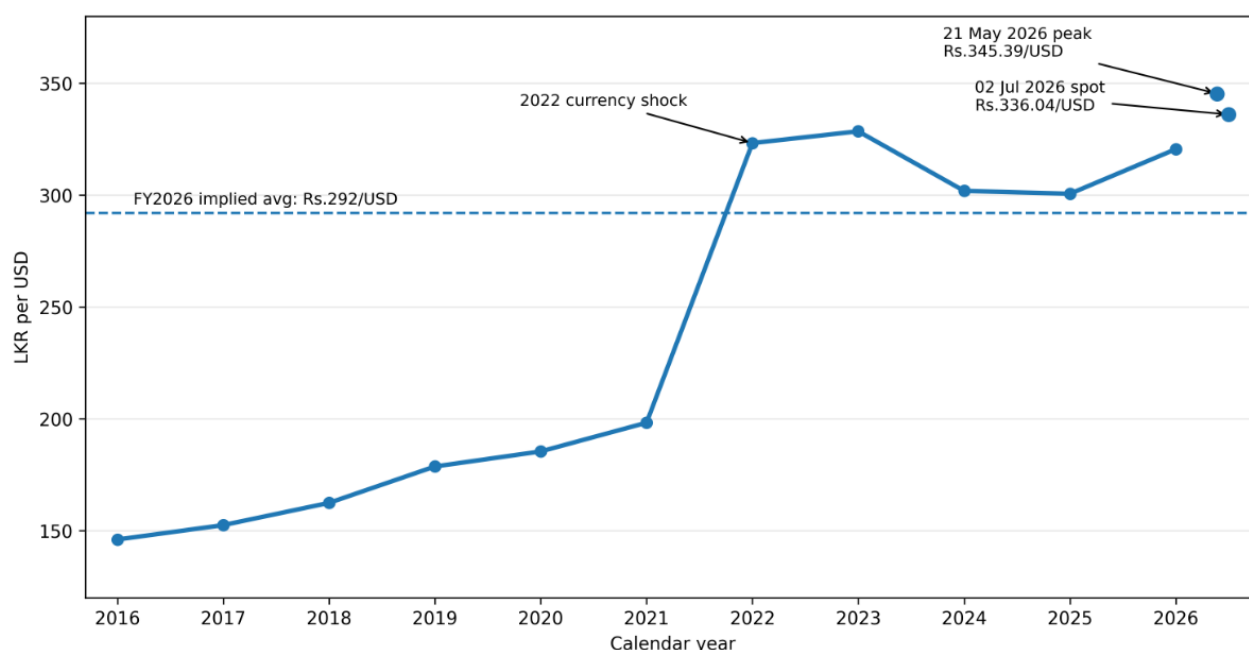
	% locally sourced
Sri Lanka	85%
Thailand	100%
Indonesia	100%

Sources: Company Reports

The escalation of the Middle East conflict since late February 2026 triggered heightened external sector pressures across regional emerging market peers, and Sri Lanka was not insulated — the rupee depreciated 5.4% against the US dollar on a year-to-date basis as of end-May 2026, a move broadly in line with the depreciation trend observed across comparable economies. This component of the move is plausibly partially reversible when the geopolitical situation stabilizes, and the rupee has in fact retraced somewhat from its 21 May peak of Rs. 345.39 to the current Rs. 336.04.

However, beneath this episodic shock lies a more durable structural dynamic. Sri Lanka's currency depreciated 5.6% against the US dollar across the whole of calendar 2025, even before the Middle East shock began, reflecting the ordinary functioning of an inflation-targeting monetary framework in an economy that still runs a structural trade deficit and remains a net importer of energy.

This translation benefit also flows through to the cost base, but asymmetrically in Haycarb's favor. While certain input costs, most notably imported coconut shell charcoal sourced from outside Sri Lanka, machinery, and certain packaging materials, are also dollar-denominated and therefore see costs rise in rupee terms alongside the depreciation, a substantial portion of Haycarb's cost base is domestically denominated: labor, local utilities, and a portion of raw material sourced from Sri Lankan coconut growers. Because revenue is almost entirely dollar-denominated while costs are only partially so, currency depreciation generates a net positive margin effect at the consolidated level, in addition to the pure revenue translation uplift.



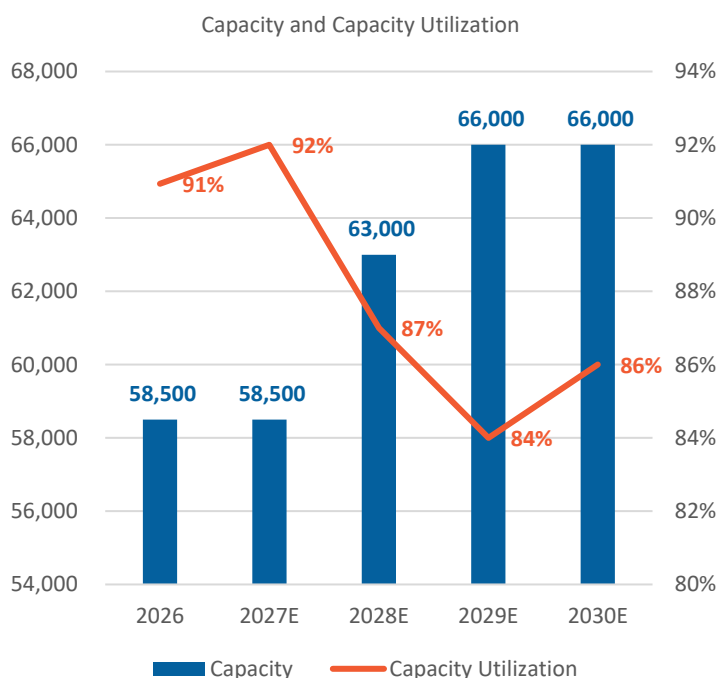
Note: Annual points are simple averages of monthly USD/LKR averages. 2026 is YTD to early July; annotations use specified spot/peak rates.

Sources: Investing.com

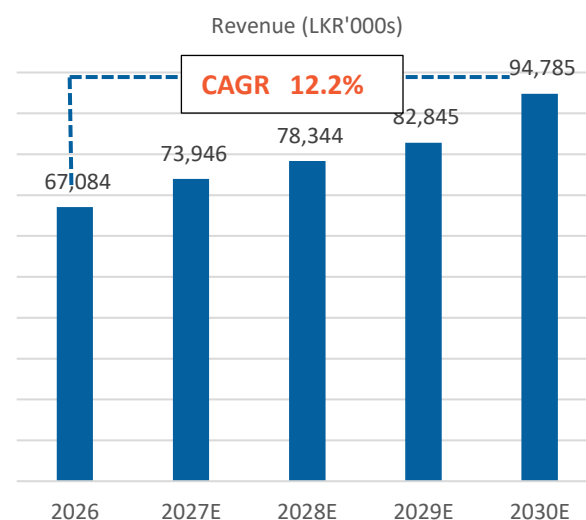
4. Financial Review

Revenue

Haycarb's revenue is forecast to grow from Rs. 67.1 Bn in FY26 to Rs. 94.8 Bn by FY30E, with growth holding in a fairly steady 7–9% band through FY27E–FY29E before accelerating to 14.4% in FY30E. Unlike volume alone, this trajectory is supported by production rising every year, from 53,200 MT to 56,760 MT over the forecast period, alongside continued gains from price increases and a modest LKR depreciation assumption in the outer years. Capacity utilization eases gradually from 92.0% in FY27E to 87.0% and then 84.0% as installed capacity steps up to 63,000 MT in FY28E and 66,000 MT in FY29E slightly ahead of production, before recovering to 86.0% in FY30E as output growth catches up to the larger capacity base.



Sources: Ambeon Estimates, Company Reports

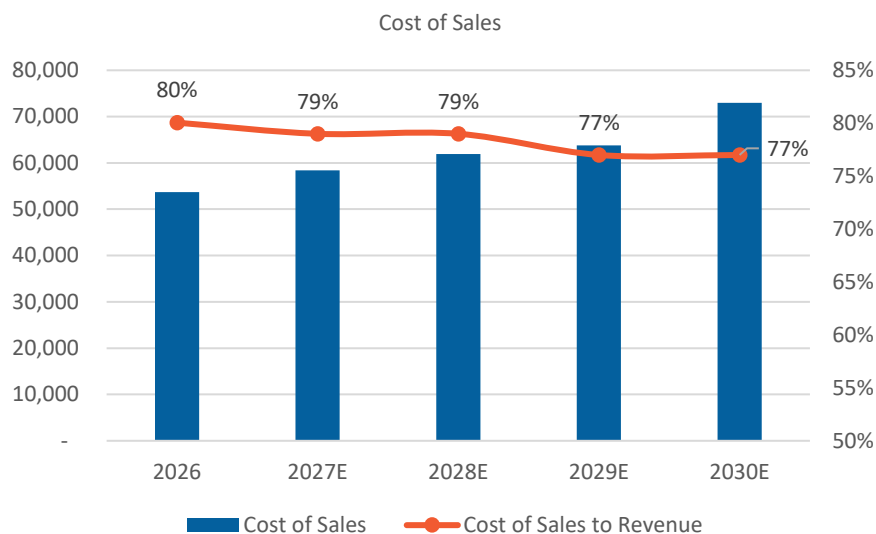


Sources: Ambeon Estimates, Company Reports

Cost of Sales

Cost of sales is forecast to grow much more slowly than revenue, rising from Rs. 53.7 Bn in FY26 to Rs. 72.9 Bn by FY30E, with annual increases staying in the low-to-mid single digits before stepping up to 14.0% in FY30E. As a result, gross margin is projected to recover steadily from the FY2025/26 low of 19.9%, depressed by the coconut shell charcoal cost spike, to 21.0% in FY27E, and 23.0% by FY30E, effectively unwinding most of the recent margin compression and moving back toward historical norms. This recovery is underpinned by raw material costs per MT rising only modestly through most of the forecast period. In effect, the model assumes raw material cost pressure eases significantly after the FY2025/26 spike, allowing pricing gains

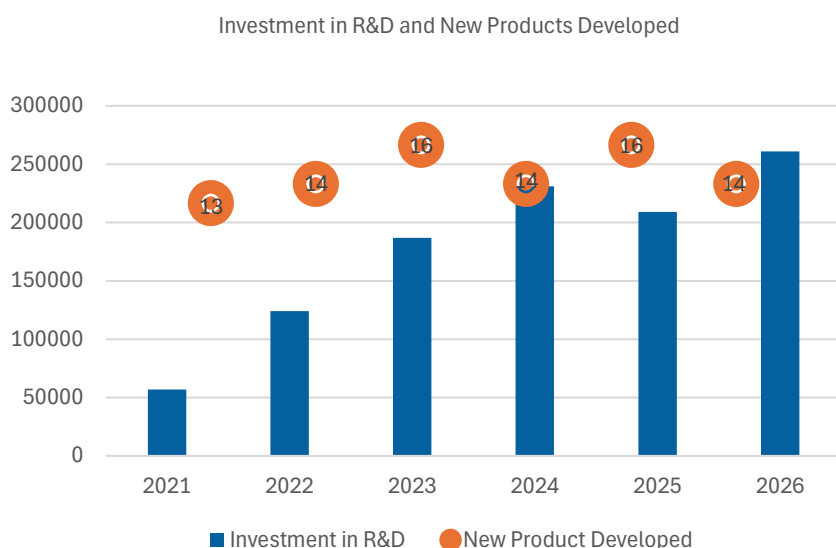
and volume growth to flow through to gross profit rather than being absorbed by input costs. This margin recovery is underpinned by two structural levers: the commissioning of the new manufacturing facility in the Philippines' coconut catchment area, which improves proximity to raw material supply and reduces sourcing cost volatility, and the continued expansion of value-added carbon products (energy storage, PFAS removal, gold recovery) within the portfolio mix, which carry inherently higher margins than commodity-grade activated carbon.



Sources: Ambeon Estimates, Company Reports

Investment in R&D and new products

Haycarb's R&D investment rose to Rs. 261.88 Mn in FY2025/26 (up from Rs. 209 Mn in FY2024/25). This investment translated into 14 new products launched during the year, generating Rs. 916 Mn in revenue from new products alone, nearly double the Rs. 467 Mn generated in FY2024/25, with a further 3 products currently in the pipeline. Critically, R&D spend is deliberately weighted toward the same value-added categories underpinning the demand thesis: energy storage carbons (silicon-carbon composites and supercapacitor-grade carbons for lithium-ion batteries), next-generation PFAS removal solutions, and water and air purification carbons, alongside upgraded in-house lab capabilities to support this pivot. The current revenue mix from new products (roughly 43% energy storage, 29% water purification, 21% PFAS carbon per the FY2025/26 breakdown) signals where management is actively directing future capacity, rather than simply defending the legacy commodity-grade carbon business. This R&D-to-revenue conversion trend, new product revenue growing faster than overall Group revenue, supports the case that Haycarb's product mix will continue shifting toward higher-margin, application-specific carbons over the model horizon, which should be a structural tailwind for gross margin recovery alongside the Philippines capacity expansion.



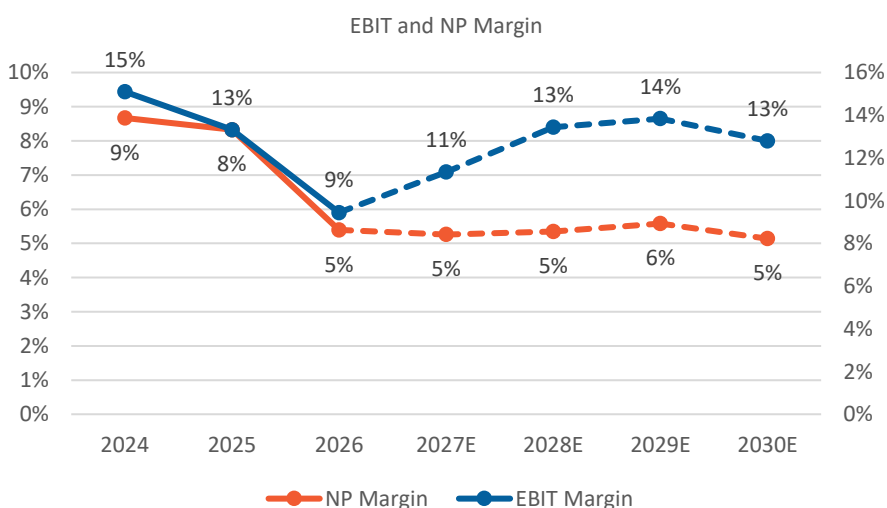
Sources: Ambeon Estimates, Company Reports

EBIT Margin and Net Profit Margin

Capacity utilization is expected to improve in parallel, while ongoing digitalization initiatives should further strengthen operational efficiency and cost control. Together, these effects are projected to drive EBIT margin recovery from 9.4% in FY26 to 13.0% by FY30E.

HAYC's profitability and efficiency metrics are expected to follow a similar recovery path after a temporary dip. Profit margin attributable to equity holders declined from 8.7% in FY24 to 5.4% in FY26, but fails to recover alongside EBIT margin, staying flat in a narrow 5-6% band through 2027E-2030E even as EBIT margin climbs several points higher.

The widening spread between roughly to 4 points in 2026 growing to 8 points by 2029E signals that operating profitability is improving faster than what's reaching the bottom line, pointing to a growing drag from below-the-line items such as interest expense or tax that's absorbing the operating gains before they convert into net margin improvement.



Sources: Ambeon Estimates, Company Reports

Asset turnover

Haycarb's asset turnover ratio is forecast to peak at 1.08 times in FY27E before gradually declining to 1.06 times in FY28E, 1.01 times in FY29E, and 0.89 times by FY30E, falling back below 1.0x for the first time in the forecast horizon. This reflects total assets growing faster than revenue in the back half of the period, assets expand roughly ~14%-18% annually from FY28E onward as capacity-related capex builds out, while revenue growth, though healthy, doesn't consistently keep pace.

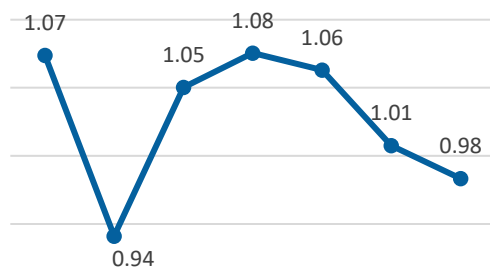
Return of Equity

Return on equity falls sharply from 16.0% in 2024 to 14.0% in 2025, then drops more steeply to 12.0% in 2026, before settling into a flat plateau at 12.0% across 2027E, 2028E, 2029E, and 2030E. The initial decline lines up closely with the net margin compression over the same period (9% to 5%) and the 2025 dip in asset turnover, pointing to margin erosion as the main driver of the early fall. Asset turnover keeps deteriorating from 1.08x in 2027E to 0.98x in 2030E, and net asset value keeps expanding uninterrupted from 108.0 to 140.2 over the same years — both factors that should mechanically pull ROE lower.

Net Asset Value

Net asset value per share (NAVPS) is forecast to grow steadily throughout the projection period, rising from Rs. 98.83 in FY26 to Rs. 109.08 in FY27E, Rs. 122.94 in FY28E, Rs. 138.40 in FY29E, and Rs. 158.35 by FY30E, a compounding growth rate that accelerates slightly from around 10.4% in FY27E to 14.4% by FY30E. This is driven by total equity attributable to equity holders climbing from Rs. 29.4 Bn to Rs. 47.0 Bn over the same period, funded almost entirely through retained earnings as profit accumulates. Relative to the current share price of Rs. 160.50, this implies the stock trades at roughly 1.6x book value today, a premium that compresses meaningfully over the forecast horizon, falling to just over 1.0x by FY2029/30E as NAVPS converges toward the current price.

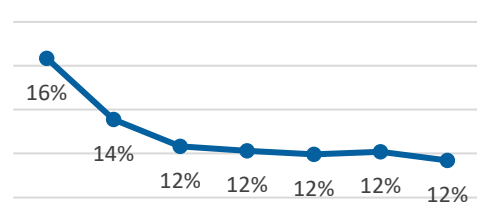
Asset Turnover Ratio (Times)



2024 2025 2026 2027E 2028E 2029E 2030E

Sources: Ambeon Estimates, Company Reports

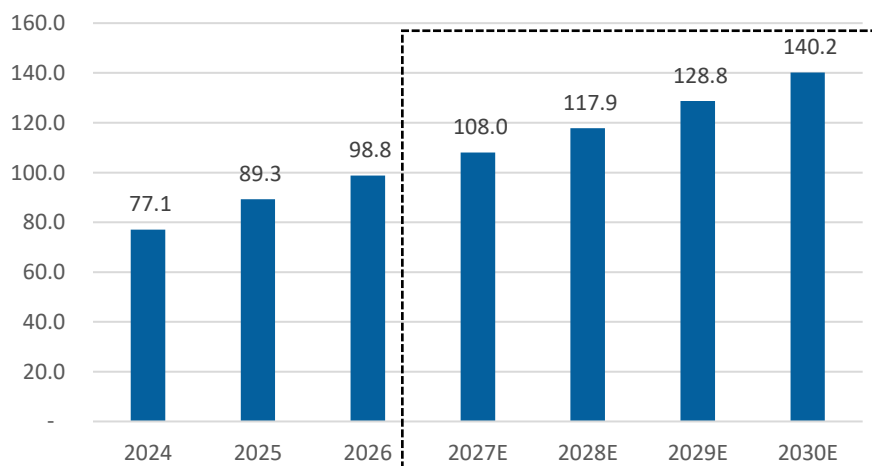
Return on Equity



2024 2025 2026 2027E 2028E 2029E 2030E

Sources: Ambeon Estimates, Company Reports

Net Asset Value

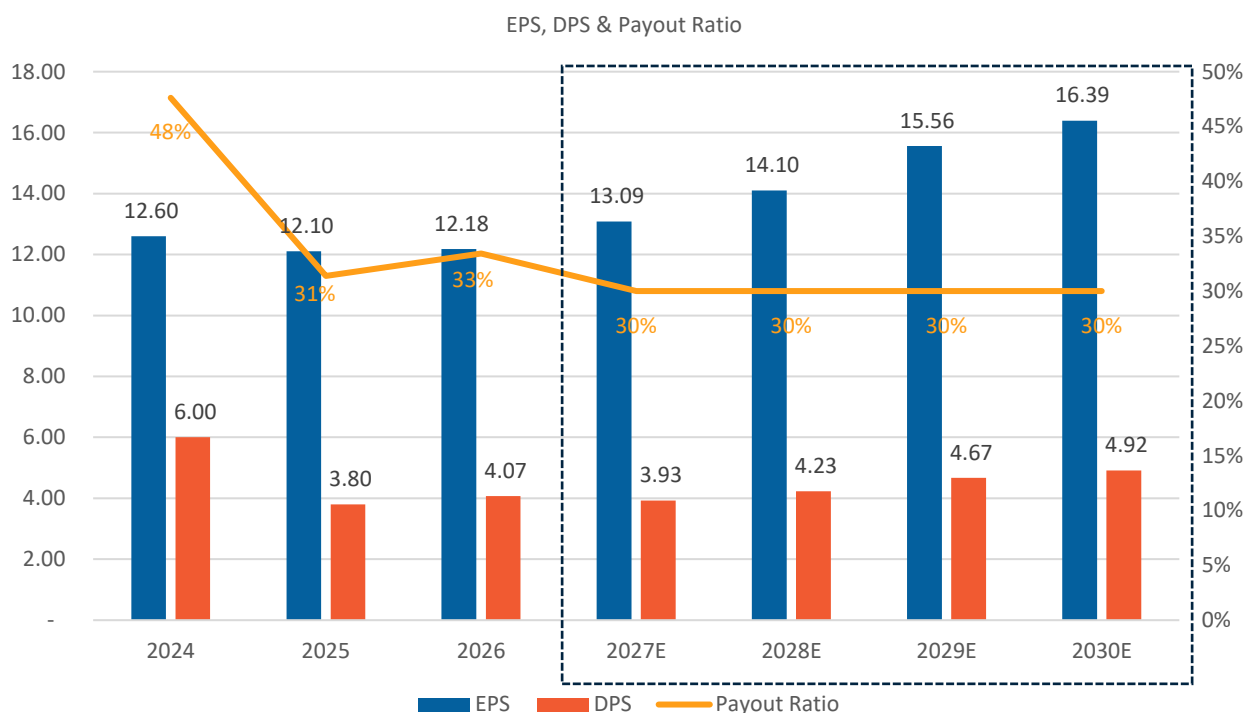


Sources: Ambeon Estimates, Company Reports

EPS, DPS and Payout Ratio

EPS is forecast to grow strongly and somewhat unevenly, rising from Rs. 12.18 in FY26 to Rs. 14.10 in FY27E (+7.73%), Rs. 15.56 in FY28E (+10.35%), Rs. 16.39 in FY29E (5.32%), a trajectory that mirrors the lumpy net profit growth seen at the earnings level rather than smooth compounding, with the FY28E and FY29E spikes driven by the margin recovery and pricing/currency tailwinds discussed earlier.

Dividend per share follows a more measured path, growing from Rs. 4.07 to Rs. 4.92 over the same period, since a flat payout ratio at 30% is assumed for every forecast year from FY27E onward. That 30% payout is a step down from the more variable historical range (28.8% in FY23, spiking to 47.6% in FY24, then 31.4% and 33.4% in the two most recent years), so it is assumed that Haycarb settles into a more conservative, steady payout policy going forward — retaining a larger share of profit to help fund the capacity-driven capex program rather than distributing at the higher historical rates. This is a reasonable assumption given the heavy investment cycle.



Sources: Ambeon Estimates, Company Reports

5. Valuation Summary

We've calculated the weighted average fair value for HAYC.N as LKR 206.86, representing a potential upside of 23.68% of its current market price of LKR 167.25. Additionally, with an estimated dividend yield of 2.74% for FY27F, the total return on investment could reach 26.42% 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	% of value
DCF Valuation	70%	228.81	160.16
PE Based Valuation	10%	166.98	16.70
PBV Based Valuation	10%	131.45	13.15
EV/EBITDA Valuation	10%	168.53	16.85
Weighted average intrinsic value per share (LKR)			206.86

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

DCF valuation (LKR'000s)	
Enterprise Value	87,326,089
Less: Debt	(18,225,600)
Add: Cash and Cash Equivalents	2,863,264
Minority Interest	(3,979,834)
Equity Value	67,983,919
No. of Shares	297,123,750
FCF-based equity value per share (LKR)	
	228.81

WACC Calculations

Debt+Equity	47,591,706
Equity	29,366,106
% of Equity	62%
Cost of Equity	18%
Risk Free Rate	10.50%
Beta	0.90
Market Risk Premium	8%

Debt	18,225,600
% of Debt	38%
Cost of Debt	11.5%
Tax Rate	26.0%

WACC	14%
Terminal Growth	3%

Given below are assumptions for the relative valuations.

PE Based Valuation

Average PER of Peers	13.71
TTM EPS of HAYC.N (LKR)	12.18
Value Per Share (LKR)	166.98

PBV Based Valuation

Average PBV of Peers	1.33
NAVPS of HAYC.N (LKR)	98.83
Value Per Share (LKR)	131.45

EV/EBITDA Based Valuation

EBITDA of HAYC.N	8,143,661
Average EV/EBITDA of peers	8.52
Enterprise Value	69,416,566
Less: Debt	(18,225,600)
Add: Cash	2,863,264

Less: Minority Interest	(3,979,834)
Equity Value	50,074,396
No.of Shares	297,123,750
Value per share (LKR)	168.53

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

Company	Exchange: Ticker	PE Ratio	PBV Ratio	EV/EBITDA
Kureha Corporation	Tokyo Stock Exchange: 4023	n.a	0.92	9.55
Arq, Inc.	NASDAQ: ARQ	n.a	1.08	11.33
Kuraray Co., Ltd.	Tokyo Stock Exchange: 3405	70.74	0.68	6.52
Osaka Gas Co., Ltd.	Tokyo Stock Exchange: 9532	13.71	1.13	7.90
Cabot Corporation	NYSE: CBT	5.29	2.84	7.32
Peer Average		9.50	1.33	8.52

Sources: Yahoo Finance

6. Environment, Social and Governance

Haycarb PLC has established one of the most comprehensive ESG frameworks among Sri Lankan industrial companies, embedding sustainability into corporate strategy through its **ACTIVATE ESG Roadmap 2030**. The framework integrates environmental stewardship, employee development, customer engagement, responsible sourcing, community empowerment and governance into business operations, supported by board-level oversight and alignment with international sustainability standards including **SLFRS S1/S2, GRI, SASB, ISO 14064-1 and the UN SDGs**.

Environmental, Social & Governance (ESG) Score

Environmental (E) – Score: 4.6/5

From an environmental perspective, Haycarb operates one of the world's largest coconut shells activated carbon businesses, with sustainability intrinsically linked to renewable raw materials, circular production processes and resource efficiency. During FY2025/26, the Group expanded renewable energy usage, increased green charcoaling, strengthened water stewardship, invested in waste heat recovery systems, and enhanced climate-related risk management while reporting detailed metrics on energy, emissions, water and waste with external assurance.

Indicator	Evidence from Report	Score
Energy usage & efficiency	Detailed disclosure of energy consumption, renewable energy usage, waste heat recovery and solar generation.	5
Climate & emissions management	Scope emissions reporting, decarbonisation initiatives, SLFRS S2 climate disclosures, external assurance	5
Water & resource management	Comprehensive water stewardship, effluent management, renewable raw materials and waste monitoring.	5
Environmental compliance	Environmental risk management is integrated into enterprise risk framework with no material breaches disclosed.	4
Environmental initiatives	ACTIVATE 2030, green charcoaling, circular economy initiatives, responsible sourcing and climate adaptation.	4

Analysis:

Haycarb demonstrates best-practice environmental disclosure relative to regional industrial peers. The company provides quantitative reporting across energy, emissions, renewable energy, water, waste and raw material sourcing while incorporating climate-related financial disclosures under SLFRS S1 and S2. The integration of renewable energy, waste heat recovery, responsible sourcing and external assurance significantly strengthens environmental credibility. The only limitation preventing a full score is the absence of publicly disclosed science-based net-zero commitments or long-term Scope 3 reduction targets.

Social (S) – Score: 4.4/5

Socially, Haycarb places significant emphasis on employee capability development, occupational safety, stakeholder engagement and community development. The Group employed over 2,000 employees, invested substantially in CSR programmes benefiting 135,000 people, strengthened supplier partnerships, promoted responsible sourcing and continued investing in training and employee engagement across its global operations.

Indicator	Evidence from Report	Score
Employee welfare & engagement	Structured employee engagement, wellbeing initiatives and global workforce management	4
Training & development	Continuous learning programmes, ESG capability building and technical development	5
Diversity & inclusion	Female board representation and workforce disclosures, though broader diversity KPIs remain limited.	4
Health & safety	Occupational safety integrated into ACTIVATE and enterprise risk management	4
Community & stakeholder engagement	CSR reaching 135,000 beneficiaries, supplier development and community empowerment programmes.	5

Analysis:

Haycarb exhibits a strong commitment to human capital development and stakeholder engagement through extensive employee training, responsible

sourcing initiatives and community investment. The ACTIVATE framework embeds social sustainability across employees, customers, suppliers and communities, while CSR investment and beneficiary reach increased materially during FY2025/26. Additional quantitative disclosure on workforce diversity and safety performance metrics would further strengthen social reporting.

Governance (G) – Score: 4.8/5

From a governance perspective, Haycarb demonstrates strong ESG oversight through a Board-led governance structure supported by a dedicated ESG Steering Committee chaired by the Managing Director, cross-functional ESG management teams, comprehensive enterprise risk management, independent assurance, and alignment with leading governance frameworks. ESG considerations are formally integrated into strategic planning, capital allocation, risk management and sustainability reporting.

Indicator	Evidence from Report	Score
Risk management	ESG fully integrated into enterprise risk management and strategic planning	5
Audit & oversight	Independent assurance over sustainability disclosures, GHG emissions and integrated reporting	5
Governance transparency	Extensive governance disclosures and formal oversight mechanisms	4
Regulatory compliance	Compliance with SLFRS S1/S2, GRI, SASB, ISO 14064, CSE and CA Sri Lanka requirements	5
ESG governance structure	Dedicated Board-level ESG Steering Committee and ESG Department	5

Analysis:

Governance represents one of Haycarb's strongest ESG pillars. Unlike many Sri Lankan listed companies, Haycarb has established a dedicated Board-level ESG governance structure supported by specialized management teams, independent assurance providers, robust internal controls and formal sustainability oversight embedded into strategic decision-making. The integration of ESG into capital allocation, enterprise risk management and climate governance places Haycarb among the stronger ESG governance performers within the Sri Lankan industrial sector.

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)

7. Investment risks

Raw material supply and cost — the single most material risk (R1)

Coconut shell charcoal, Haycarb's core input, remains structurally constrained across its primary sourcing geographies (Sri Lanka, Indonesia, Thailand, the Philippines), driven by adverse weather, disease pressure on coconut cultivation, tightening environmental regulation that has shut down smaller non-compliant processors, and, critically, a new and growing demand pull from sodium-ion battery and energy storage carbon producers competing for the same feedstock. This is the dynamic that drove gross margin compression from 27.9% in FY2025 to 19.9% in FY2026, an 800-basis point decline that occurred despite (and partly because of) 55% revenue growth. The supply related risks are mitigated through strategically positioning the manufacturing footprint across major coconut producing regions with further supply chain diversification across the Philippines, India and Vietnam, holding up buffer inventory, and through backward integration strategies.

FX volatility — a double-edged sword (R2)

While LKR depreciation has been a structural tailwind to reported revenue (the rupee depreciated 10.84% over the trailing year to mid-June 2026), currency moves are inherently two-directional. The depreciation of the LKR is likely to boost the revenues; however, appreciation would put pressure on the margins given that that majority of the revenue is dollar-linked while the operating costs remain in the local currency terms. The rupee has already shown meaningful intra-year volatility in 2026, swinging from relative stability in early 2026 to a sharp Middle East conflict-driven depreciation peaking at Rs. 345.39/USD in May, before partially retracing to Rs. 332.54 by mid-June. The company manages FX risks through a natural hedge and diversifying their manufacturing footprint across major coconut producing 7 countries.

Competitive intensity from larger, better-capitalized rivals (R3)

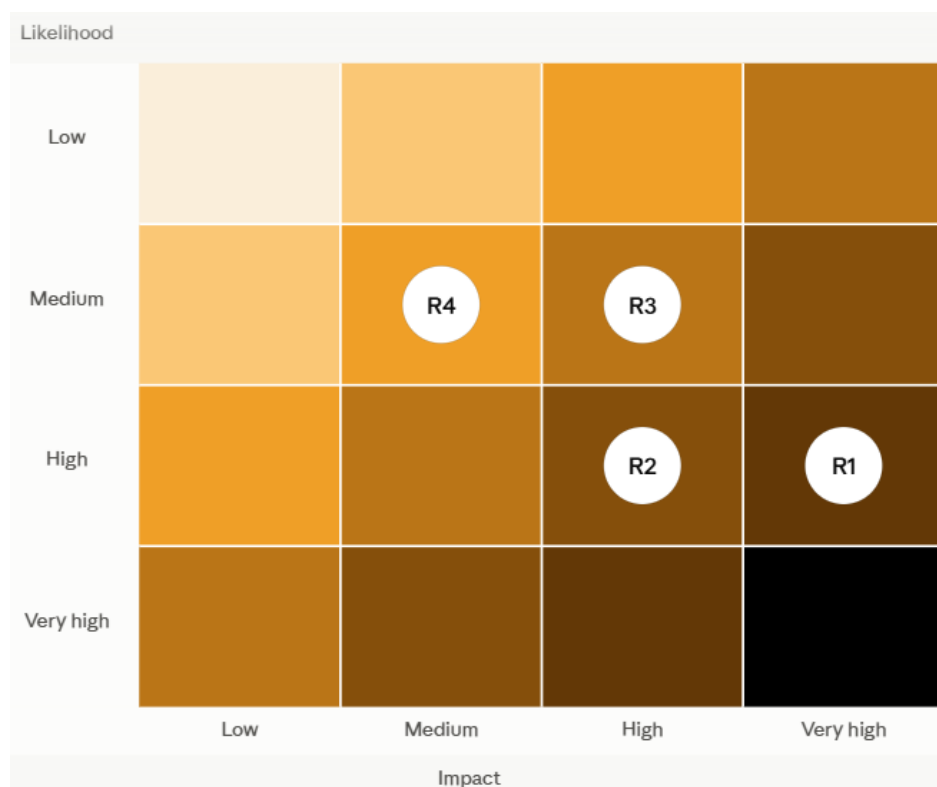
Haycarb faces much larger, better-capitalized rivals: Calgon Carbon (Kuraray-owned, world's largest granular activated carbon producer), Jacobi Carbons (Osaka Gas Chemicals-owned, largest coconut shell-based producer, with plants across six countries including Sri Lanka), and Cabot Norit (Cabot Corporation, world's largest powdered activated carbon producer, strong in mercury-removal technology). All three outspend Haycarb on R&D and manufacturing reach.

Haycarb's response is to defend niches rather than compete on scale: privileged access to Sri Lanka's coconut shell base via backward integration into charcoaling; capital (~Rs. 1.26 Bn this year) directed toward value-added grades like gold recovery and specialty purification rather than

commoditized carbon; and a 16% global market share sufficient to sustain key customers and the 32 certifications needed for regulated Western markets. The Philippines greenfield expansion signals some geographic diversification, but Haycarb remains structurally smaller — its strategy is defending margin in chosen niches, not closing the scale gap.

Gold price normalization (R4)

A meaningful portion of FY2026's strong activated carbon demand was driven by elevated gold prices supporting gold recovery carbon demand. Should gold prices normalize from current elevated levels, this segment's growth contribution would likely decelerate, removing a tailwind that was material to the FY2026 step-change in revenue and placing more of the growth burden on energy storage carbon and value-added mix shift, which are earlier-stage and less proven at scale.



Sources: Ambeon Estimates

Annexure I: Financial statements

Statement of Profit or Loss (000s')	2024	2025	2026	2027E	2028E	2029E
Revenue	43,179,205	43,201,785	67,083,695	73,945,519	78,344,465	82,845,275
Cost of sales	(29,910,375)	(31,139,438)	(53,703,861)	(58,416,960)	(61,892,127)	(63,790,862)
Gross profit	13,268,830	12,062,347	13,379,834	15,528,559	16,452,338	19,054,413
Other operating income	178,045	321,423	307,332	369,728	470,067	414,226
Selling and distribution expenses	(367,249)	(395,530)	(444,696)	(488,040)	(517,073)	(546,779)
Administrative expenses	(6,558,529)	(6,234,640)	(6,905,220)	(7,764,279)	(8,226,169)	(9,941,433)
Results from operating activities	6,521,097	5,753,600	6,337,250	7,645,967	8,179,162	8,980,428
Finance income	1,392,835	957,271	969,552	957,349	951,319	955,339
Finance cost	(1,791,852)	(1,209,317)	(1,437,408)	(1,960,368)	(1,972,508)	(2,034,892)
Net finance cost	(399,017)	(252,046)	(467,856)	(1,003,019)	(1,021,189)	(1,079,553)
Share of profit/ (loss) of equity accounted investees	(8,826)	15,415	17,946	17,946	17,946	17,946
Profit before tax	6,113,254	5,516,969	5,887,340	6,660,894	7,175,919	7,918,821
Tax expenses	(1,807,625)	(1,246,127)	(1,546,714)	(1,998,268)	(2,152,776)	(2,375,646)
Profit for the year	4,305,629	4,270,842	4,340,626	4,662,626	5,023,143	5,543,175
Profit attributable to:						
Owners of the parent	3,743,929	3,596,517	3,618,876	3,888,630	4,189,302	4,623,008
Non-controlling interest	561,700	674,325	721,750	773,996	833,842	920,167
Profit for the year	4,305,629	4,270,842	4,340,626	4,662,626	5,023,143	5,543,175
Basic/Diluted earnings per share	12.60	12.10	12.18	13.09	14.10	15.56
Dividend per share	6.00	3.80	4.07	3.93	4.23	4.67

Sources: Ambeon Estimates, Company Reports

Financial Position (000s')	2024	2025	2026	2027E	2028E	2029E
Assets						
Non-current assets						
Property, plant and equipment	10,838,262	12,724,363	16,166,638	24,415,565	28,912,070	34,307,344
Right-of-Use Assets	490,940	1,452,294	1,370,602	1,493,025	1,449,225	1,404,002
Intangible assets	347,380	421,411	507,541	597,598	687,295	776,327
Investments in subsidiaries	-	-	-	-	-	-
Investments in equity accounted investees	583,927	599,342	609,205	609,205	609,205	609,205
Non-current financial assets	1,285,225	2,287,969	2,062,555	2,062,555	2,062,555	2,062,555
Deferred tax assets	239,963	268,814	264,034	257,571	264,109	276,249
Total non-current assets	13,785,697	17,754,193	20,980,575	29,435,519	33,984,459	39,435,681
Current assets						
Inventories	11,506,658	15,156,266	23,192,905	26,407,667	27,469,930	29,361,273
Trade and other receivables	6,711,349	7,076,724	14,053,061	11,824,192	12,098,317	13,028,611
Amounts due from subsidiaries	-	-	-	-	-	-
Amounts due from other related parties	47,870	60,971	137,564	137,564	137,564	137,564
Amounts due from equity accounted investees	127,165	84,483	90,209	90,209	90,209	90,209
Other current assets	1,313,385	1,677,099	2,550,315	2,812,564	2,796,448	3,042,774
Cash in hand and at bank	6,722,126	4,087,720	2,863,264	3,156,140	3,343,896	3,535,999
Total current assets	26,428,553	28,143,263	42,887,318	44,428,336	45,936,364	49,196,431
Total assets	40,214,250	45,897,456	63,867,893	73,863,856	79,920,823	88,632,112
Equity and liabilities						
Equity						
Stated capital	331,774	331,774	331,774	331,774	331,774	331,774
Capital reserves	891,290	1,070,985	1,070,985	1,070,985	1,070,985	1,070,985
Revenue reserves	21,681,998	25,131,330	27,963,347	30,685,388	33,617,899	36,854,004
Total equity attributable to equity holders of the Company	22,905,062	26,534,089	29,366,106	32,088,147	35,020,658	38,256,763
Non-controlling interest	2,792,786	3,142,562	3,979,834	4,521,631	5,105,320	5,749,437
Total equity	25,697,848	29,676,651	33,345,940	36,609,778	40,125,978	47,006,201

Non-current liabilities						
Interest bearing loans and borrowings	253,719	1,360,386	2,204,413	7,218,949	5,847,193	6,327,242
Non-current lease liability	416,518	1,387,727	1,227,775	1,001,423	942,444	993,104
Defined benefit obligations	1,737,269	1,833,504	2,126,914	2,348,422	2,592,165	2,860,319
Deferred tax liabilities	192,185	246,779	385,264	872,789	1,113,628	1,405,452
Total non-current liabilities	2,599,691	4,828,396	5,944,366	11,441,582	10,495,430	11,586,116
Current liabilities						
Trade and other payables	4,203,895	3,472,421	6,170,080	6,677,939	7,075,203	7,117,487
Other current liabilities	393,561	404,500	489,238	489,238	489,238	489,238
Amounts due to subsidiaries	-	-	-	-	-	-
Amounts due to other related parties	2,379,820	2,439,313	2,271,042	2,586,779	2,762,935	2,941,784
Income tax payable	731,423	422,725	853,815	942,557	1,157,834	1,395,299
Current portion of lease liability	85,960	101,587	105,749	333,808	314,148	331,035
Interest in bearing loans and borrowings	4,122,052	4,551,863	14,687,663	14,782,175	17,500,056	20,746,852
Total current liabilities	11,916,711	11,392,409	24,577,587	25,812,495	29,299,415	23,054,123
Total liabilities	14,516,402	16,220,805	30,521,953	37,254,078	39,794,845	32,902,555
Total equity and liabilities	40,214,250	45,897,456	63,867,893	73,863,856	79,920,823	88,632,112
NAVPS	77.09	89.30	98.83	108.00	117.87	128.76

Sources: Ambeon Estimates, Company Reports

Annexure II: Key ratios

Ratios	2024	2025	2026	2027E	2028E	2029E
Profitability Ratios						
Gross Profit Margin (%)	31%	28%	20%	21%	21%	23%
EBIT Margin (%)	15%	13%	9%	10%	10%	11%
Net Profit Margin (%)	9%	8%	5%	5%	5%	6%
Return on Assets (ROA) (%)	9%	8%	6%	5%	5%	5%
Return on Equity (ROE) (%)	16%	14%	12%	12%	13%	12%
Revenue Growth (%)	-29%	0%	55%	10%	6%	7%
Net Profit Growth (%)	-36%	-4%	1%	7%	8%	10%
Dividend Payout Ratio (%)	48%	31%	33%	30%	30%	30%
Activity Ratios						
Inventory Turnover Ratio (Times)	2.60	2.05	2.32	2.21	2.25	2.17
Receivable Turnover Ratio (Times)	6.46	6.30	6.39	6.29	6.52	6.40
Payables Turnover Ratio (Times)	22.13	30.66	18.55	20.28	20.28	21.47
Days of Sales Outstanding (DSO)	56	58	57	58	56	57
Days of Inventory on Hand (DOH)	140	178	158	165	162	168
Days of Payables Outstanding (DPO)	16	12	20	18	18	17
Asset Turnover Ratio (Times)	1.07	0.94	1.05	1.08	0.98	0.93
Gearing Ratio						
Debt to Total Assets	0.16	0.20	0.32	0.35	0.34	0.35
Debt to Equity	0.26	0.31	0.61	0.70	0.68	0.71
Interest Coverage Ratio (Times)	3.64	4.76	4.41	3.90	4.15	4.41
Liquidity Ratio						
Current Ratio (Times)	2.22	2.47	1.74	1.72	1.57	1.49
Quick Ratio (Times)	1.25	1.14	0.80	0.70	0.63	0.60
Cash Ratio (Times)	0.56	0.36	0.12	0.12	0.11	0.11
Cash Conversion Cycle (Days)	180	224	195	205	200	208

Sources: Ambeon Estimates, Company Reports

Annexure III: 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 = 10.21%

Abbreviations

BOI	Board of Investment
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CBSL	Central Bank of Sri Lanka
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
DOH	Days of Inventory on Hand
DPO	Days of Payables Outstanding
DPS	Dividend Per Share
DSO	Days of Sales Outstanding
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EPA	Environmental Protection Agency
EPS	Earnings Per Share
ESG	Environmental, Social & Governance
EV	Enterprise Value
FCF	Free Cash Flow
GDP	Gross Domestic Product
GHG	Greenhouse Gas
NAV	Net Asset Value
NAVPS	Net Asset Value Per Share
NYSE	New York Stock Exchange
PAT	Profit After Tax
PBV	Price-to-Book Value
PE	Price-to-Earnings
PER	Price-to-Earnings Ratio
R&D	Research & Development
ROA	Return on Assets
ROE	Return on Equity
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
WACC	Weighted Average Cost of Capital
YoY	Year-on-Year

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