First Capital
A Janashakthi Group Company

EQUITY | SRI LANKA | MATERIALS

EARNINGS UPDATE | 02 JUL 2026

DIPPED PRODUCTS PLC [DIPD.N0000]

MAINTAIN BUY

"CAPACITY-LED EARNINGS GROWTH; THE LONG-TERM VALUE PROPOSITION IS INTACT"

Fair Value: FY27E - LKR 70.0 [+20%] **FY28E - LKR 80.0 [+37%]**

Total Return with DPS: FY27E - 24% [AER 33%] *FY28E - 41% [AER 22%]*

We maintain our BUY recommendation on DIPD with a revised FY28E fair value estimate of LKR 80.0/share from LKR 85.0/share for FY28E implying total annualised return of 21.9% from current levels. Despite revising our earnings forecasts downward by 4.2% and 3.0% for FY27E and FY28E, to reflect supply-chain disruptions stemming from the US–Iran conflict, elevated freight costs, and doubled fertilizer costs weighing on the Plantation segment, we continue to expect profitability growth of 23.4%YoY in FY27E and 18.9%YoY in FY28E, supported by capacity-driven volume expansion in Hand Protection and structural cost efficiencies from ongoing factory automation. We expect the Hand Protection segment to sustain capacity utilisation in the 80–90% range while delivering revenue growth of +23.3%YoY in FY27E and +14.7%YoY in FY28E, underpinned by a combination of greenfield and brownfield capacity additions, and a persistently favourable LKR/USD depreciation dynamic. In our view, the near-term earnings weakness is temporary and does not reflect the underlying strength of the business; DIPD's focus on higher-margin specialty gloves and investing in automation both of which we expect to drive a stronger and more sustainable earnings profile over the long term. We believe current valuation levels present an attractive entry point for investors with a long-term horizon. In our view: (1) capacity expansion across Kottawa, Hanwella, and the upcoming Katunayake greenfield; (2) structural LKR depreciation providing a persistent USD revenue tailwind; (3) ongoing factory automation driving sustainable operational efficiencies; and (4) DIPD's position in value-added, niche-segment gloves with demonstrated pricing power, make DIPD one of the most compelling re-rating stories in the listed manufacturing space. MAINTAIN BUY

LKR (Mn)	4QFY25	4QFY26	YoY	FY25	FY26	YoY
Earnings (LKR 'Mn)						
Revenue	19,482	18,807	-3%	79,289	82,044	+3%
Gross Profit	4,576	4,511	-1%	16,564	17,979	+9%
Operating Profit	2,426	1,853	-24%	6,802	6,807	+0%
PBT	2,408	1,935	-20%	6,466	6,834	+6%
Earnings	1,277	659	-48%	3,568	3,521	-1%
Balance Sheet (LKR 'Mn)						
Shareholder's Equity	31,778	34,827	+10%	31,778	34,827	+10%
Borrowings	12,014	17,612	+47%	12,014	17,612	+47%
NAVPS	53.1	58.2		53.1	58.2	

DIPD's bottom-line contracted 48.4%YoY during 4QFY26, falling below our forecast

DIPD reported earnings of LKR 658.7Mn, declining 48.4%YoY and 38.1%QoQ, falling below our forecast by 38.1%, primarily driven by a 3.5% YoY revenue decline and a 260bpsYoY compression in EBIT margin. Revenue decrease was concentrated in the Hand Protection segment, where a 6.1%YoY decline was recorded due to shipment disruptions stemming from the US-Iran war situation, despite capacity utilization sustaining within the 80-90% range. On the margin front, administrative expenses rose 11.5%YoY on the back of newly expanded capacity at Kottawa, while distribution costs surged 57.3%YoY driven by elevated freight costs from higher oil prices during the quarter. Partially offsetting these headwinds, the Plantation segment posted a 0.3% YoY topline growth, with TPL recording a 1.9%YoY improvement while KVAL's performance was weighed down by a decline in tea segment revenue and HPL saw its rubber arm contract, partially offset by improved tea segment performance.

Capacity expansion is expected to lift Hand Protection's topline contribution to c.70%

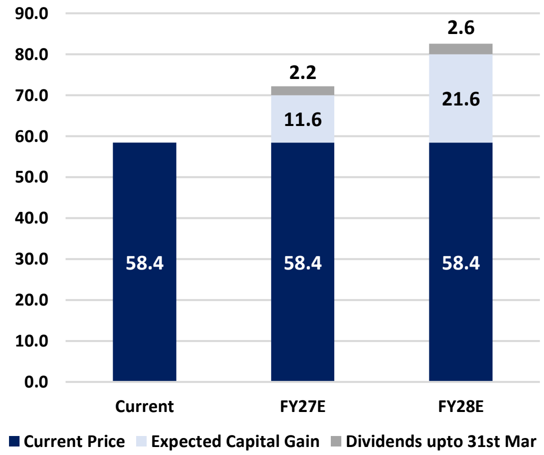
We see DIPD's Hand Protection segment entering a multi-year capacity-driven volume inflection, with expansions at Kottawa and Hanwella; alongside the upcoming Katunayake greenfield supporting our revenue growth estimates of +23.3%YoY in FY27E and +14.7%YoY in FY28E. On our estimates, Hand Protection may account for c.70.0% of consolidated topline by FY28E. An expected 5% LKR depreciation provides a USD translation lift to reported revenue, while we expect utilization to sustain in the 80–90% level. We believe DIPD's positioning in value-added, niche-segment gloves; which we estimate at 70–80% of revenue, affords meaningful pricing power, enabling the company to largely pass through elevated natural rubber costs to customers. Partially offsetting the competitive pricing pressure, MYR, THB, and CNY appreciation versus the USD has structurally improved the relative affordability of Sri Lankan gloves for global buyers. Furthermore, while rubber price appreciation provides a near-term topline tailwind for the Plantation segment, adverse weather conditions, aging plants, and softening Middle East demand temper our growth expectations; we model the segment's topline contribution declining to c.30% of group revenue by FY28E.

FCR lowers FY27E and FY28E earnings forecasts as supply-chain disruptions and Plantation headwinds persist

Since latex accounts for approximately 40.0%–50.0% of total cost of sales and c.60.0% of raw materials are sourced locally for the Hand Protection segment, margin pressure is expected to remain limited, despite potential increases in distribution costs and synthetic base latex prices due to increased crude oil for the Hand Protection segment. However, we believe factory automation is likely to ease margin pressure while enhancing operational efficiencies, as evidenced by the company's performance in FY27E.Doubled fertilizer costs represent a margin headwind for the Plantation segment, which we incorporate as a key drag on segment profitability in our FY27E and FY28E estimates. Consequently, we maintain a modest outlook for gross margin at 21-22%, and EBIT margin at 9-10%, FY28E from our previous forecast for the group. Given the margin outlook, we adjust DIPD's earnings downward by 4.2% for FY27E and 3.0% for FY28E, to LKR 4.4Bn and LKR 5.2Bn, respectively, compared to previous estimates of LKR 4.5Bn and LKR 5.3Bn.

We revise the FY27E fair value target to LKR 70.0 and FY28E to LKR 80.0

Following earnings revisions and sustained macro uncertainty driven by geopolitical headwinds, we apply an implied 9.0x PER to our DIPD estimates. We reduce our FY27E target price by 6.7% to LKR 70.0 (from LKR 75.0) and our FY28E target price by 5.9% to LKR 80.0 (from LKR 85.0), implying total annualized returns of 32.9% and 21.9% from current levels, respectively. While near-term headwinds persist, we believe the medium-term investment case remains intact, anchored by three key catalysts: 1) Hand Protection 's capacity expansions (2) LKR depreciation providing a structural USD revenue tailwind; and (3) ongoing factory automation driving cost efficiencies. MAINATAIN BUY



FIRST CAPITAL RESEARCH

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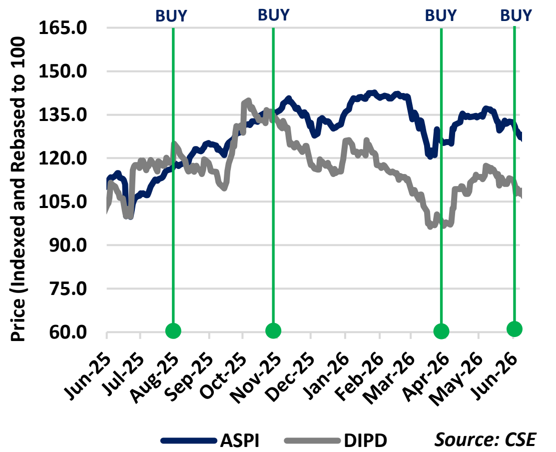
Price Movement of DIPD vs ASPI (Indexed and rebased to 100)



Minimum Return for BUY:

Buy Below for FY28E [AER of 18.0% with DPS]: LKR 61.8

DIPD categorized as 'Grade B' counter.

Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of DIPD during the five trading days prior to the issuance of this document.

Key risks associated with our recommendation

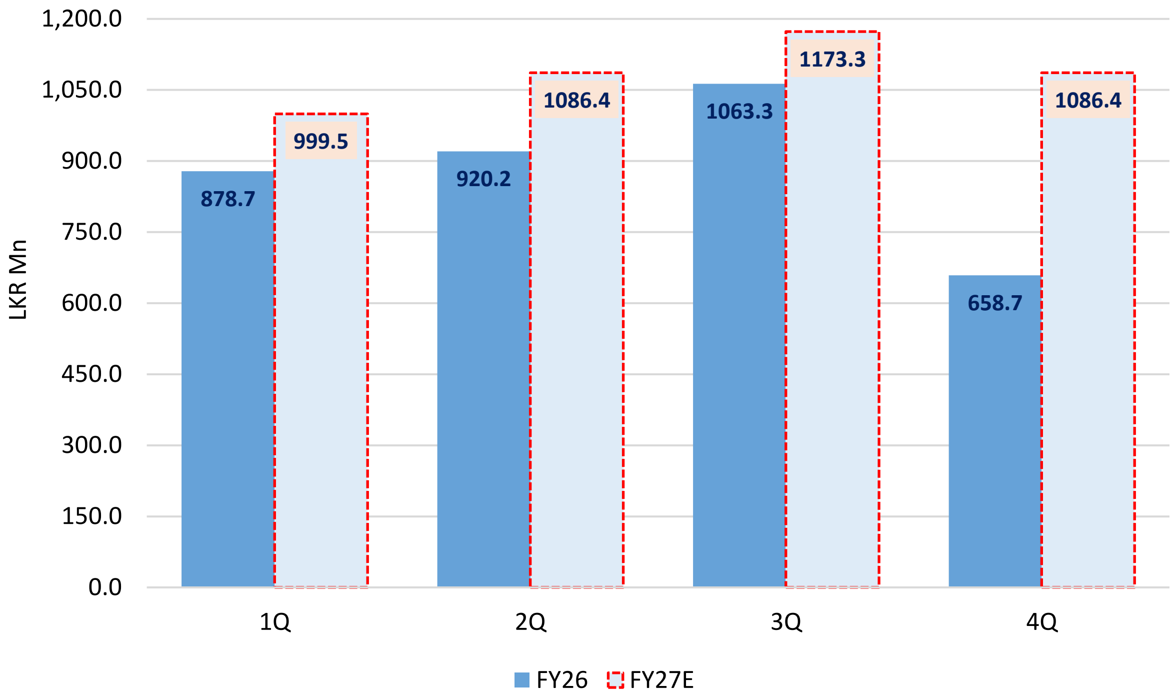
Downside risks

- Severe competition from ASEAN glove manufacturers
- Volatile latex prices
- Depreciation of ASEAN currencies against USD and other major currencies
- Subdued performance of the plantation segment and increased wages of plantation sector workers
- U.S tariffs and GSP+ concerns
- Rising crude oil prices
- Extension of US-Iran war

Upside risks

- Appreciation of ASEAN currencies against USD and other major currencies
- Rapid growth of the key export markets

Quarterly Earnings



Estimate Revision

In LKR Mn	FY27E-O	FY27E-R	% Change	FY28E-O	FY28E-R	% Change
Earnings Estimate						
Revenue	90,589	93,682	+3%	98,939	102,916	+4%
Gross Profit	19,296	20,610	+7%	21,519	22,539	+5%
EBIT	9,059	8,525	-6%	10,507	9,900	-6%
Profit Before Tax	8,099	7,959	-2%	9,509	9,465	-0%
Adjusted Earnings	4,536	4,346	-4%	5,325	5,168	-3%
Adjusted EPS	7.6	7.3	-4%	8.9	8.6	-3%
Balance Sheet Estimate						
Shareholders' Equity	38,127	34,827	-9%	41,855	37,869	-10%
Borrowings	17,353	17,713	+2%	18,512	18,780	+1%
Adjusted NAVPS	**63.7**	**63.3**		**69.9**	**69.3**	
Ratio Estimate						
PER (x)	***7.7x***	***8.0x***		***6.6x***	***6.8x***	
PBV (x)	***0.9x***	***0.9x***		***0.8x***	***0.8x***	
DY (%)	***4.1%***	***3.7%***		***4.6%***	***4.4%***	

Valuation Table

P/E 31 Mar (LKR 'Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	80,099	73,942	79,289	82,044	93,682	102,916	111,814
Gross Profit	19,609	17,059	16,564	17,979	20,610	22,539	24,375
EBIT	9,628	7,729	6,802	6,807	8,525	9,900	11,204
Adjusted Net Profit	**6,507**	**4,472**	**3,568**	**3,521**	**4,346**	**5,168**	**5,969**
Adjusted EPS (LKR)	10.9	7.5	6.0	5.9	7.3	8.6	10.0
YoY Growth (%)	*20.9%*	*-31.3%*	*-20.2%*	*-1.3%*	*23.4%*	*18.9%*	*15.5%*
Valuations							
PER (x)	5.4x	7.8x	9.8x	9.9x	8.0x	6.8x	5.9x
PBV (x)	1.3x	1.2x	1.1x	1.0x	0.9x	0.8x	0.8x
DPS	3.0	2.3	1.9	2.1	2.2	2.6	3.0
DY (%)	*5.1%*	*3.9%*	*3.3%*	*3.6%*	*3.7%*	*4.4%*	*5.1%*
Dividend Payout (%)	*27.6%*	*30.1%*	*31.9%*	*36.2%*	*30.0%*	*30.0%*	*30.0%*
NAVPS	45.1	48.2	53.1	58.2	63.3	69.3	76.3

Ratio Analysis

		FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Growth	Revenue	44.9%	-7.7%	7.2%	3.5%	14.2%	9.9%	8.6%
	Gross Profit	82.7%	-13.0%	-2.9%	8.5%	14.6%	9.4%	8.1%
	EBIT	79.6%	-19.7%	-12.0%	0.1%	25.2%	16.1%	13.2%
	Net Profit	20.9%	-31.3%	-20.2%	-1.3%	23.4%	18.9%	15.5%
Profitability	GP Margin	24.5%	23.1%	20.9%	21.9%	22.0%	21.9%	21.8%
	EBIT Margin	12.0%	10.5%	8.6%	8.3%	9.1%	9.6%	10.0%
	NP Margin	10.6%	7.8%	5.9%	5.6%	5.9%	6.4%	6.8%
	Return on Equity	31.5%	20.0%	14.7%	13.3%	14.7%	16.0%	16.8%
Liquidity	Current Ratio	1.9x	2.2x	1.7x	1.6x	1.7x	1.8x	1.9x
	Quick Ratio	1.2x	1.3x	1.0x	0.9x	1.1x	1.1x	1.2x
Activity	Inventory Days	74.6	78.1	74.5	82.0	75.4	73.2	73.6
	Accounts Payable Days	54.1	63.8	69.9	81.8	69.9	62.7	64.9
	Accounts Receivable Days	6.3	7.8	7.7	12.2	10.6	6.6	6.7
Gearing	Debt/Equity	0.3x	0.3x	0.3x	0.2x	0.1x	0.1x	0.1x
	Debt/Debt+Equity	0.7x	0.8x	0.8x	0.8x	0.9x	0.9x	0.9x
	Debt/Total assets	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x

Valuation Summary

Expected DIPD Price	FY27E	FY28E
PER Valuation based target price	65.3	77.7
DCF Valuation based target price	72.6	76.8
Average Target Price	69.0	77.3
Price after Rounding-off	70.0	80.0

Return	FY27E	FY28E
Target Price	70.0	80.0
Current Price	58.4	58.4
Capital Gain (LKR)	11.6	21.6
Dividends upto 31 Mar (LKR)	2.2	2.6
Capital Gain %	20%	37%
Dividend Yield %	4%	4%
Total Return %	24%	41%
Annualized Return %	33%	22%

Discounted Cash Flow Valuation

DCF based Valuation	FY27E	FY28E
Enterprise Value	60,243	62,130
Debt (-)	15,200	14,372
Cash (+)	13,386	14,643
Total Value of Equity	43,468	45,981
No. of Shares (Mn)	599	599
Target Price	72.6	76.8

COE	FY27E	FY28E
Rf	10%	10%
Rm	18%	18%
Growth %	3%	3%
Unlevered β	0.7	0.7
Ke = Rf + β(Rm-Rf)	15%	15%

WACC	FY27E	FY28E
Ke	15%	15%
Kd	11%	11%
D/E Assumption	60:40	60:40
Terminal Growth (%)	3%	3%
WACC	13%	13%

PER Valuation

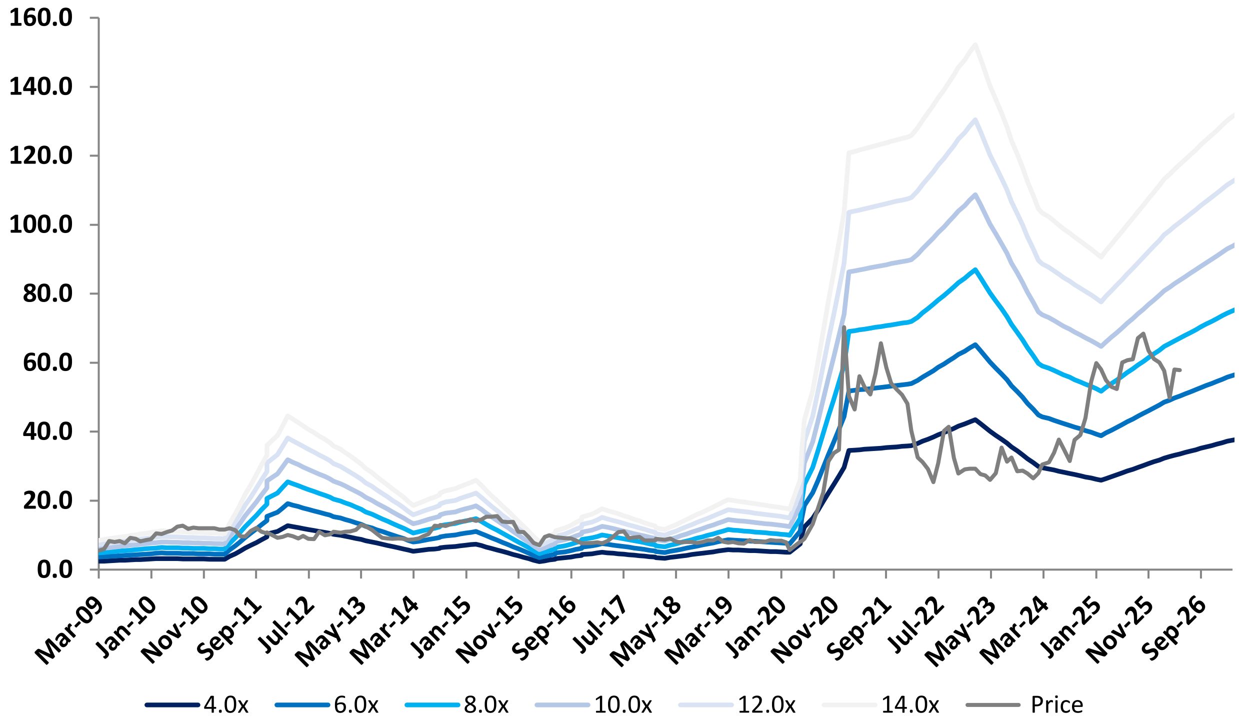
PER based Valuation	FY27E	FY28E
Earnings (LKR 'Mn)	4,346	5,168
No. of Shares ('Mn)	599	599
EPS	7.3	8.6
Expected PER	9x	9x
Price at 9x Earnings	65.3	77.7

Recommendation Criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	15.00%	11.00%	11.00%
Grade B	Rest of the Companies	18.00%	13.00%	13.00%
Grade C	Companies less than LKR 1Bn Market Cap	21.00%	16.00%	16.00%

PER Chart



Appendix I: Statement of Income and Expenses

Profit & loss statement Y/E 31 March (LKR 'Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	80,099	73,942	79,289	82,044	93,682	102,916	111,814
Cost of sales	(60,490)	(56,883)	(62,724)	(64,065)	(73,072)	(80,377)	(87,438)
Gross profit	**19,609**	**17,059**	**16,564**	**17,979**	**20,610**	**22,539**	**24,375**
Other operating income	767	820	933	959	1,124	1,307	1,420
Selling and distribution	(2,661)	(1,956)	(2,013)	(2,170)	(2,436)	(2,624)	(2,851)
Admin expenses	(8,087)	(8,193)	(8,683)	(9,961)	(10,773)	(11,321)	(11,740)
EBIT	**9,628**	**7,729**	**6,802**	**6,807**	**8,525**	**9,900**	**11,204**
Net finance income	1,591	(170)	(343)	7	(566)	(436)	(271)
Profit before tax	11,219	7,567	6,466	6,834	7,959	9,465	10,933
Taxation	(2,716)	(1,788)	(1,802)	(2,211)	(2,388)	(2,839)	(3,280)
Adjusted net profit for the period	**8,502**	**5,779**	**4,663**	**4,623**	**5,571**	**6,625**	**7,653**
Recurring net profit for the period	**8,502**	**5,779**	**4,663**	**4,623**	**5,571**	**6,625**	**7,653**
Profit for the period attributable to:							
Equity holders of the compnay	**6,507**	**4,472**	**3,568**	**3,521**	**4,346**	**5,168**	**5,969**
Minority interest	1,995	1,307	1,096	1,102	1,226	1,458	1,684
Adjusted EPS	***10.9***	***7.5***	***6.0***	***5.9***	***7.3***	***8.6***	***10.0***

Appendix II: Statement of Financial Position

Balance sheet As at 31 March (LKR 'Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY28E
Assets							
Non current assets							
Property plant and equipment	21,977	23,971	30,107	35,657	33,521	34,953	35,999
Other non current assets	4,693	5,518	6,340	9,434	9,388	9,352	9,326
Current Assets							
Inventories	12,649	11,685	13,935	14,862	15,345	16,879	18,362
Receivables and prepayment	1,572	1,569	1,783	3,682	1,780	1,955	2,124
Cash and cash equivalents	9,660	8,976	9,099	5,976	10,542	11,799	15,345
Total Assets	**62,681**	**63,913**	**74,616**	**86,012**	**86,502**	**92,433**	**100,164**
Equity and Liabilties							
Stated capital	599	599	599	599	599	599	599
Retained earnings and foreign currency translation reserves	26,376	28,278	31,180	34,228	37,270	40,888	45,066
Equity attributable to equity holders of the parent	26,975	28,877	31,778	34,827	37,869	41,486	45,665
Non-controlling interest	6,540	7,203	7,853	8,685	9,911	11,368	13,052
Total equity	**33,515**	**36,080**	**39,631**	**43,512**	**47,780**	**52,855**	**58,717**
Non-current liabilties							
Interest bearing loans and borrowings	3,577	4,301	3,821	7,415	4,560	4,312	4,101
Other non-current liabilities	6,774	7,552	8,486	9,037	9,037	9,037	9,037
Current liabilities							
Trade and other payables	9,742	10,146	13,884	14,829	13,153	14,468	16,613
Other current liabilities	9,072	5,835	8,794	11,220	11,972	11,762	11,696
Total liabilities	**29,166**	**27,833**	**34,984**	**42,500**	**38,722**	**39,578**	**41,447**
Total equity & liabilities	**62,681**	**63,913**	**74,616**	**86,012**	**86,502**	**92,433**	**100,164**
Adjusted NAVPS	***45.1***	***48.2***	***53.1***	***58.2***	***63.3***	***69.3***	***76.3***

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