

Stock

Briefing Note



Company Name & Ticker

ROYAL CERAMICS LANKA PLC | RCL.N

Industry

CSE | CAPITAL GOODS

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1. Executive Summary

1.1. Company Overview

Royal Ceramics Lanka PLC (RCL.N) is a leading manufacturer and marketer of wall and floor tiles in Sri Lanka, dominating the tile market with substantial market shares of 66% in wall tiles and 58% in floor tiles. The company operates under the well-established brand names Rocell and Lanka Tiles, which are synonymous with quality and innovation in porcelain and ceramic tiles. Together with its subsidiaries, Lanka Walltiles and Lanka Tiles, Royal Ceramics has solidified its position as a market leader in the industry.

The company's revenue streams are primarily driven by its Tiles & Associated Products segment, which accounts for approximately 71% of its income. Other significant contributions come from Sanitaryware (6%), Aluminum (12%), and Packaging (11%). In addition to its core operations, the company benefits from finance-related activities, generating profits through its share of associate companies. Notably, the company's revenue is overwhelmingly derived from local sales, comprising 96% of total earnings, while exports account for a modest 4%. Royal Ceramics Lanka PLC currently has a market capitalization of 48.19 billion LKR. As of the end of FY2024, the company employed 4,726 individuals. It also maintains an extensive retail presence across Sri Lanka, with 60 company-owned showrooms, 66 franchise showrooms, 31 factory outlets, and 5 hybrid showrooms, ensuring widespread accessibility and a strong market presence.

1.2. Valuation Summary

The estimated average weighted fair value of Royal Ceramics Lanka PLC (RCL.N) is **LKR 44.72**, indicating a marginal upside potential of **2.80%** based on current market prices. This fair value corresponds to a price-to-earnings (PE) multiple of 7.47, calculated using the current trailing twelve months (TTM) earnings per share (EPS). Furthermore, the company offers a historically attractive 1-year dividend yield of 11.1%. The weighted average intrinsic value of RCL shares was determined using various valuation methods. A PE-based valuation estimates the share price at LKR 54.77, while the PBV-based valuation stands at LKR 45.91. The EV/EBITDA-based valuation suggests a fair value of LKR 36.73, and the Net Asset Value (NAV) as of September 30, 2024, is LKR 41.46 per share. Additionally, the potential growth in the construction sector is expected to act as a catalyst, further enhancing the company's intrinsic value and market potential.

1.3. Key Financials

In Q2 of FY2024, Royal Ceramics Lanka PLC demonstrated remarkable growth, achieving a 25.6% quarter-on-quarter (QoQ) increase in revenue, totaling LKR 15.01 billion. The company reported a gross profit of LKR 5.03 billion, reflecting a healthy gross profit margin of 33.5%. Operating profit for the quarter reached LKR 1.89 billion, resulting in an EBIT margin of 12.6%. Notably, net profit attributable to equity holders rose by an impressive 39.3% QoQ, amounting to LKR 1.26 billion, with a net margin of 8.4%. Additionally, the company delivered strong returns, with an annualized Return on Assets (ROA) of 6.6% and a Return on Equity (ROE) of 15.1% for the quarter. These metrics underscore RCL's robust financial performance and operational efficiency.

LKR Mn	FY22	FY23	FY24	2Q FY25
Revenue	57,545	63,206	61,192	15,013
Gross profit	22,405	25,530	23,488	5,031
Operating profit	14,858	14,538	11,539	1,886
Profit attributable to shareholders	9,790	7,747	7,216	1,261
Total assets	86,241	90,565	101,619	109,833
EPS (LKR)	8.84	6.99	6.51	5.99
NAVPS (LKR)	33.69	35.74	40.41	41.46
Net margin (%)	17.0%	12.3%	11.8%	8.4%
ROE (%)	28.9%	20.1%	17.1%	15.1%
ROA (%)	12.8%	8.8%	7.5%	6.6%

Source: Company reports

2. Dashboard

Company Name	Royal Ceramics Lanka PLC
Ticker	RCL.N
Market Price (LKR)	43.50
Exchange Listed	Colombo Stock Exchange
GICS Sector	Capital Goods
Board Listed	Main Board
Listed Date	3 rd May 1994
No. of Shares (Mn)	1,108
MCAP (LKR Bn)	48.19
Public Holding	43.80%
Financial Year Ends	31 st March

Top 05 shareholders

Name	Percentage
Vallibel One PLC	55.96%
Employee's Provident Fund	13.79%
Mr. K.D.H. Perera	1.60%
Sri Lanka Insurance Corporation Ltd-Life Fund	1.25%
Amana Bank Plc/Mr. Mohamed Nayaz Deen	1.07%

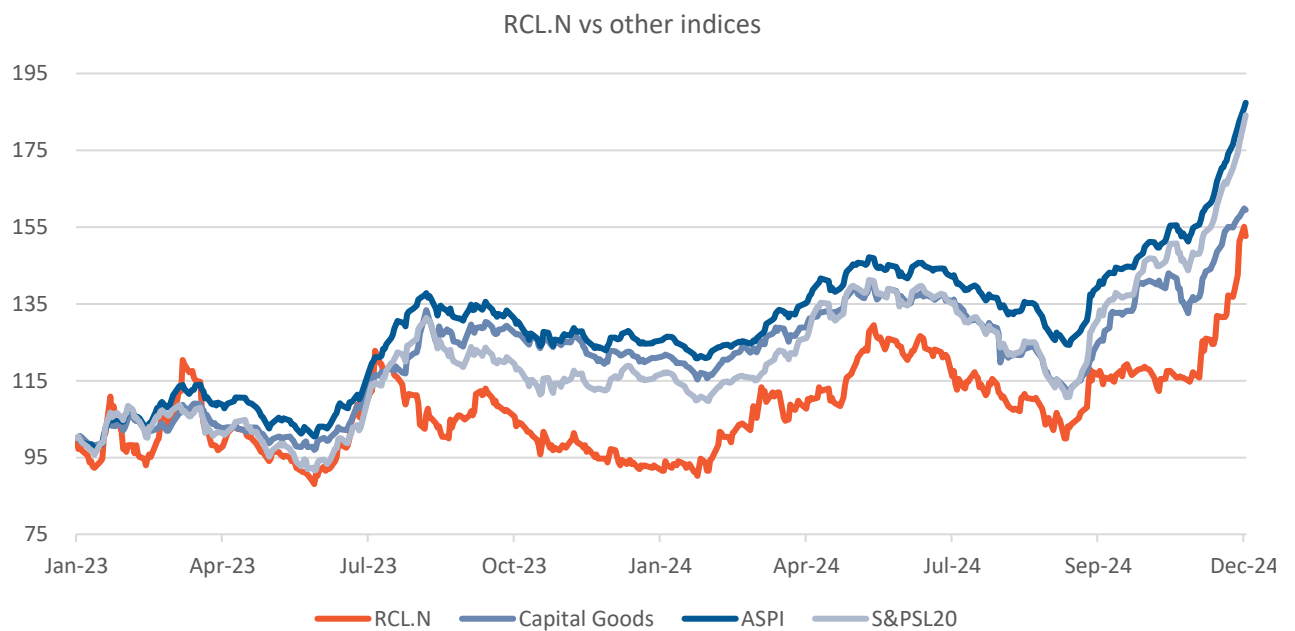
The Float Adjusted Market capitalization as of 30.09.2024 was LKR 16.11 Bn.

Key Data	
Historical Returns (Jan 2024 – Dec 2024)	
1-year capital gain	66.7%
1-year dividend yield	11.1%
1-year total return	77.8%
Beta	1.52
1-year high (LKR)	45.30
1-year low (LKR)	25.60
Valuation Multiples	
PE Ratio	7.27
PB Ratio	1.05
Per Share Data (LKR)	
EPS (TTM)	5.99
NAVPS (Sep 2024)	41.46
DPS (FY24)	2.90
Dividend Payout	44.5%

Sources: CSE, Company reports, Ambeon estimates



Source: CSE



Note: The chart is indexed

Source: CSE

3. Valuation Summary

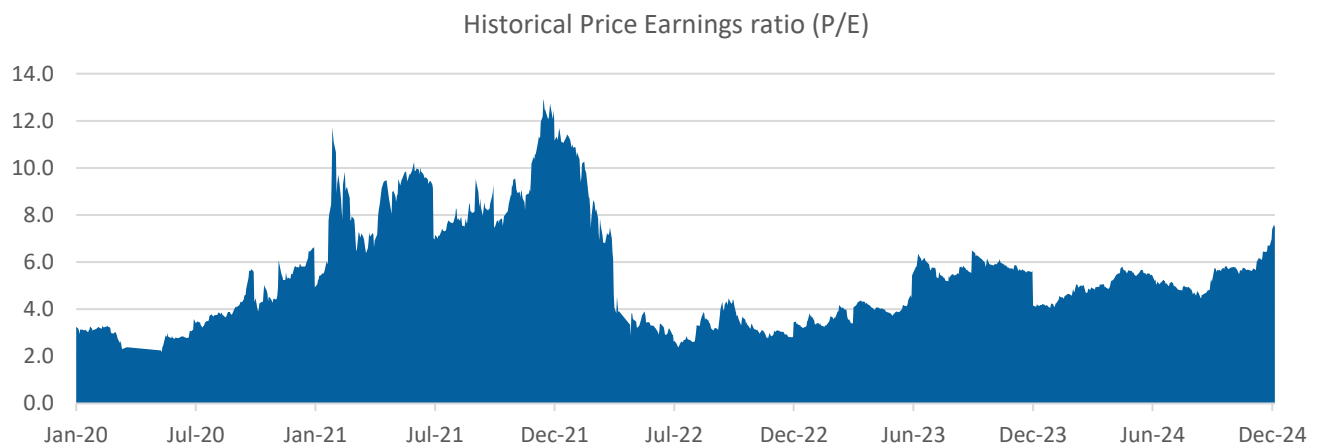
3.1. Valuation Upside

We have estimated the average weighted fair value of RCL.N at LKR 44.72. Based on current market prices, RCL.N presents a marginal upside potential of 2.80%. The fair value of RCL.N has an implied PE multiple of 7.47 given the current TTM EPS. Additionally, the historical 1-year dividend yield stands at 11.1%.

Weighted average intrinsic value	LKR
PE-based valuation	54.77
PBV-based valuation	45.91
EV/EBITDA based valuation	36.73
NAV (30th September 2024)	41.46
Weighted average fair value per share (LKR)	44.72

3.2. PE-Based Valuation

Average PER of peers	9.15
TTM EPS of RCL (LKR)	5.99
Value per share (LKR)	54.77



Source: Bloomberg

3.3. PBV Based Valuation

Average PBV of peers	1.11
NAVPS of RCL (LKR)	41.46
Value per share (LKR)	45.91



Source: Bloomberg

3.4. EV/EBITDA Based Valuation

TTM EBITDA of RCL (LKR Mn)	12,549
Average EV/EBITDA of peers	5.59
Enterprise Value (EV) (LKR Mn)	70,174
Less: debt (LKR Mn)	31,347
Add: cash & cash equivalent (LKR Mn)	1,934
Equity value (LKR Mn)	40,690
No. of shares in Mn	1,108
Value per share (LKR)	36.73

For the valuation of RCL, the following peer companies are considered to calculate the average PER, average PBV, and average EV/EBITDA.

Peer valuation multiples	PER	PBV	EV/EBITDA
ACL.N	7.37	0.99	4.41
TILE.N	6.69	1.01	4.94
LWL.N	7.68	0.74	5.95
TKYO.N	11.46	1.09	6.58
CERA.N	7.28	0.83	4.96
PARQ.N	13.90	2.20	7.86
LALU.N	9.68	0.90	4.40
Peer average	9.15	1.11	5.59

Note:

1. To calculate the PER of the peers, the market price per share as of 31st December 2024, and the EPS (TTM) for the quarter ended September 2024, are used.
2. To calculate the PBV of the peers, the market price per share as of 31st December 2024, and the NAVPS as of 30th September 2024, are considered.

Sources: CSE, Bloomberg, Company reports

4. Return Analysis

4.1. Historical Dividends

Historical Dividends

	FY2020	FY2021	FY2022	FY2023	FY2024
Dividend Per Share (LKR)	-	2.60	3.75	2.90	2.90
Dividend payout ratio	-	46.96%	42.44%	41.47%	44.52%
Dividend yield*	-	10.12%	9.21%	10.51%	9.32%

* Dividend yield is based on the closing price of the year

Year	Type	Dividend per share (LKR)	Payment date
FY2024	Final dividend	0.90	18-Jul-24
	First interim dividend	2.00	8-Apr-24
FY2023	Final dividend	0.50	24-Jul-23
	First interim dividend	2.40	12-Apr-23
FY2022	Third interim dividend	0.75	30-Jun-22
	Second interim dividend	1.50	31-Mar-22
	First interim dividend	1.50	3-Dec-21
FY2021	Final dividend	1.20	30-Jun-21
	Second interim dividend	1.10	17-Mar-21
	First interim dividend	0.30	5-Nov-20

Note: All the above dividend payments are adjusted to the share subdivision of 1:10 on 23rd April 2021

In FY2021, the company demonstrated a dividend payout ratio of 46.96% and a dividend yield of 10.12%. Over the past four financial years, it has consistently maintained a payout ratio above 40%, reflecting its strong commitment to distributing a substantial share of profits to its shareholders. Furthermore, with a stable average dividend yield of approximately 10% during this period, the company appeals to investors seeking dependable and predictable income. This consistent performance reinforces its reputation as a shareholder-focused and investor-friendly option.

4.2. Historical Prices

Annual price movement (%) (April-March)	RCL.N
FY25 (YTD)*	39.9%
FY24	12.7%
FY23	-32.2%
FY22	58.4%
FY21	359.7%
FY20	-6.7%

* Closing prices as of 31st December 2024, are considered for calculating YTD

Note: All the above price changes are adjusted to the share subdivision of 1:10 on 23rd April 2021

Since the beginning of April 2024, the company has achieved a remarkable price gain of 39.9% reflecting strong investor confidence and positive sentiment toward its performance. This upward trend is particularly noteworthy following the presidential election, which bolstered investor confidence previously dampened by political instability. Furthermore, in the financial year 2024, the company recorded an annual price gain of 12.7%. Over the longer term, from the start of FY2020 to date, the company's stock price has surged by an impressive 678.2%, showcasing its resilience and consistent value creation for shareholders.

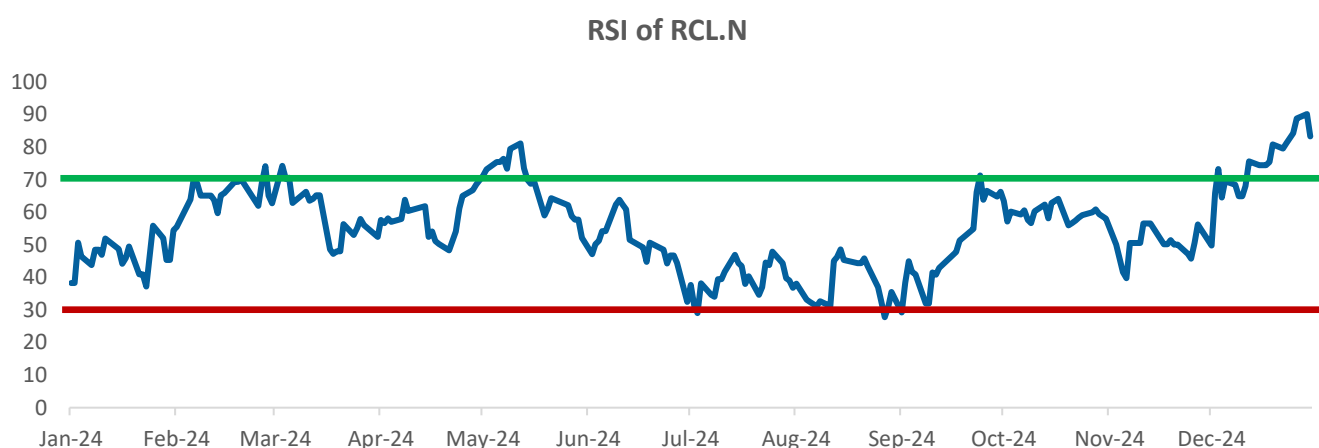
5. Technical Indicators

5.1. RCL.N shows bullish momentum with overbought and strong support.



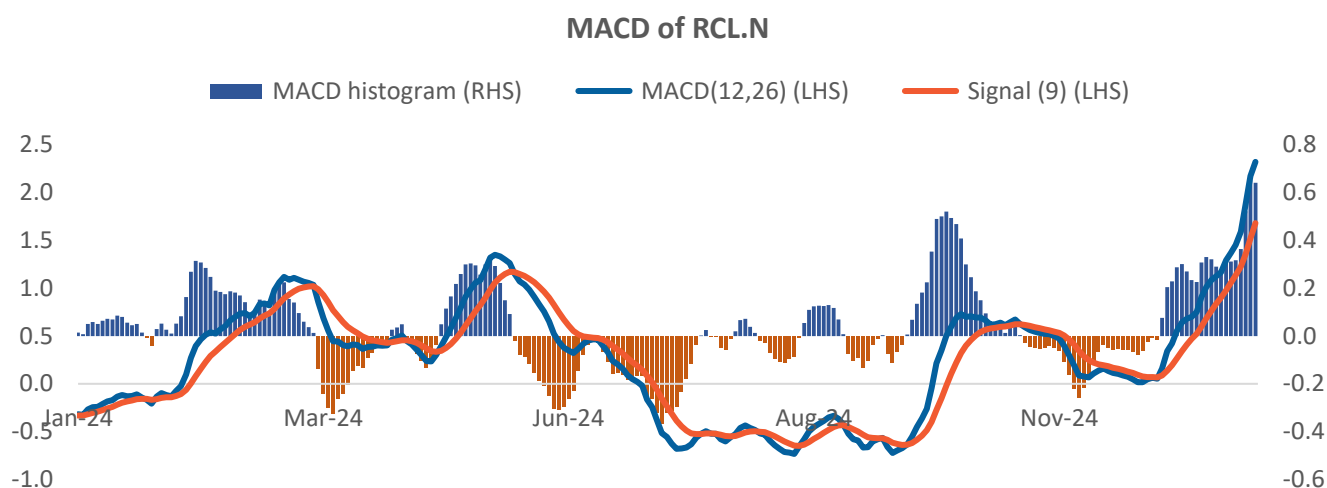
The overall technical indicators for RCL.N paint a bullish picture, albeit with signs of potential overextension. The RSI remaining above 70 confirms that the stock is in overbought territory, which may suggest a possible near-term consolidation or pullback. Moving averages reflect strong buying interest and reinforce a medium-to-long-term positive outlook for the stock. The MACD analysis highlights robust bullish momentum, signaling continued upward price movement. The higher-than-usual average volume underlines increased trading activity and investor interest, providing further validation of the uptrend. The technical analysis for RCL.N reveals **immediate resistance at 46.60** and **immediate support at 38.50**.

5.2. RSI shows strong momentum, but cooling-off potential indicated by SMA



The current Relative Strength Index (RSI) stands at 83.29, indicating that the stock is still in overbought territory, as it remains above the 70 threshold. Although there is a small decline from its recent peak, the RSI continues to reflect strong upward momentum. Meanwhile, the 14-day Simple Moving Average (SMA) of the RSI is at 78.22, showing a rising trend but remaining below the current RSI value. This suggests that while momentum is still strong, there is potential for a cooling-off period, as the SMA typically indicates a lagging trend compared to the more immediate RSI value.

5.3. The MACD analysis for RCL.N indicates a robust upward trend in momentum



The MACD analysis for RCL.N highlights a strong bullish momentum in the stock. With the MACD line at 2.32 positioned above the signal line at 1.68, and both lines exhibiting a pronounced upward trend, it suggests accelerating positive momentum in price movement. The significant upward trend in the MACD histogram further reinforces this bullish outlook, indicating increasing strength in the upward price momentum. This setup typically signals strong buying interest and could attract momentum traders.

5.4. The current technical setup for RCL.N is indicative of a strong bullish trend

The EMA 20 trading above the EMA 50, with both moving upward, reflects short-term momentum and increased buying interest. Meanwhile, the SMA 50 being above the SMA 200, with both slopes upward, reinforces the medium- to long-term positive outlook. However, the gentler slope of the SMA 200 compared to the SMA 50 suggests that while the uptrend is well-established, the broader market strength supporting this movement may still be in its earlier phases of recovery or growth. This alignment of shorter and longer-term moving averages signals potential opportunities for trend-following strategies, with cautious optimism warranted given the relative slope dynamics.

5.5. Volume is higher than normal trading days

The volume and momentum indicators for RCL.N suggest a robust bullish environment with caution warranted for potential overbought conditions. The average volume being higher than usual reflects heightened trading activity and interest in the stock. The VWMA (Volume-Weighted Moving Average) in a significant upward trend indicates that price increases are supported by strong volume, reinforcing the sustainability of the uptrend. Additionally, the OBV (On-Balance Volume) showing a significant increase points to consistent accumulation by market participants. However, the MFI (Money Flow Index) at 87.50, though slightly off its recent peak, signals the stock is approaching overbought territory. This may indicate a potential slowdown or consolidation phase, suggesting the need for vigilance in case of trend reversals or profit-taking.

Sources: Trading view, Ambeon estimates, CSE

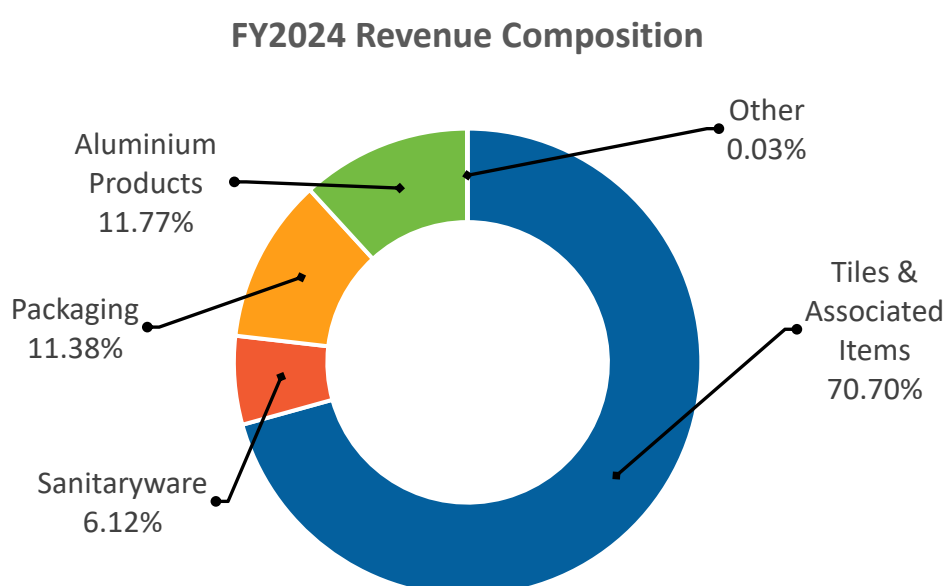
6. Segmental Analysis

RCL primarily operates across six key segments as Tiles and Associated Items, Sanitaryware, Packaging, Aluminium Products, Finance, and Others. Notably, the Finance segment does not directly generate revenue for the company. Instead, it contributes to the company's profitability through the Share of Associate Company's Profit.

6.1. RCL's main source of revenue comes from its Tiles and Associated Items segment

The Tiles and Associated Items segment is RCL's primary revenue driver, contributing significantly to the company's performance. In FY2024, this segment generated LKR 43.26 billion in revenue, accounting for 70.7% of the company's total revenue. It also contributed 87.7% of the operating profit and 70.7% of the net profit for the year. However, the segment was responsible for 93.7% of the company's total tax expense.

This segment represents 74.0% of the company's total assets. Compared to the previous financial year, the segment's revenue declined by 7.5%, while its net profit fell by 17.7%. These declines were primarily attributed to the influx of low-cost tile-related imports and challenges faced by the domestic construction sector.



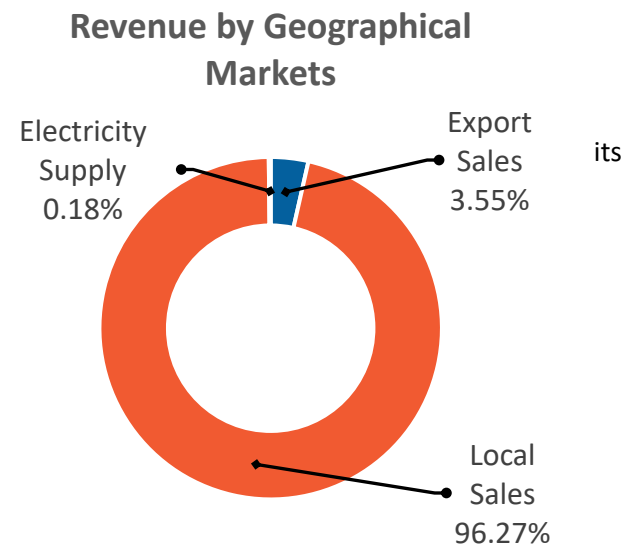
6.2. The Aluminium Products segment excelled in FY2024 with significant growth

The Aluminium Products segment demonstrated strong performance in FY2024, which contributed 11.8% to RCL's total revenue. Revenue for the segment surged by 45.9% YoY to LKR 7.20 billion. Additionally, operating profits skyrocketed by 243.8% YoY, reaching LKR 228.43 million, up from LKR 66.45 million in the previous year.

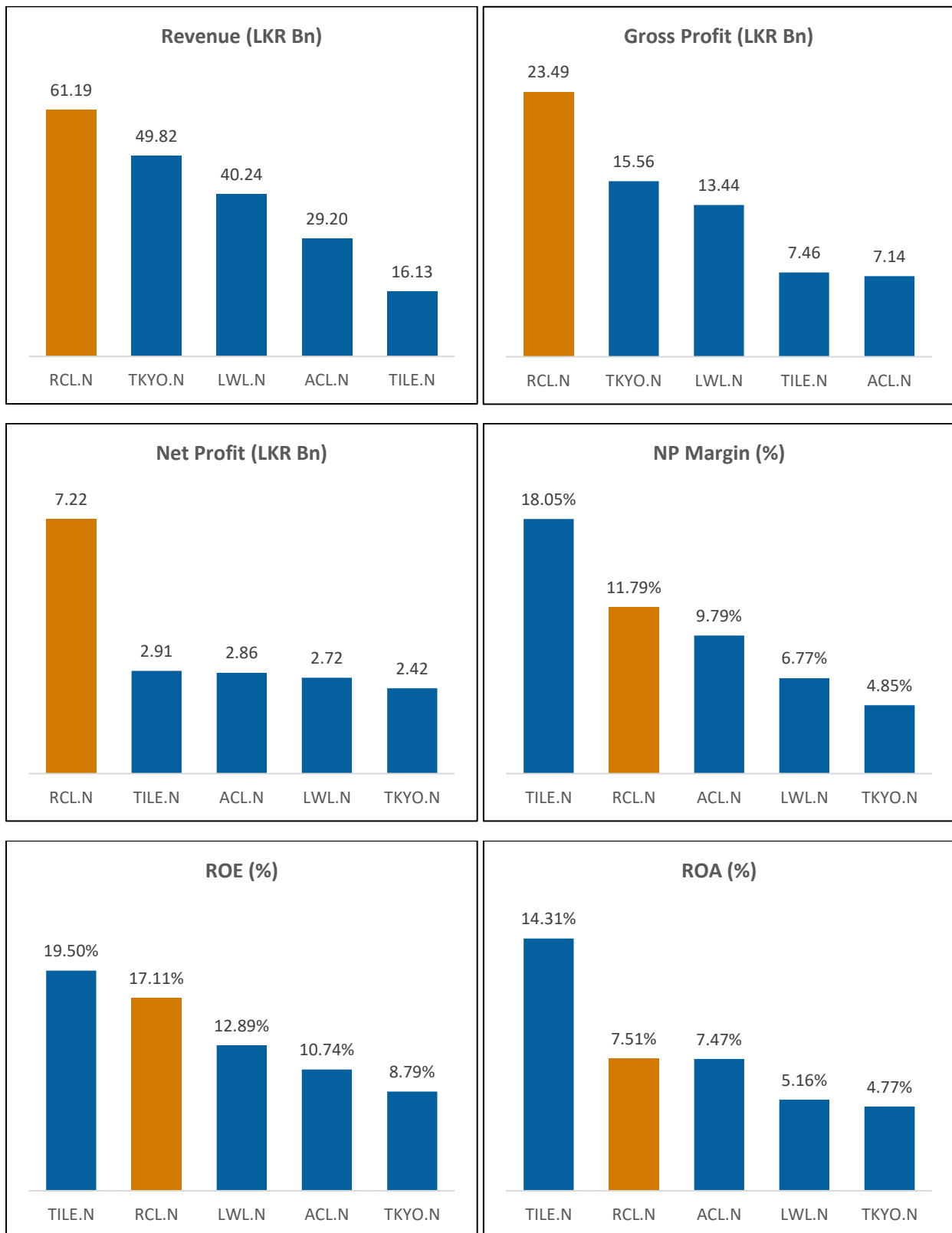
This remarkable growth was primarily driven by the complete elimination of other operating expenses, which fell from LKR 485.80 million in the previous year to zero. However, the segment faced challenges due to a 52.3% increase in finance costs, resulting in a net loss of LKR 337.34 million for the year. Despite this, the net loss improved significantly, showing a 68.9% YoY reduction compared to the previous year's loss of LKR 1.07 billion.

6.3. Most of the total revenue is generated through local sales

For the financial year ended March 2024, the majority of total revenue, approximately 96% amounting to LKR 58.91 billion, was derived from local sales. In contrast, export sales contributed about 4% of the total revenue, totaling LKR 2.17 billion. The company currently exports products to 14 international markets. However, both segments experienced a decline compared to the FY2023, with local sales decreasing by 3.0% and export sales falling significantly by 11.0%.



7. Peer Comparison



Source: Company annual reports FY2024

8. Financial Review

8.1. Major Changes Compared with the Previous Year (FY2024 vs FY2023):

Favorable Changes

- Other operating income grew by 9.9%, rising from LKR 471 Mn to LKR 518 Mn.
- Finance costs declined by 29.0%, dropping from LKR 3.56 Bn to LKR 2.52 Bn.
- Tax expenses fell by 28.5%, decreasing from LKR 4.23 Bn to LKR 3.02 Bn.
- Profits from associate companies improved by 17.0%, rising from LKR 2.31 Bn to LKR 2.71 Bn.

Unfavorable Changes

- Total revenue decreased by 3.2%, from LKR 63.21 Bn to LKR 61.19 Bn.
- Gross profit dropped by 8.0%, from LKR 25.53 Bn to LKR 23.49 Bn.
- EBIT reduced by 20.6%, from LKR 14.54 Bn to LKR 11.54 Bn.
- Net profit attributable to equity holders fell by 6.9%, from LKR 7.75 Bn to LKR 7.21 Bn.
- Return on Equity declined from 20.1% to 17.1%.
- Return on Assets dropped from 8.8% to 7.5%.

8.2. Major Changes Compared with the Previous Quarter (2Q FY25 vs 1Q FY25):

Favorable Changes

- Revenue from customers rose by 25.6%, from LKR 11.95 Bn to LKR 15.01 Bn.
- Gross profit grew by 27.4%, increasing from LKR 3.9 Bn to LKR 5.0 Bn.
- Operating profit climbed by 52.6%, rising from LKR 1.2 Bn to LKR 1.9 Bn, while the EBIT margin improved from 10.3% to 12.6%.
- Profit before tax from continuing operations surged by 55.5%, from LKR 1.4 Bn to LKR 2.1 Bn.
- Net profit attributable to shareholders advanced by 39.3%, from LKR 905 Mn to LKR 1,261 Mn.

Unfavorable Changes

- Tax expenses surged by 77.2%, rising from LKR 305 Mn to LKR 540 Mn.
- Return on Equity declined from 17.1% to 15.1%.
- Return on Assets fell from 7.4% to 6.6%.
- Operating expenses grew by 12.7%, increasing from LKR 2.9 Bn to LKR 3.2 Bn.

8.3. The revenue for Q2 FY2024 experienced a QoQ growth of 25.6%

For FY2024, the company experienced a 3.2% YoY decline in revenue, reaching LKR 61.19 billion. This decline was primarily attributed to reduced activity in the construction sector, as well as mounting pressure on disposable incomes and a surge in cheap imports, which negatively impacted sales during the second half of the year. However, the company saw a notable recovery in the most recent quarter, reporting a revenue of LKR 15.01 billion, reflecting a 25.6% QoQ growth with the recent upturn in the construction industry, the company is poised for further improvements in upcoming periods.

8.4. Profits for the recent quarter rose due to higher operations and lower finance costs

For the financial year 2024, the company reported a net profit of LKR 7.22 billion attributable to equity holders, reflecting a 6.9% YoY decline. This decrease was primarily driven by reduced revenues and increased costs during the year. Despite a modest rise in other operating income, finance income dropped sharply by 68.9%, largely due to declining interest rates in the country. Additionally, administration costs rose by 19.7%, mainly as a result of the newly introduced social security levy on revenue.

In contrast, the recent quarter showed a positive trend, with net profit attributable to equity holders increasing by 39.3% QoQ to LKR 1.26 billion. This improvement was driven by higher revenues from operating activities and

a reduction in finance costs during the quarter. Consequently, the net profit margin rose to 8.4%, compared to 7.9% in the previous quarter.

8.5. Efficiency declined though receivables and payments remain stable and manageable

In FY2024, the company experienced a notable decline in operational efficiency. Days Inventory Outstanding (DIO) surged to 261 days, up from 187 days, signaling a slower inventory turnover. This increase likely reflects weaker demand, influenced by challenges within the construction industry. Days Sales Outstanding (DSO) saw a slight rise to 37 days from 35 days, indicating that the time taken to collect receivables has remained relatively stable and manageable. However, Days Payable Outstanding (DPO) decreased to 61 days, down from 64 days, suggesting that the company is paying suppliers more quickly. While this may improve supplier relationships, it also reduces cash flow flexibility. Consequently, the Cash Conversion Cycle (CCC) expanded significantly to 237 days, up from 158 days, highlighting a substantial slowdown in the company's ability to convert investments in inventory and receivables into cash.

Over the past five financial years, the company has maintained moderate efficiency, with an average DIO of 207 days, DSO of 38 days, DPO of 63 days, and CCC of 182 days. Similarly, the most recent five quarters show consistent efficiency trends, with averages of 262 days for DIO, 40 days for DSO, 67 days for DPO, and 236 days for CCC. These figures suggest that while DSO and DPO have remained relatively stable, the persistently high DIO and extended CCC point to inefficiencies. However, with the recent recovery in the construction sector, these metrics are expected to improve in the near future.

8.6. RCL's liquidity shows improvement, but Quick Ratio indicates potential short-term challenges

In FY2024, the company's liquidity showed mixed results. The Current Ratio improved from 1.40 times to 1.67 times compared to FY2023, surpassing the five-year average of 1.45, which suggests an enhanced ability to cover short-term liabilities with short-term assets. However, the Quick Ratio declined to 0.48 times from 0.51 times in the previous year, falling below the five-year average of 0.60, indicating potential liquidity challenges when excluding inventory. On a quarterly basis, both ratios showed slight declines, with the Current Ratio decreasing from 1.55 to 1.54 and the Quick Ratio rising marginally from 0.41 to 0.43. Despite these fluctuations, the average Current Ratio for the most recent five quarters remains at 1.61, and the Quick Ratio averages 0.51. While the improvement in the Current Ratio signals stronger liquidity, the decline in the Quick Ratio highlights ongoing concerns about the company's ability to meet short-term obligations without relying on inventory.

8.7. The company's leverage is rising but remains manageable

In FY2024, the company's debt-to-equity ratio increased to 0.54 from 0.49 in FY2023, primarily due to a rise in borrowings from LKR 19.58 billion to LKR 24.25 billion. Despite this, the interest coverage ratio improved to 4.57 times from 4.09 times, benefiting from low-interest rates. Over the past five years, the company maintained an average debt-to-equity ratio of 0.52, indicating that the current level is slightly above historical norms. In the most recent quarter, the debt-to-equity ratio rose further to 0.68 from 0.62 in the prior quarter, as borrowings increased to LKR 31.35 billion. The average debt-to-equity ratio for the last five quarters was 0.55, making the latest quarter's ratio a notable deviation. These trends reflect a steady rise in leverage, supported by improved interest coverage, though they signal a shift from the company's historical stability in its capital structure.

9. Environment, Social and Governance

9.1. Demonstration of strong environmental commitment with significant sustainability efforts

In FY2024, RCL achieved a 5% reduction in total energy usage and a 5% decline in energy intensity. The company increased its use of renewable energy sources, including 2,060 kWh of solar power and 2,814 kg of firewood/biomass, while gradually decreasing reliance on fossil fuels. Solar PV systems installed on five factory rooftops generated a total of 6,306 MW of electricity during FY23/24. Additionally, successful waste heat recovery projects at the Horana and Ranala factories resulted in energy savings of Rs. 332 million during the year.

RCL also made significant strides in waste management, recycling and reusing 26,569 MT of material. Collaborations with industry experts led to improvements in productivity and yield. During FY2024, the company recycled 6,549 MT of waste and responsibly segregated and disposed of 43,797 MT of solid waste, in compliance with environmental regulations.

Water usage in the company's operations totaled 549 million liters, reflecting a 4% reduction from the previous year. All wastewater was treated before discharge, and water used in production underwent treatment or was recycled for reuse in the production process. RCL continues to invest in the maintenance and efficiency of its treatment plants.

As a tile manufacturer, RCL generates significant greenhouse gas (GHG) emissions. In FY2024, the company recorded over 80,000 tCO₂e in scope 1 emissions and around 40,000 tCO₂e in scope 2 emissions. However, RCL remains committed to reducing its carbon footprint through sustained efforts. Notably, Swisstek Aluminium and Unidil, both part of the RCL group, obtained Carbon Footprint verification during the year.

9.2. Social Commitment through diversity, employee well-being, and community engagement

RCL is deeply committed to fostering a diverse and inclusive environment, underpinned by a zero-tolerance policy for racism and discrimination. Through an Open-Door Policy and a robust grievance management system, the Group ensures fairness in recruitment, rewards, training, and career progression. As an equal-opportunity employer, RCL guarantees equality regardless of gender, ethnicity, or religion, as evidenced by a 1:1 basic salary ratio for women and men and zero reported incidents of discrimination across the organization.

Employee welfare and development remain central to RCL's operations. The company adheres to labor laws by offering timely remuneration that meets or exceeds minimum wage standards, with total staff costs reaching LKR 7,124 Mn and additional financial support extended to employees in need. To enhance skills and career growth, RCL invested LKR 25 Mn in training and development, delivering 35,495 training hours to 5,924 employees. Comprehensive fixed and variable benefits further support employee well-being, while 370 occupational health and safety programs were conducted to minimize injuries, prevent hazards, and promote safety standards. Factory employees receive monthly health checks and regular mental and physical health monitoring, supported by visiting doctor services. Additionally, a transparent grievance-handling process fosters workplace harmony and employee welfare.

Beyond employee well-being, RCL actively engages in impactful Corporate Social Responsibility (CSR) initiatives. These include health-focused programs such as blood donation campaigns at the Meegoda Warehouse, breast cancer awareness sessions at Rocell Head Office, and eye screening campaigns at the Rocell Central Warehouse in Nawala. The company also supports education by distributing school items to underprivileged children and recognizing academic excellence through the Rocell Ran Daru Awards for employees' children. Furthermore, RCL aids vulnerable communities by distributing dry rations to low-income families in Horana. These initiatives reflect RCL's unwavering commitment to societal well-being, community development, and social responsibility.

9.3. Balanced governance structure facilitating Shareholder engagement

Board of Directors

Name	Directorship status	Skills and expertise
Mr. Dhammika Perera ¹ (Chairman)	Non-Executive Director	philanthropist and business leader with over 35 years of experience in industries like manufacturing, banking, leisure, plantations, and hydropower, known for his strategic foresight and governance expertise on various company boards
Mr. S H Amarasekera (Co-Chairman)	Independent Non-Executive Director	Expertise in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law
Mr. A M Weerasinghe (Deputy Chairman)	N/A	37+ years involved in Real Estate, Construction, Transportation & Hospital Industry, and a Landed Proprietor
Mr. M Y A Perera (Managing Director)	N/A	40+ years of expertise in the Banking sector
Mr. T G Thoradeniya	Executive Director	Over two decades of Senior Management experience across diverse industries
Mr. R N Asirwatham ²	Independent Non-Executive Director	A renowned accounting professional and served on a Presidential Tax Commission
Mr. G A R D Prasanna	N/A	Wide experience in various businesses and in business management
Ms. N R Thambiayah	Non-Independent Non-Executive Director	Holds academic qualifications in Industrial Economics and International Business
Mr. L N D S Wijeyeratne ³	Independent Non-Executive Director	Over 35 years of experience in Finance and General Management both in Sri Lanka and overseas
Mr. N J Weerakoon	Independent Non-Executive Director	Extensive experience and a proven track record of success in both local and international business
Mr. S M Liyanage	Non-Executive Director	Respected professional with over 10 years of experience, known for exceptional performance and transformational leadership in business transformation.
Mr. S R Jayaweera	Independent Non-Executive Director	Over two decades of senior management experience in CSE-listed companies, with expertise in financial and management accounting, hotel management, manufacturing, retail, audit, and compliance
Mr. J R Gunaratne	Independent Non-Executive Director	over 40 years of experience in the Consumer Foods, Plantations, and Leisure sectors
Ms. K A D B Perera	Non-Executive Director	Holds a qualifications with studies covering Manufacturing Technology, Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

Notes:

1. Appointed to the Board w.e.f. 7th October 2024
2. Resigned w.e.f. from 31st December 2024
3. Resigned w.e.f. from 31st December 2024

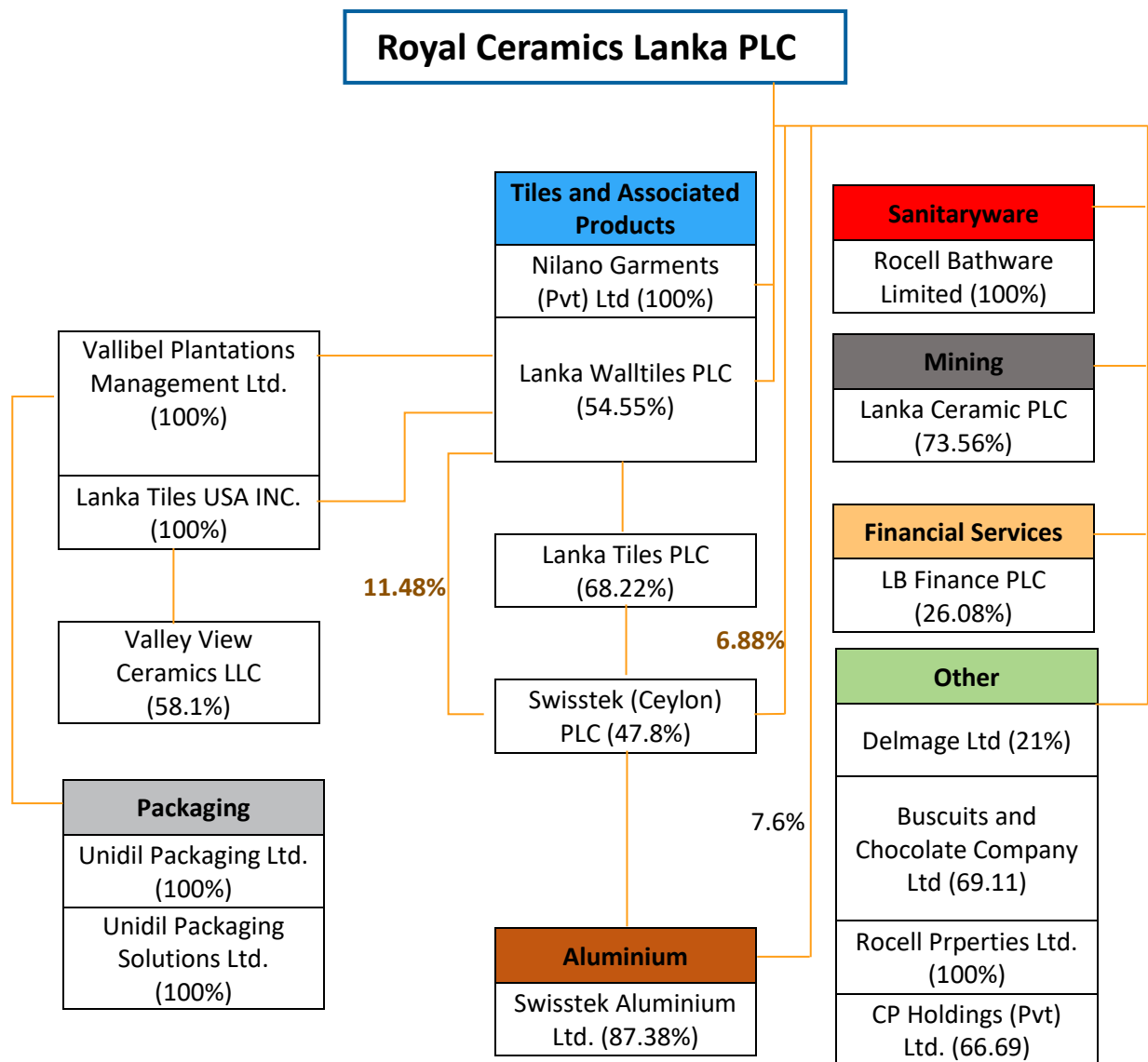
Board sub-committees

Sub-committees	Members
Audit Committee	Mr. L N D S Wijeyeratne (Chairman) Mr. R N Asirwatham Mr. S R Jayaweera Mr. N J Weerakoon
Nominations and Governance Committee	Mr. J R Gunaratne (Chairman) Mr. S H Amarasekera Ms. N Thambiayah
Remuneration Committee	Mr. L N D S Wijeyeratne (Chairman) Mr. S H Amarasekera Mr. R N Asirwatham
Related Party Transactions Review Committee	Mr. R N Asirwatham (Chairman) Mr. L N De S Wijeyeratne Mr. N J Weerakoon

The company maintains a balanced governance structure with a majority of non-executive directors, including eight who are independent, led by an Independent Non-Executive Chairman. To promote fresh perspectives, one director rotates off the board annually, and the effectiveness of the board is evaluated every year to ensure accountability and continuous improvement. Additionally, shareholders are empowered with the right to call special meetings, fostering transparency and inclusivity in decision-making.

Board meetings are scheduled on a monthly or bi-monthly basis, following an annual calendar prepared by the Company Secretaries, with flexibility for additional meetings as needed. Newly appointed directors undergo a formal induction to ensure they can contribute effectively during meetings. The Chairman and the MD/CEO also hold meetings with Key Management Personnel to provide an organizational overview. The performance of the MD/CEO is reviewed annually by the Chairman and the Board based on goals established at the start of the year. Shareholder engagement is facilitated through various channels, including the Annual General Meeting, the annual report, interim financial statements, the Company website, and the Colombo Stock Exchange website.

9.4. Group Structure

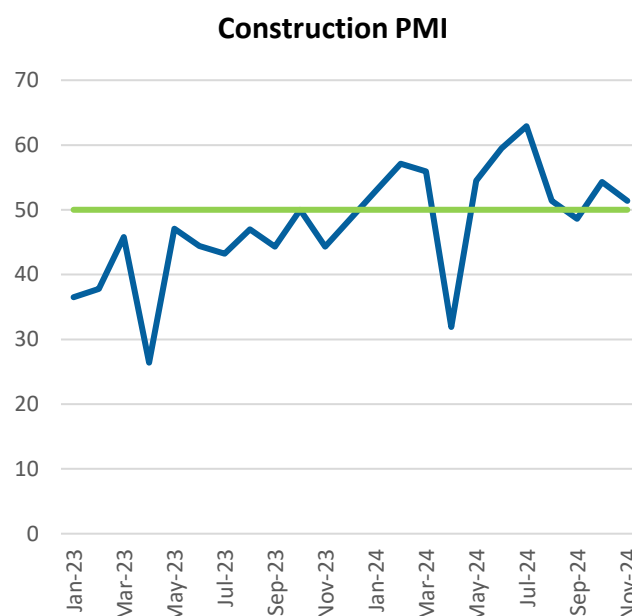


Source: Company annual reports (FY2024)

10. Industry & Macroeconomic Analysis

10.1. Strong demand for RCL is driven by the growth in the construction industry

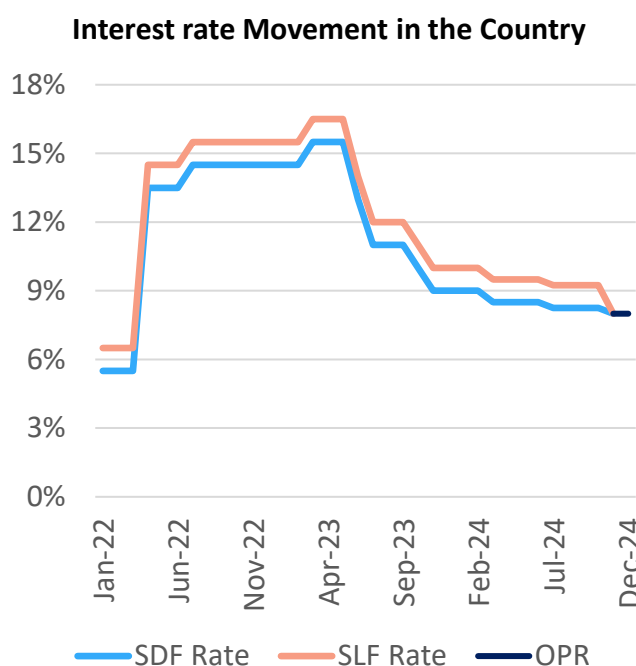
The construction industry in Sri Lanka has experienced notable growth in recent months, with the sector's expansion becoming increasingly evident across the country. The Sri Lanka Purchasing Managers' Index (PMI) for Construction has consistently remained above 50, signaling strong potential for further growth. In November, the PMI for construction showed expansion, albeit at a slower pace, with a Total Activity Index value of 51.4. The Quantity of Purchases Index remained stable, reflecting consistent material purchases compared to the previous month. However, Supplier Delivery Times lengthened in November. Looking ahead, the outlook for the next three months is positive, as most firms remain optimistic about the availability of upcoming projects starting in January, coupled with favorable weather conditions. Given these trends, RCL can anticipate increased demand across its tiles, sanitaryware, and aluminum product segments.



10.2. The reduction in interest rates is anticipated to stimulate growth in the construction sector

The recent decline in interest rates is poised to drive growth in Sri Lanka's construction sector. The Central Bank of Sri Lanka's monetary easing measures have led to a steady reduction in interest rates, fostering increased credit flows to the private sector, particularly for infrastructure and housing projects. This favorable financial environment is expected to boost construction activity, thereby driving demand for tiles, sanitaryware, aluminum products, and other building materials for both corporate and residential purposes.

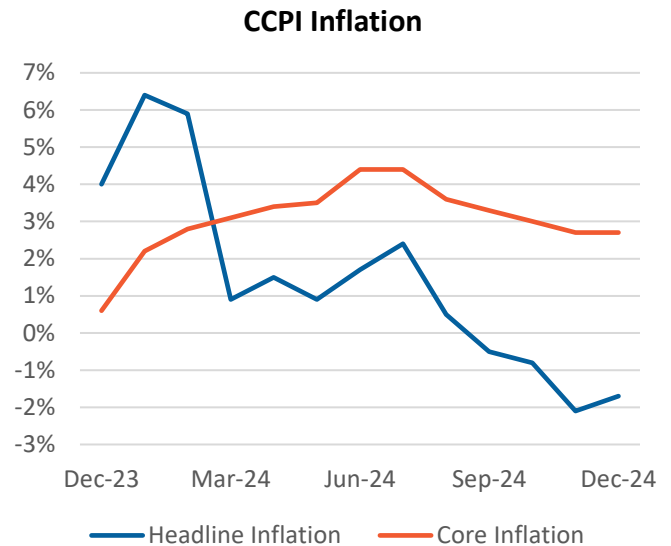
At its most recent monetary policy meeting, the Central Bank set the new single policy rate, the Overnight Policy Rate (OPR) at 8.00%, following a reduction of approximately 50 basis points. Additionally, the Average Weighted Prime Lending Rate (AWPLR) has been declining from previously elevated levels experienced during the economic crisis. Concurrently, private sector credit growth has shown consistent improvement in recent months, further supporting the expansion of construction activities.



10.3. Reduced inflationary environment enhances consumer spending on the company's products

In recent months, Sri Lanka has experienced a declining inflation rate, currently entering negative territory, indicating deflation. Headline inflation, as measured by the YoY change in the Colombo Consumer Price Index, has remained negative for the fourth consecutive month, recording a deflation of 1.7% in December 2024 compared to 2.1% in November 2024.

According to the Central Bank of Sri Lanka, headline inflation is expected to remain negative in the coming months, driven by significant downward adjustments in energy prices and reduced volatility in food prices. This deflationary trend has led to higher disposable income for households, encouraging investment in new residential construction projects and renovations of houses and apartments. Consequently, the company can anticipate increased demand for its products, particularly from the household segment.



11. Financial Snapshot

11.1. Summary of Income Statement – Annual

LKR Mn	FY2020	FY2021	FY2022	FY2023	FY2024
Revenue from Contract with Customers	31,554	44,972	57,545	63,206	61,192
Gross Profit	10,481	16,803	22,405	25,530	23,488
Operating Profit	4,449	9,369	14,858	14,538	11,539
Profit Before Tax Continuing Operations	3,566	9,860	16,776	14,447	12,079
Tax (Expense)/Reversal	(803)	(1,309)	(3,102)	(4,229)	(3,023)
Profit for the Year	2,761	8,418	13,690	10,594	9,234
Profit Attributable to:					
Equity Holders of the Parent	2,586	6,135	9,790	7,747	7,216
Non-Controlling Interest	176	2,283	3,899	2,847	2,017
TTM EPS	2.33	5.54	8.84	6.99	6.51

Sources: Company reports

11.2. Summary of Income Statement – Quarterly

LKR Mn	FY24Q2	FY24Q3	FY24Q4	FY25Q1	FY25Q2
Revenue from Contract with Customers	15,192	20,310	12,987	11,953	15,013
Gross Profit	6,009	8,280	4,680	3,948	5,031
Operating Profit	3,196	4,728	1,994	1,236	1,886
Profit Before Tax Continuing Operations	3,327	5,061	2,285	1,376	2,140
Tax (Expense)/Reversal	(784)	(1,288)	(603)	(305)	(540)
Profit for the Year	2,541	3,771	1,866	1,071	1,600
Profit Attributable to:					
Equity Holders of the Parent	1,858	2,969	1,498	905	1,261
Non-Controlling Interest	683	803	368	165	339
TTM EPS	4.96	6.60	6.51	6.53	5.99

Sources: Company reports

11.3. Summary of Statement of Financial Position - Annual

LKR Mn	FY2020	FY2021	FY2022	FY2023	FY2024
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	27,901	28,690	32,111	33,141	41,232
Investments in Associates	8,683	10,085	11,779	13,350	15,136
Total Non-Current Assets	41,655	43,835	48,952	51,126	61,239
Current Assets					
Inventories	16,998	11,101	13,473	25,061	28,690
Trade and Other Receivables	4,047	4,468	5,407	6,427	5,736
Cash and Cash Equivalents	1,005	4,925	15,383	3,602	3,080
Total Current Assets	23,491	22,305	37,289	39,439	40,380
Total Assets	65,145	66,140	86,241	90,565	101,619
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	1,369	1,369	1,369	1,369	1,369
Reserves	2,973	3,627	5,322	4,795	5,569
Retained Earnings	20,793	25,401	30,633	33,428	37,830
Equity Attributable to Equity Holders of the Parent	25,135	30,397	37,323	39,592	44,768
Non-Controlling Interest	9,408	11,580	13,876	13,814	15,345
Total Equity	34,543	41,978	51,199	53,406	60,113

Non-Current Liabilities					
Interest Bearing Loans & Borrowings	5,940	4,937	4,185	2,644	10,248
Total Non-Current Assets	10,985	9,651	9,346	8,958	17,366
Current Liabilities					
Trade and Other Payables	3,631	5,258	7,125	5,966	6,505
Interest Bearing Loans & Borrowings	14,892	5,750	9,799	16,942	13,998
Total Current Liabilities	19,616	14,511	25,696	28,201	24,140
Total Equity and Liabilities	65,145	66,140	86,241	90,565	101,619
NAVPS (LKR)	22.69	27.44	33.69	35.74	40.41

Sources: Company reports

11.4. Summary of Statement of Financial Position - Quarterly

LKR Mn	FY24Q2	FY24Q3	FY24Q4	FY25Q1	FY25Q2
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	36,293	38,344	41,232	41,786	42,424
Investments in Associates	13,961	14,647	15,136	15,735	16,002
Total Non-Current Assets	55,072	57,768	61,239	62,409	63,183
Current Assets					
Inventories	24,626	24,172	28,690	30,253	33,621
Trade and Other Receivables	6,399	7,578	5,736	6,369	7,843
Cash and Cash Equivalents	1,563	3,981	3,080	1,876	1,934
Total Current Assets	37,040	39,432	40,380	42,790	46,651
Total Assets	92,113	97,200	101,619	105,199	109,833
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	1,369	1,369	1,369	1,369	1,369
Reserves	4,803	4,779	5,569	5,576	5,568
Retained Earnings	35,631	38,600	37,830	37,738	38,999
Equity Attributable to Equity Holders of the Parent	41,803	44,747	44,768	44,683	45,935
Non-Controlling Interest	14,460	15,318	15,345	15,359	15,698
Total Equity	56,263	60,065	60,113	60,042	61,633
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	5,149	8,349	10,248	10,421	10,790
Total Non-Current Assets	11,485	14,787	17,366	17,580	17,995
Current Liabilities					
Trade and Other Payables	6,149	7,514	6,505	6,663	7,453
Interest Bearing Loans & Borrowings	14,807	10,118	13,998	17,109	20,558
Total Current Liabilities	24,364	22,348	24,140	27,578	30,205
Total Equity and Liabilities	92,113	97,200	101,619	105,199	109,833
NAVPS (LKR)	37.73	40.39	40.41	40.33	41.46

Sources: Company reports

11.5. Key Ratios - Annual

	FY2020	FY2021	FY2022	FY2023	FY2024
Profitability Ratios					
Gross Profit Margin	33.2%	37.4%	38.9%	40.4%	38.4%
EBIT Margin	14.1%	20.8%	25.8%	23.0%	18.9%
Net Profit Margin	8.2%	13.6%	17.0%	12.3%	11.8%
Return on Equity	10.7%	22.1%	28.9%	20.1%	17.1%
Return on Assets	4.1%	9.3%	12.8%	8.8%	7.5%

Efficiency Ratios					
Inventory Turnover ratio (Times)	1.33	2.00	2.86	1.96	1.40
Receivables Turnover ratio (Times)	7.42	10.56	11.65	10.68	10.06
Payables Turnover ratio (Times)	5.66	6.34	5.68	5.76	6.05
Days of Sales Outstanding	49.17	34.55	31.32	34.17	36.28
Days of Inventory on Hand	273.84	182.05	127.63	186.65	260.17
Days of Payables Outstanding	64.50	57.59	64.32	63.41	60.36
Cash Conversion Cycle	258.52	159.01	94.63	157.41	236.08
Liquidity Ratios					
Current Ratio (Times)	1.20	1.54	1.45	1.40	1.67
Quick Ratio (Times)	0.33	0.77	0.93	0.51	0.48
Cash Ratio (Times)	0.05	0.34	0.60	0.13	0.13
Leverage Ratios					
Debt to Equity Ratio	0.83	0.35	0.37	0.49	0.54
Debt to Assets Ratio	0.32	0.16	0.16	0.22	0.24
Debt to Capital Ratio	0.45	0.26	0.27	0.33	0.35
Interest Coverage Ratio (Times)	1.95	6.66	16.42	4.09	4.57
YoY Growth					
Revenue Growth	0.2%	42.5%	28.0%	9.8%	-3.2%
Gross Profit Growth	1.8%	60.3%	33.3%	13.9%	-8.0%
EBIT Growth	-4.3%	110.6%	58.6%	-2.1%	-20.6%
Net Profit Growth	-1.7%	137.2%	59.6%	-20.9%	-6.9%

Sources: Company reports, Ambeon estimates

11.6. Key Ratios - Quarterly

	FY24Q2	FY24Q3	FY24Q4	FY25Q1	FY25Q2
Profitability Ratios					
Gross Profit Margin	39.6%	40.8%	36.0%	33.0%	33.5%
EBIT Margin	21.0%	23.3%	15.3%	10.3%	12.6%
Net Profit Margin	12.2%	14.6%	11.5%	7.6%	8.4%
Return on Equity (Annualized)	13.4%	17.1%	17.1%	17.1%	15.1%
Return on Assets (Annualized)	5.9%	7.5%	7.5%	7.4%	6.6%
Efficiency Ratios (Annualized)					
Inventory Turnover ratio (Times)	1.43	1.50	1.40	1.36	1.32
Receivables Turnover ratio (Times)	9.30	9.04	10.06	9.99	8.46
Payables Turnover ratio (Times)	5.33	5.07	6.05	6.24	5.64
Days of Sales Outstanding	39.26	40.37	36.28	36.55	43.13
Days of Inventory on Hand	255.59	243.23	260.17	269.02	277.37
Days of Payables Outstanding	68.50	71.96	60.36	58.52	64.77
Cash Conversion Cycle	226.35	211.64	236.08	247.06	255.73
Liquidity Ratios					
Current Ratio (Times)	1.52	1.76	1.67	1.55	1.54
Quick Ratio (Times)	0.51	0.68	0.48	0.45	0.43
Cash Ratio (Times)	0.06	0.18	0.13	0.07	0.06
Leverage Ratios					
Debt to Equity Ratio	0.48	0.41	0.54	0.62	0.68
Debt to Assets Ratio	0.22	0.19	0.24	0.26	0.29
Debt to Capital Ratio	0.32	0.29	0.35	0.38	0.41
Interest Coverage Ratio (Times)	5.05	10.99	3.40	2.44	3.79

YoY Growth					
Revenue Growth	-19.0%	29.6%	-7.4%	-5.9%	-1.2%
Gross Profit Growth	-19.4%	31.0%	-17.2%	-12.6%	-16.3%
EBIT Growth	-34.2%	40.8%	-19.8%	-23.8%	-41.0%
Net Profit Growth	-32.0%	157.4%	-5.8%	1.5%	-32.1%
QoQ Growth					
Revenue Growth	19.6%	33.7%	-36.1%	-8.0%	25.6%
Gross Profit Growth	33.0%	37.8%	-43.5%	-15.6%	27.4%
EBIT Growth	97.1%	48.0%	-57.8%	-38.0%	52.6%
Net Profit Growth	108.3%	59.8%	-49.5%	-39.6%	39.3%

Sources: Company reports, Ambeon estimates

AMBEON SECURITIES (PVT) LIMITED

No. 100/1, 2nd Floor,
Elvitigala Mawatha,
Colombo 08,
Sri Lanka.

T: +94 11 532 8 100

F: +94 11 532 8 177

E: research@ambeonsecurities.lk

W: www.ambeonsecurities.lk


Sales Team

Charith Kamaladasa

Director/CEO

charithk@ambeonsecurities.lk

Nirajan Niles

Executive Director

niles@ambeonsecurities.lk

Chinthaka Weerathna

Senior Investment Advisor

chinthaka@ambeonsecurities.lk

Pasindu Yatawara

Senior Investment Advisor

pasindu@ambeonsecurities.lk

Research Team

Hansinee Beddage

Manager Investment Research

hansinee@ambeonsecurities.lk

Shashikala Hanshani

Investment Research Analyst

shashikala@ambeonsecurities.lk

Amoda Prasansana

Trainee Investment Research Analyst

amoda@ambeonsecurities.lk

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