First Capital
A Janashakthi Group Company

First Capital Research

2027 BUDGET REVIEW

12th November 2026



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2027 Budget focused on Infrastructure, Energy, and Digital Transformation

The 2027 Budget maintains Sri Lanka's medium-term fiscal consolidation path while allowing a temporary increase in public investment to support growth, disaster recovery and economic modernization. The spending mix increasingly emphasizes infrastructure connectivity, energy security and digital transformation, while preserving commitment to revenue mobilization and debt sustainability.

Three spending priorities

INFRASTRUCTURE & PUBLIC INVESTMENT

Public investment is prioritized as a growth catalyst, with higher allocations directed toward transport connectivity, logistics, disaster-resilient infrastructure and productivity-enhancing capital expenditure to support medium-term economic expansion.

ENERGY SECURITY

Energy sector spending focuses on strengthening energy security and system efficiency through grid modernization, renewable energy integration, expanded storage capacity and improvements to fuel supply infrastructure, helping reduce structural bottlenecks and support private-sector activity.

DIGITAL TRANSFORMATION

Digital transformation continue to remain as a key policy pillar, with increased investment in digital public infrastructure, cybersecurity, digital entrepreneurship and financial technology adoption, aimed at improving public service delivery, enhancing tax administration and boosting productivity across the economy.

FISCAL SUMMARY

LKR Bn | Budget 2027 estimates

REVENUE & GRANTS
LKR 6,180Bn
15.8% of GDP

–

EXPENDITURE
LKR 7,933Bn
20.3% of GDP

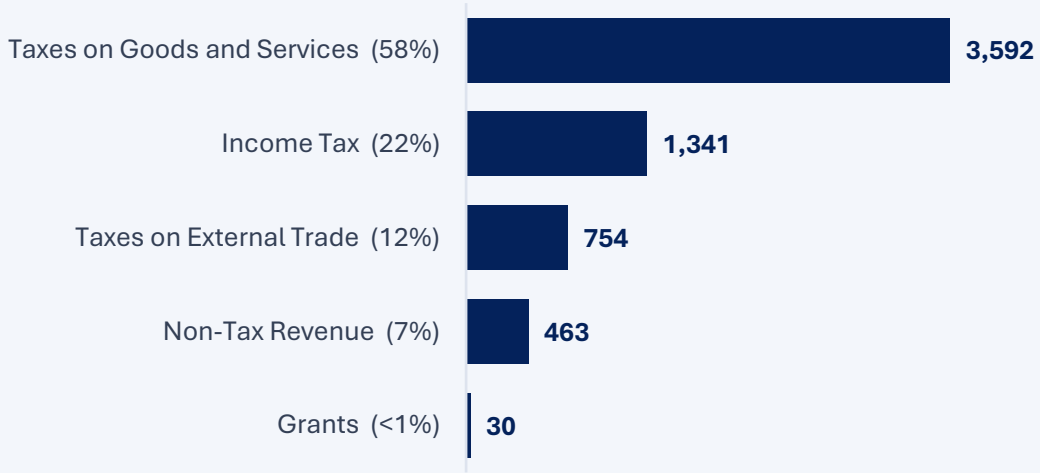
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BUDGET DEFICIT
LKR -1,753Bn
-4.5% of GDP

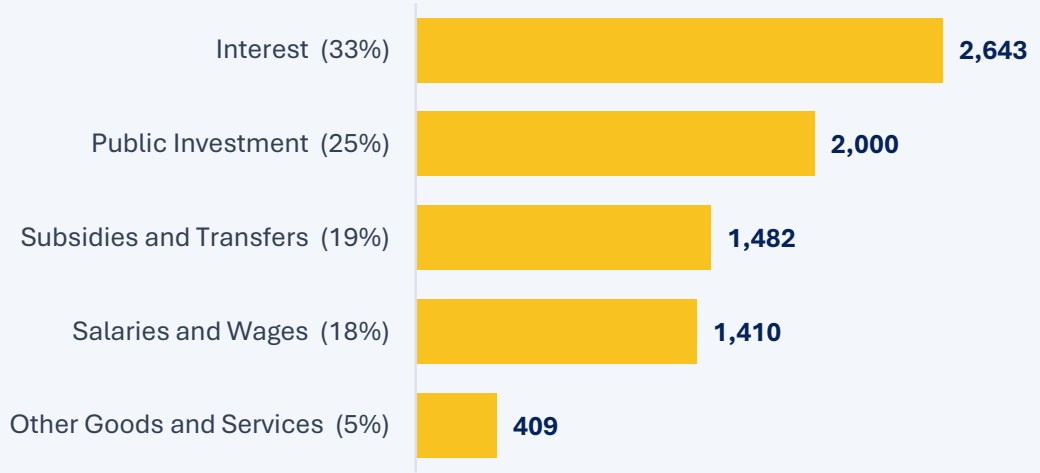
Revenue covers **78%** of spending



Revenue & grants composition



Expenditure composition



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01 FISCAL STRATEGY



FISCAL STRATEGY

Budget 2027 | Key highlights in detail

01

Fiscal Discipline Remains Intact

The Government expects to maintain a **primary surplus of LKR890 Bn (2.3% of GDP)** [▲ from 2026 target: LKR860 Bn, ▼2.5% of GDP], while keeping the **overall budget deficit at Rs. 1.75Tn (4.5% of GDP)** [▼ from 2026 target: Rs. 1.76 Tn, ▼5.1% of GDP], comfortably within the below 5% target.

02

Borrowing Needs Stay Contained

Despite increased spending, the **gross borrowing requirement is estimated slightly higher at Rs. 3.8Tn** [▲2026 target: LKR 3.74Tn; up Rs. 60 bn], with the Ditwah supplementary expenditure expected to be financed from existing cash buffers.

03

Revenue Growth Funds Higher Spending

Revenue and grants are projected at LKR 6.2Tn (15.8% of GDP) [▲from 2026 target: LKR 5.3Tn, 15.4% of GDP], while expenditure is budgeted at Rs. 7.9 Tn (20.3% of GDP) [▲2026: LKR 7.06Tn, ▼20.5% of GDP].

04

Public Investment Leads Growth

Capital spending rises to Rs. 2.0 Tn (5.1% of GDP) [▲from 2026: LKR 1.38 Tn, 4.0%], led by infrastructure investment, with **interest payments at LKR 2.6Tn (6.8% of GDP)** [▲2026 target: LKR 2.6Tn; ▼ 7.6% of GDP]

05

Debt Stays On A Downward Path

Central Government debt fell from 114% of GDP in 2022 to 95% in 2025, with the IMF projecting 87% by 2032. Interest absorbed 45.9% of revenue in 2025, down from 79.1% in 2022.

06

Medium-Term Outlook

Looking ahead, **revenue will be maintained at no less than 16% of GDP**, and primary expenditure will return to 13% of GDP from 2028, as the 17th IMF programme concludes in March 2027.

SUMMARY OF THE BUDGET ESTIMATES

LKR Bn & % of GDP | 2025 provisional to 2027 supplementary budget

LKR Bn	2025 Prov.	2026 Revised	2027 Budget	2027 Supp.
Total Revenue & Grants	**5,486**	**5,981**	**6,180**	**6,180**
Total Revenue	**5,449**	**5,951**	**6,150**	**6,150**
Tax Revenue	**5,049**	**5,478**	**5,687**	**5,687**
Income Tax	1,139	1,311	1,341	**1,341**
Taxes on Goods & Services	3,198	3,454	3,592	**3,592**
Taxes on External Trade	712	713	754	**754**
Non-Tax Revenue	**400**	**473**	**463**	**463**
Grants	**36**	**30**	**30**	**30**
Total Expenditure	**6,230**	**7,309**	**7,673**	**7,933**
Recurrent	**5,232**	**5,848**	**5,934**	**5,944**
Salaries & Wages incl. PCs	1,164	1,289	1,410	**1,410**
Other Goods & Services incl. PCs	335	370	409	**409**
Interest	2,501	2,617	2,643	**2,643**
Subsidies & Transfers	1,233	1,572	1,472	**1,482**
Public Investment	**1,016**	**1,480**	**1,750**	**2,000**
Other	**-18**	**-19**	**-11**	**-11**
Revenue Surplus (+)/Deficit (-)	***217***	***103***	***216***	***206***
Primary Surplus (+)/Deficit (-)	**1,756**	**1,289**	**1,150**	**890**
Budget Surplus (+)/Deficit (-)	**-745**	**-1,328**	**-1,493**	**-1,753**
Total Financing	**745**	**1,328**	**1,493**	**1,753**
Total Foreign Financing	**142**	**200**	**110**	**110**
Foreign Borrowings - Gross	567	700	700	**700**
Debt Repayment	-424	-500	-590	**-590**
Total Domestic Financing	**602**	**1,128**	**1,383**	**1,643**
Non-Bank Borrowings	496	1,128	1,383	**1,383**
Bank Borrowings & Other	106	-	-	**260**

DEFICIT

4.5%

of GDP, 2027 Supp.

PRIMARY SURPLUS

2.3%

of GDP, 2027 Supp.

PUBLIC INVESTMENT

5.1%

of GDP, 2027 Supp.

% of GDP	2025 Prov.	2026 Revised	2027 Budget	2027 Supp.
Revenue & Grants	**16.7**	**16.6**	**15.8**	**15.8**
Total Revenue	**16.6**	**16.5**	**15.8**	**15.8**
Tax Revenue	15.4	15.2	14.6	**14.6**
Non-Tax Revenue	1.2	1.3	1.2	**1.2**
Grants	**0.1**	**0.1**	**0.1**	**0.1**
Total Expenditure	**19.0**	**20.3**	**19.7**	**20.3**
Recurrent Expenditure	**16.0**	**16.2**	**15.2**	**15.2**
Non-Interest	8.3	9.0	8.4	**8.5**
Interest	7.6	7.3	6.8	**6.8**
Public Investment	**3.1**	**4.1**	**4.5**	**5.1**
Revenue Surplus (+)/Deficit (-)	***0.7***	***0.3***	***0.6***	***0.5***
Primary Surplus (+)/Deficit (-)	**5.4**	**3.6**	**2.9**	**2.3**
Budget Surplus (+)/Deficit (-)	**-2.3**	**-3.7**	**-3.8**	**-4.5**

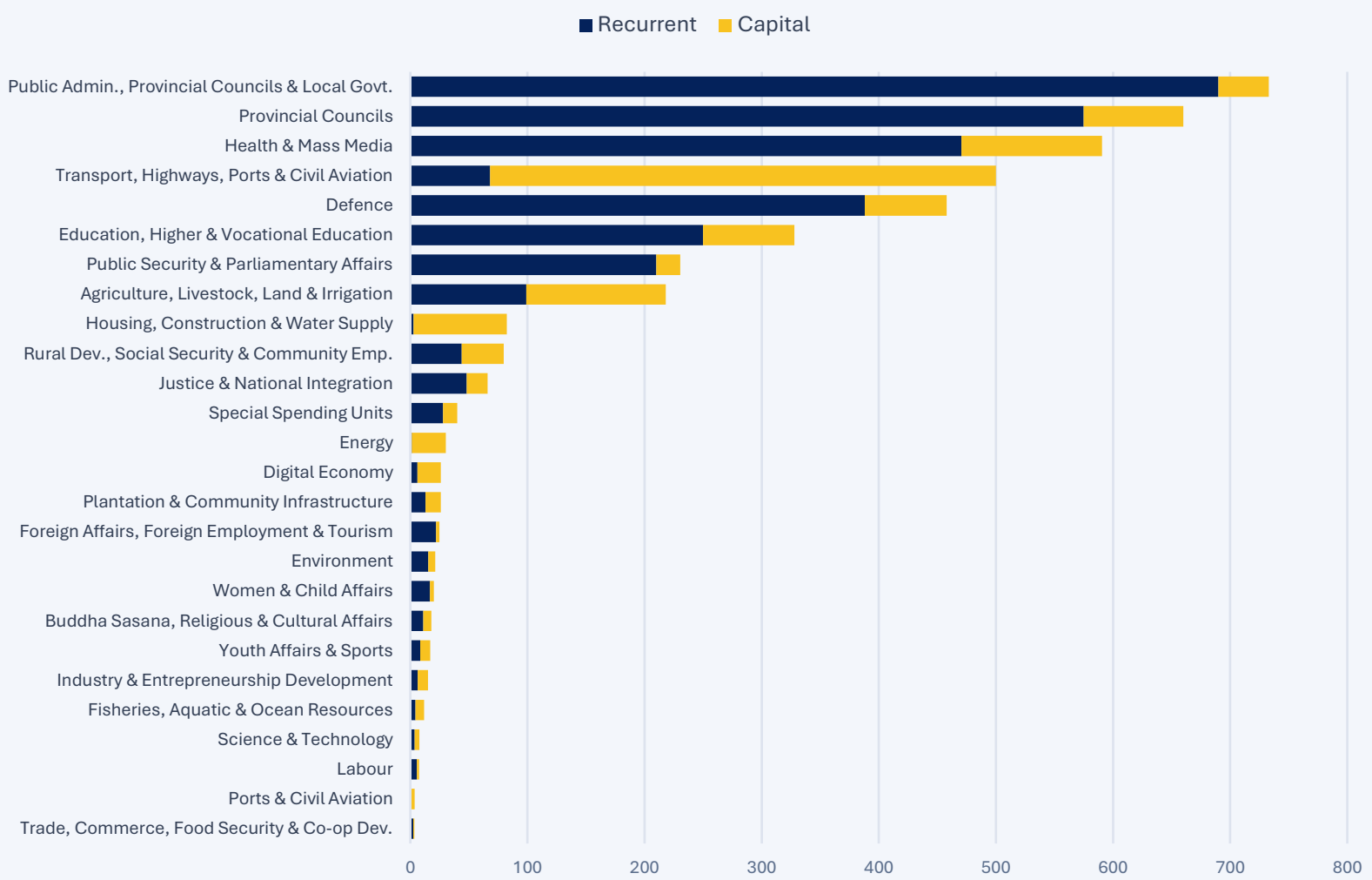
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02 ANALYSIS OF THE APPROPRIATION BILL 2027



GOVERNMENT TOTAL EXPENDITURE

LKR Bn | Recurrent vs capital allocation by ministry



LARGEST ALLOCATIONS

1	**Public Administration, PCs & LG** Rec 690 | Cap 43	733
2	**Provincial Councils** Rec 575 | Cap 85	660
3	**Health & Mass Media** Rec 471 | Cap 120	591
4	**Transport, Highways, Ports & CA** Rec 68 | Cap 432	500
5	**Defence** Rec 388 | Cap 70	458

86% of Transport's allocation is capital spending (LKR 432Bn of 500Bn)

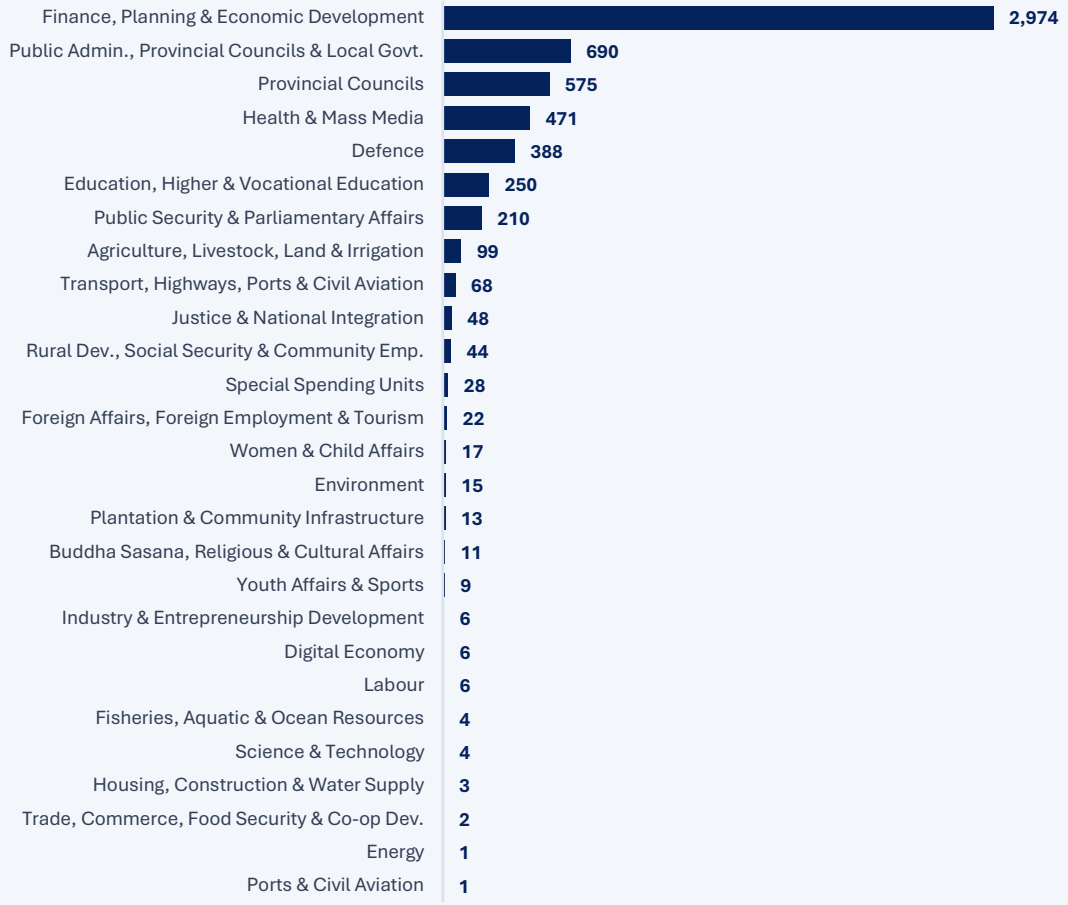
94% of Public Administration's allocation is recurrent (LKR 690Bn of 733Bn)

Source: MoF, Appropriation Bill

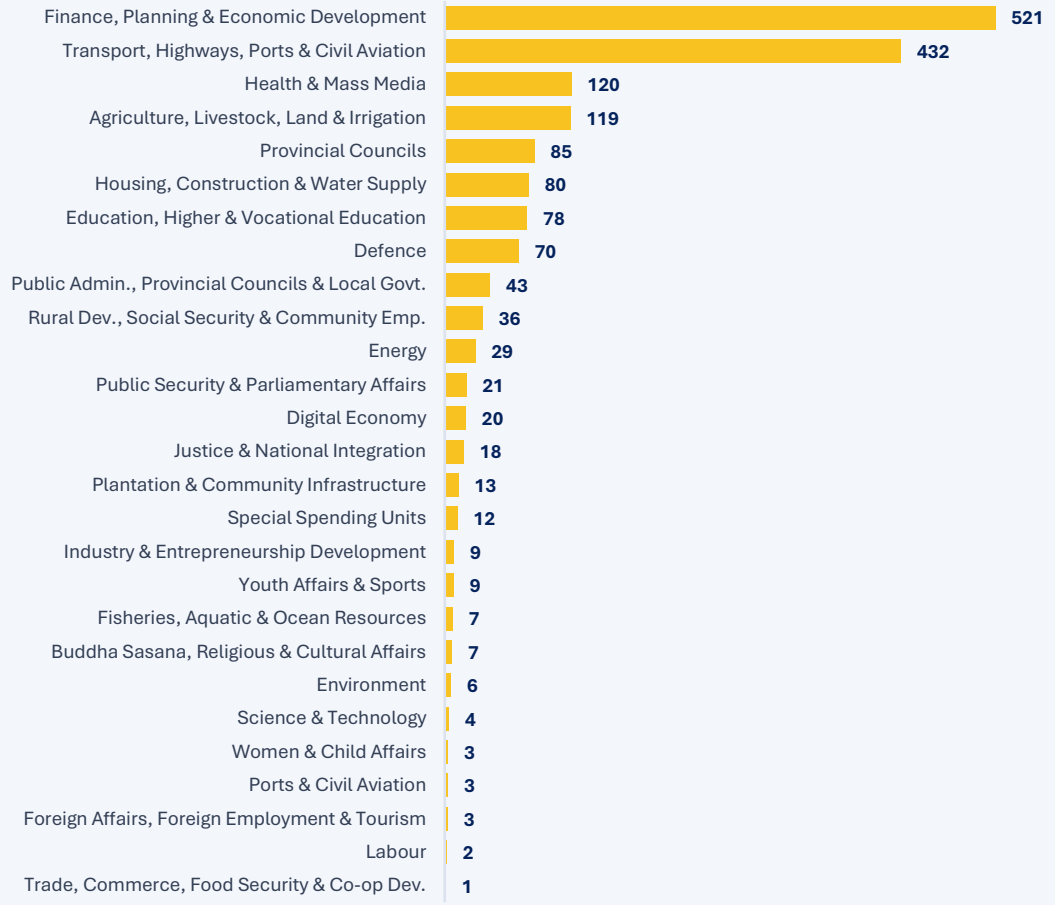
RECURRENT & CAPITAL EXPENDITURE

LKR Bn | Allocation by ministry, ranked

RECURRENT EXPENDITURE

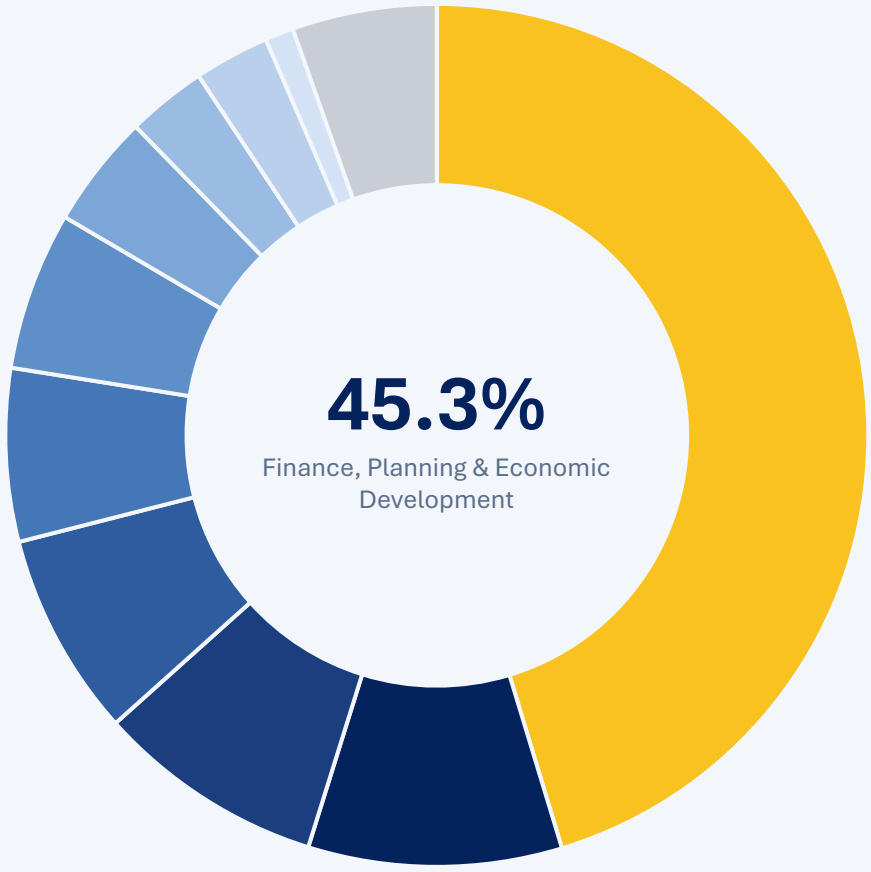


CAPITAL EXPENDITURE



TOTAL EXPENDITURE ALLOCATION

Share of total | By ministry



Finance, Planning & Economic Development	**45.3%**
Public Admin., Provincial Councils & Local Govt.	**9.5%**
Provincial Councils	**8.6%**
Health & Mass Media	**7.7%**
Transport, Highways, Ports & Civil Aviation	**6.5%**
Defence	**5.9%**
Education, Higher & Vocational Education	**4.3%**
Public Security & Parliamentary Affairs	**3.0%**
Agriculture, Livestock, Land & Irrigation	**2.8%**
Housing, Construction & Water Supply	**1.1%**
Others	**5.4%**

IMF TARGETS VS BUDGET ESTIMATES

% of GDP | Budget 2027 sets both revenue and spending above IMF projections

% of GDP	2026		2027	
	IMF (4th Review)	Revised	IMF	Budget
Revenue & Grants	**15.2**	**15.2**	**15.1**	**15.8**
Tax Revenue	14.2	14.0	14.0	**14.6**
Total Expenditure	**19.7**	**20.3**	**18.7**	**20.3**
Recurrent Expenditure	16.0	15.5	14.8	**15.2**
Capital Expenditure	3.7	4.8	4.0	**5.1**
Budget Surplus/Deficit	**-4.5**	**-5.1**	**-3.7**	**-4.5**

2027: IMF vs Budget (% of GDP)



Revenue above IMF

+0.7pp vs IMF

Budget targets 15.8% of GDP (LKR 6.2Tn) vs IMF 15.1%. Tax revenue 14.6% vs 14.0%.

Spending above IMF

+1.6pp vs IMF

Total expenditure budgeted at 20.3% of GDP vs IMF projection of 18.7%.

Capital spending drives the gap

+1.1pp vs IMF

Capital expenditure 5.1% vs 4.0%; recurrent 15.2% vs 14.8%.

Deficit narrows, above IMF

0.8pp wider

4.5% of GDP, down from revised 5.1% for 2026, but above the IMF's 3.7% for 2027.

Source: MoF, IMF

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03 BUDGET AND THE CAPITAL MARKET



BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Taxation and Consumer Sector

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Personal income tax relief Tax-free threshold raised from LKR 1.8Mn to LKR 1.95Mn a year (LKR 162.5K/month). Slabs widened from LKR 41.7K to LKR 50.0K a month, and the second rate cut to 12% from 18%. Effective April 2027.	**Consumer and Retailing sector counters such as CARG · JKH · SINS · CCS · LMF · TAFL · GRAN · SUN**	Monthly tax relief of LKR 750 to LKR 15,750 per taxpayer could lift disposable income and support consumer and retail demand.
SCL cut on essential food imports Special Commodity Levy on sprats cut from LKR 100.0/kg to LKR 10.0/kg, Maldive fish from LKR 302.0/kg to LKR 10.0/kg, and dried chillies by LKR 50.0/kg. Effective 13 Nov 2026.	**CARG · JKH · CCS**	Lower shelf prices for staples could ease food inflation. Supermarket chains may see a volume boost.
Higher SCL on imported sugar Special Commodity Levy on imported sugar raised by LKR 10.0/kg to protect domestic sugar producers.	**Food, Beverage & Tobacco sector counters such as CCS · LMF · SUN**	Higher input costs for beverage, dairy and confectionery makers. Margins could be pressured unless costs are passed on.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Taxation and Consumer Sector

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Phased CESS reduction CESS rates cut by 25% on 800 selected HS code lines. Second phase, effective April 2027.	**Trading and Manufacturing**	Lower landed costs could support importer margins; local manufacturers may face more import competition. HS line list yet to be published.
VAT exemption on books Exercise books, textbooks, dictionaries, educational publications and other printed books exempted from VAT.	**CARE · CPRT · LPRT · HHL**	Lower prices could lift demand for printed and educational materials, benefiting printing and publishing companies.
PAL removed on newsprint The 10% Ports and Airports Development Levy on imported newsprint removed, effective 1 Jan 2027.	**CARE · CPRT · LPRT**	Lower input costs for newspaper printers and publishers.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Taxation and Consumer Sector

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Export incentives BOI export manufacturers investing at least USD 3.0Mn can claim a 200% capital allowance. New VAT-registered exporters qualify as Eligible Exporters if over 80% of 6-month turnover is exports.	**MGT · TJL · HAYL · HEXP · DIPD · HAYC**	Lower effective tax supports capacity expansion; faster Eligible Exporter status eases VAT cash flow for new exporters.
SSCL exemption on bunker fuel Supply of fuel to ships engaged in international transport exempted from the Social Security Contribution Levy.	**JKH · LIOC**	Improves the price competitiveness of local bunkering and could lift bunker volumes at Sri Lankan ports.
Excise Ordinance amendments Excise Ordinance to be amended and simplified until the proposed new Excise Act is introduced.	**DIST · LION · CTC**	Simpler administration for alcohol and tobacco producers; impact on duty rates unclear until amendments are published.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Construction and Infrastructure

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Ditwah reconstruction LKR 260Bn supplementary estimate to be tabled for 2027 reconstruction, incl. LKR 90Bn for the Ditwah Housing Project.	**Construction counters such as · TKYO · AEL · TILE · LWL · PARQ · RCL**	Large reconstruction spend supports volumes for building materials and contractors through 2027.
Rural-road development c. LKR 100Bn earmarked, incl. LKR 55Bn for rural roads and bridges, LKR 20Bn for Provincial Council roads and district programmes.	**Construction counters such as · TKYO · AEL · ASPH**	Broad-based, island-wide demand for cement, asphalt and steel; supports regional contractors and material distributors.
Railway electrification LKR 80Bn in 2027 for phase 1 on the Kelani Valley, Main and Coastal lines, under a programme of over LKR 1,200Bn.	**Construction counters such as · TKYO · AEL · ASPH · ALUM · ACL · KCAB · SIRA · CIND**	Large electrical and civil-works pipeline; cable, power-engineering and construction counters may benefit as subcontractors.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Construction and Infrastructure

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Water supply & sanitation LKR 77Bn in total, incl. new Greater Galle (LKR 37.5Bn), Kundasale–Haragama (LKR 34.4Bn) and Greater Kilinochchi (LKR 41.1Bn) schemes.	**Construction counters such as · TKYO · AEL · ASPH · CIND**	Pipeline, civil and pumping works; positive for PVC/HDPE pipe manufacturers, contractors and cement suppliers.
CE – Kadawatha–Mirigama LKR 53.45Bn in 2027 to complete this section, stalled after the economic collapse, by September 2028.	**Construction counters such as · TKYO · AEL · ASPH**	Revival of a stalled flagship section; sizeable contract value for contractors and steady offtake for cement and steel.
Central Expressway – Phase 4 LKR 30Bn for the Kurunegala–Galewela stretch, the first step of the Kurunegala–Dambulla section of the Central Expressway.	**Construction counters such as TKYO, AEL, ASPH**	Large civil-works pipeline; positive for listed contractors and suppliers of cement, steel, asphalt and aggregates.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Construction and Infrastructure

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
CE – Pothuhera–Galagedara LKR 23.05Bn for Rambukkana–Galagedara (completion by July 2029) and LKR 4.5Bn for Pothuhera–Rambukkana (by May 2027).	**Construction counters such as · TKYO · AEL · ASPH**	Multi-year work visibility for contractors; supports demand for aggregates, asphalt and reinforcement steel.
Ruwanpura Expressway LKR 27Bn in 2027 for Phase 1 (Kahathuduwa–Ingiriya), up from LKR 18.7Bn allocated for initial works in 2026.	**Construction counters such as · TKYO · AEL · ASPH**	Sustained expressway spend supports contractor order books and capacity utilisation at building-material producers.
Urban & middle-income housing LKR 26.82Bn to complete 5,000 urban low-income units and start new complexes; NHDA pre-sale projects in Maligawatta and Yakkala.	**Construction counters such as · TKYO · AEL · TILE · LWL · PARQ · RCL · JAT**	Demand for cement, steel, tiles and fittings; NHDA pre-sale units may compete with listed developers in the mid-segment.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Construction and Infrastructure

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Road widening, flyovers & bridges LKR 22Bn to widen selected road sections, LKR 1.9Bn for 3 flyovers and LKR 2.04Bn for 5 bridges (total estimate LKR 10.6Bn).	**Construction counters such as · TKYO · AEL · ASPH**	Steady flow of mid-sized civil contracts; positive for structural steel, ready-mix concrete and asphalt suppliers.
'A Place of One's Own' housing 10,000 of 70,000 houses targeted in 2027; aid per house raised from LKR 1Mn to LKR 1.5Mn, with the allocation raised to LKR 15Bn.	**Construction counters such as · TKYO · AEL · TILE · LWL · PARQ · RCL · JAT**	Higher per-house aid lifts rural demand for cement, roofing sheets, tiles, paints and hardware.
Airport infrastructure LKR 15Bn BIA Terminal 1 expansion (6Mn to 9Mn passengers), JICA-backed Terminal 2, LKR 6Bn Ratmalana runway, BOT re-export hub.	**Construction counters such as · TKYO · AEL · ASPH**	Terminal and runway works support contractors and building-material demand; BOT cargo hub opens logistics opportunities.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Tourism and Leisure

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Tourism Development Levy abolished Levy on the turnover of tourism establishments removed, effective April 2027. Treasury to fund SLTDA until a new financing mechanism is set up.	**Tourism sector counters such as** **· AHPL · AHUN · KHL**	Direct cost relief for hotel operators. Modest in size, as the levy raised only about LKR 40.0Mn a year.
Enhanced capital allowance BOI-approved tourism projects investing at least USD 3.0Mn can claim a 200% capital allowance on qualifying spend. Hotels must invest within 5 years.	**Tourism sector counters such as** **· AHPL · AHUN · KHL**	Lower effective tax for hotel developers could support new capacity and refurbishment projects.
Colombo Fort tourism zone Historic buildings around Colombo Fort to be restored and developed as a tourism zone, with USD 77.0Mn of World Bank funding.	**City hotels such as** **· AHPL · TAL · SERV ·TRAN**	Could boost footfall and room demand for Colombo city hotels over the medium term.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Tourism and Leisure

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Gaming regulation and tax review Gambling Regulatory Authority established and regulations finalised. Taxes, fees and charges on betting and gaming to be reviewed to remove double taxation.	**City hotels such as · JKH · AHPL · TRAN · SERV · TAL · GHLL**	Clearer regulation and a simpler tax structure could support the integrated resort and casino segment.
Cruise and marine tourism Cruise passenger terminal at Colombo Port; LKR 240.0Mn for terminals at Galle, Tangalle and Trincomalee; LKR 500.0Mn concessionary loans for marine tourism equipment.	**Coastal hotels such as AHUN · KHL · LHL · CONN · RHTL**	Could widen tourist arrivals and spending in coastal regions, supporting resort and leisure operators.
Regional and heritage tourism Dutch forts in Jaffna, Mannar, Kalpitiya and Batticaloa to be developed under PPP (LKR 240.0Mn). LKR 100.0Mn for Sigiriya airport and LKR 300.0Mn for Southern Mist Triangle.	**Tourism sector counters such as · AHUN · KHL · JETS**	Better access and new attractions could lift occupancy at regional properties and open PPP opportunities.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Power and Energy

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Subsidy for home solar batteries LKR 3.5Bn allocated for subsidies supporting solar-power battery storage.	**HAYL**	Expected to stimulate household demand for battery energy storage systems, creating new revenue opportunities for solar equipment suppliers, installers and energy solution providers.
Increase in renewable energy share The government targets to increase renewable energy's share of installed capacity from approximately 62.0% to 69.0% by 2029.	**All utility sector counters such as WIND · VLL · PAP**	Expected to strengthen the renewable energy project pipeline, creating opportunities for capacity expansion, new investments and long-term revenue growth across the power generation sector.
Electric grid stability improvement LKR 26.5Bn envisaged for electricity-grid stability and infrastructure improvements.	**KCAB · SIRA · ACL**	Increased investment in transmission and grid infrastructure is expected to drive demand for cables, electrical equipment and engineering services, supporting order books and revenue growth across the sector.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Banking, Financial Services and Capital Markets

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
MSME interest subsidies & refinancing LKR 67.69Bn in 2027 for interest subsidies and refinancing to facilitate c. LKR 174Bn in concessionary loans via state and private banks.	**All banking counters**	Supports loan growth for participating banks, with subsidies cushioning margins; MSME asset quality remains a key risk.
ADB-funded MSME credit line A further LKR 30Bn allocated with ADB funding for MSME capital and working-capital loans through banks.	**All banking counters**	Additional on-lending volume for participating banks without straining own funding; supports SME loan growth.
Re-MSME Plus expansion Additional LKR 20Bn in loans at 5% on top of the existing LKR 30Bn; LKR 200Mn allocated as a first phase; fisheries made eligible.	**All banking counters**	Refinance-backed volume for banks with strong SME franchises; fixed low lending rate limits yield upside.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Banking, Financial Services and Capital Markets

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Capital-market promotion LKR 500Mn, plus LKR 250Mn from the CSE, for the 'A Share for Everyone' programme and SME listing support.	**CFVF · CALH**	Broadens the retail investor base and listing pipeline; positive for stockbrokers, investment banks and market turnover.
Microfinance regulatory authority Microfinance and Credit Regulatory Authority to be set up in 2027 under Act No. 9 of 2026 to protect borrowers.	**All banking and financing counters**	Higher compliance costs for microfinance lenders and LFCs; tighter oversight may curb unregulated competition over time.
Finance Business Act amendment Amendments to tighten supervision of finance companies, prosecute unauthorised lenders and wind up non-viable finance businesses.	**All banking and financing counters**	Higher compliance costs for LFCs, but supports sector consolidation and depositor confidence in licensed players.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Banking, Financial Services and Capital Markets

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Investment-protection legislation Draft Investment Protection Bill referred to the AG, covering fair treatment, compensation and dispute settlement.	**All banking and financing counters**	Could strengthen foreign investor confidence and FDI inflows; supportive for overall market sentiment.
PPP legislation PPP Act gazetted for initiating and managing PPP projects; expected to be presented to Parliament in early 2027.	**All banking and financing counters**	Clearer framework for infrastructure PPPs; opportunities for diversified conglomerates and banks via project financing.
SOE holding-company framework Draft State Owned Business Enterprises Management Bill referred to the AG; 34 state-owned enterprises identified.	**All banking and financing counters**	Better SOE governance could ease state-bank exposure to SOEs and fiscal pressure; possible future listings or divestments.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Ports, Logistics and Transport

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Expansion of Port container handling capacity Long-term target to expand Colombo Port's container-handling capacity beyond 30.0Mn TEUs by 2040.	**JKH · HAYL · SPEN**	Higher container-handling capacity is expected to boost transshipment volumes, supporting revenue growth across port operations and logistics services.
Development of West Terminal II Proposed development of West Terminal II infrastructure and a 3.2km breakwater.	**AEL · TKYO**	Expected to drive demand for construction materials and engineering services, supporting revenue growth across infrastructure-related sectors.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Healthcare, Education and Social Welfare

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Social welfare allowances LKR 230Bn for social protection incl. Aswesuma; disability allowances raised to LKR 12,500/month; LKR 34.8Bn for armed forces, police and prison personnel allowances	**All consumer counters including: CARG · CCS**	Higher disposable income among lower-income households could support demand for consumer staples and retail counters.
Healthcare investment LKR 20.5Bn for hospital medical equipment and LKR 3Bn for ambulances; 1,000 Arogya Wellness Centers planned for 2027–2029; LKR 16.2Bn for health-sector allowances.	**Healthcare equipment and services counters including: AMSL · ASIR · NHL · CIC · SUN**	Increased public health spending may lift demand for pharmaceutical and medical-equipment distributors.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Agriculture, Plantations and Fisheries

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Fertilizer subsidy Proposal to provide LKR 30,000 per hectare for paddy, extended to other crops grown in paddy fields from the 2026/27 Maha season, with a total allocation of LKR 44,000.0Mn.	**HAYL · CIC · AGST**	Potential demand for fertilizer and increase in agri-input sales volumes.
Paddy land use & farming reforms Proposed LKR 1,550.0Mn to cultivate on idle paddy lands. Allocation of LKR 400.0Mn for "Yaya" farming. Allocation of LKR 250.0Mn for the transformation of Agrarian Service Centres as one-stop shops.	**HAYL · CIC · AGST**	Crop diversification and bulk buying could lift demand for seeds, agro-chemicals and machinery, favoring larger input suppliers.
Livestock & dairy LKR 1,800.0Mn proposed for breeding stock; LKR 3,000.0Mn to complete the Milco Badalgama factory; feasibility study on a poultry export zone; extra LKR 300.0Mn for goat farm concessions.	**BFL · TAFL · LMF · SUN**	A poultry export zone could open new markets for poultry producers; extra Milco capacity adds competition for listed dairy players.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Agriculture, Plantations and Fisheries

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Harbours & market infrastructure LKR 5,000Mn for Northern Province fisheries infrastructure and Pesalai harbour; LKR 1,500Mn for Gandara; LKR 300Mn for Chilaw and Wellamankaraya; LKR 1,000Mn equity for the Peliyagoda Fish Market.	**TESS**	Better landing, storage and cold-chain facilities support exporters, but the sector is mostly unlisted
Fisheries loan scheme Loans of up to LKR 500Mn each through banks at 5% interest for export-oriented fish businesses, suppliers, and boat and gear makers; LKR 1,000Mn in interest subsidies, expected to support LKR 15,000Mn of lending.	**DOCK · TESS**	Subsidized lending volume for participating banks; helps fish exporters invest in technology.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Agriculture, Plantations and Fisheries

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Smallholder tea support 500 tea villages (LKR 730Mn); replanting subsidies for small tea estate owners (LKR 820Mn); LKR 4,000 per bag fertilizer subsidy for small tea holders (LKR 5,000Mn).	**HAYL · CIC · AGST**	Higher smallholder yields raise fertilizer demand and green leaf supply to bought-leaf factories; more smallholder output also means more competition for RPCs at auction.
Rubber development LKR 500Mn to rehabilitate untapped rubber land; LKR 650Mn for new planting and replanting; LKR 4,000 per bag fertilizer subsidy (LKR 1,000Mn).	**AGAL · KGAL · KOTA · HOPL · KVAL**	Supports productivity and output for the RPCs with the largest rubber extents, if they qualify for the subsidies.
Coconut & palmyrah LKR 2,500Mn to improve low-productivity coconut estates; LKR 100Mn for the palmyrah industry; VAT exemption on coconut coir pith removed.	**RAL · HAYC · HAYL**	More coconuts over time benefits coconut processors and shell-based activated carbon; the VAT change adds costs for coir products.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Digitalization and Investment Promotion

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Rural telecom tower support Grant of the lower of 75% of cost or LKR 35Mn per new tower, plus LKR 5Mn for power; LKR 9,000Mn via TRC. 5-year Cellular Tower Levy waiver on new towers.	**DIAL · SLTL · KCAB · ACL · CSLK**	Lower capex and running costs for rural sites; 700–800 towers needed by 2030, with 573 due by 2028
Network quality & spectrum monitoring TRC to introduce automated QoS/QoE monitoring and spectrum management systems from 2027; LKR 3,100Mn allocated.	**SLTL · DIAL**	Pressure on operators to invest in network quality; tighter spectrum management could raise spectrum costs.
Digital transformation LKR 28,500Mn for 2027 (LKR 18,500Mn already allocated plus LKR 10,000Mn new), incl. Lanka Government Cloud 3.0 and a National AI Centre of Excellence.	**SLTL · DIAL**	Potential government contracts for connectivity, cloud and data services; supports B2G/B2B revenue and data usage.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Digitalization and Investment Promotion

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
Broadband vouchers & digital investment Funded within the LKR 10,000Mn: broadband vouchers for 750,000 school students, a stronger Digital Startup Fund of Funds, and electricity tariff concessions for selected data centre investors.	**DIAL · SLTL**	More subscriber and data revenue; data centre incentives may support operators' enterprise businesses. No direct listed play on startups
Digital payments push Expand cashless payments such as GovPay and QR, and set up a legal framework for Virtual Asset Service Providers (VASP).	**All banks including COMB · HNB · SAMP**	Higher digital transaction volumes and fee income for banks; lower cash-handling costs over time.
Digital governance framework Digital Economy Bill (Authority and Council) expected to pass in Q1 2027; Cyber Security Authority expected in 2027; digital procurement guidelines in H1 2027.	**DIAL · SLTL**	Clearer rules may lift investor confidence; procurement guidelines could speed up government tech contracts.

Source: MoF, First Capital Research

BUDGET PROPOSALS & LISTED SECURITIES

2027 proposals | Digitalization and Investment Promotion

BUDGET PROPOSAL	COUNTERS AFFECTED	POTENTIAL IMPACT
School digitalization Internet for the remaining 750 secondary schools, then primary schools; extra LKR 3,000Mn on top of LKR 4,000Mn for a 5-year programme estimated at LKR 96,500Mn.	**DIAL · SLTL**	More connectivity and enterprise contracts from schools; supports data demand.
Public sector computers & online services LKR 4,500Mn to replace computers in public institutions, plus a proposed LKR 2,200Mn more; licences, approvals and payments to move online with the Digital ID.	**DIAL · SLTL**	Demand for IT hardware and services, mostly through unlisted suppliers.
Single trade and investment windows Trade window (LKR 1,990Mn) to connect exporters in H1 2027 and importers and re-exports in H2 2027; Investment window (LKR 100Mn); a new Treasury-owned investment promotion company.	**All export companies including HAYL · TJL · DIPD etc.**	Faster customs clearance and approvals could cut costs and lead times for importers, exporters and logistics players.

Source: MoF, First Capital Research

Thank you!

"SUCCESSFUL INVESTMENTS IS ABOUT MANAGING RISKS"



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