



First Capital
A Janashakthi Group Company

WHAT'S BEHIND THE SUDDEN PRICE INCREASE IN PLANTATION SECTOR STOCKS?

EQUITY | SRI LANKA | PLANTATION SECTOR

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SECTOR UPDATE | 12-NOV-24

A SNAPSHOT OF RECENT DEVELOPMENTS IN THE PLANTATION SECTOR

During Oct-24 majority of the Plantation sector companies which are exposed to major crops like tea, rubber and palm witnessed price gains driven by major global and local factors. We believe following factors affected to the share price movements majorly.



TEA

Tea production in Sep-24 recorded the highest compared to last 7-year September months tea production and tea auction prices remained stable during Sep & Oct-24, but has significantly declined on a YoY basis.



RUBBER




















Rubber prices at the Colombo Rubber Auctions increased in Sep-24, following the upward trend in global rubber prices, as reported by the World Bank. However, at the most recent auction in Oct-24, prices saw a slight decline indicating a possible peaking of prices.



PALM OIL

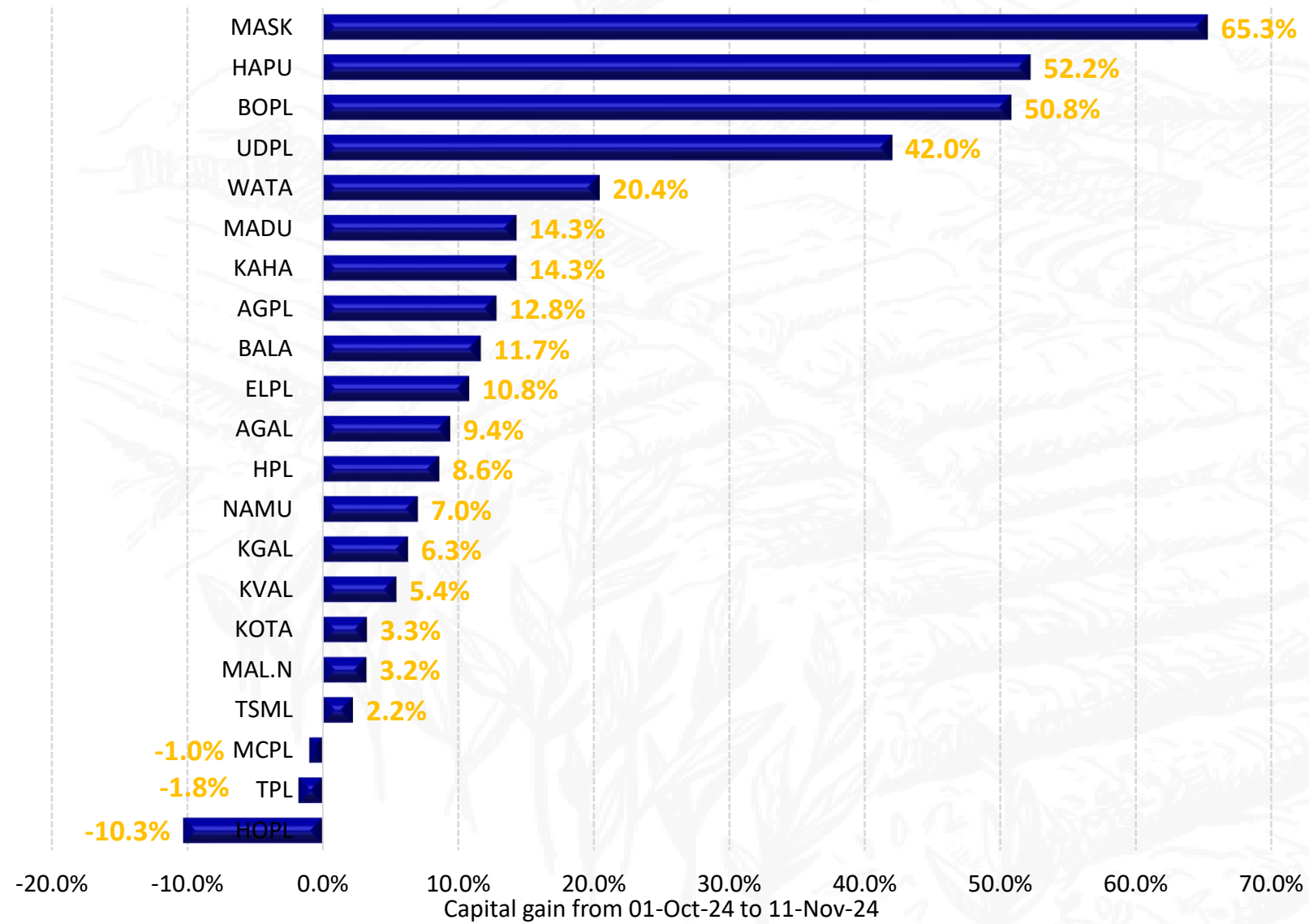
Global palm oil prices are trending upwards, primarily due to lower production from major producers.

Valuations of the Plantation sector companies

| Company | Ticker | Total revenue extent hectares (FY24/2023) | Trailing PER 4 Qtr** (Sep-23 to Jun-24) | PBV** | NAVPS | 4 Qtr earnings Sep-23 to Jun-24 (LKR Mn) | Earnings 2QFY25/3Q2024 (LKR Mn) |
|---|--------------|---|---|--------|-------|--|---------------------------------|
|  Agalawatte Plantations | AGAL | 5,597.5 | 6.1x | 1.3x | 28.5 | 930.1 | 368.6 |
|  Agarapatana Plantations | AGPL | 10,191.4 | 6.4x | 1.0x | 9.1 | 689.8 | 395.2 |
|  Balangoda Plantations | BALA | 4,963.3 | 5.4x | 0.8x | 76.0 | 514.4 | <i>Not published</i> |
|  Bogawantalawa Tea Estates | BOPL | 3,366.6 | 8.8x | 1.3x | 43.0 | 533.5 | <i>Not published</i> |
|  Elpitiya Plantations | ELPL | 5,973.8 | 5.2x | 1.0x | 116.8 | 1,584.7 | <i>Not published</i> |
|  Hapugastenne Plantations | HAPU | 5,187.1 | 7.7x | 0.6x | 76.0 | 289.1 | <i>Not published</i> |
|  Horana Plantations | HOPL | 6,519.0 | 11.2x | 1.0x | 36.7 | 86.1 | 72.2 |
|  Hatton Plantations | HPL | 5,148.9 | 5.2x | 1.3x | 20.9 | 1,271.9 | <i>Not published</i> |
|  Kahawatte Plantations | KAHA | 12,356.0 | N/A | 1.8x | 10.9 | (77.9) | 64.3 |
|  Kegalle Plantations | KGAL | 4,377.0 | N/A | 0.6x | 198.3 | (136.2) | 152.0 |
|  Kotagala Plantations | KOTA | 6,443.4 | N/A | 1.3x | 4.9 | (145.4) | 141.7 |
|  Kelani Valley Plantations | KVAL | 13,128.0 | 4.6x | 0.7x | 117.8 | 1,139.8 | 370.6 |
|  Madulsima Plantations | MADU | 3,262.0 | N/A | -14.4x | -0.8 | (192.1) | <i>Not published</i> |
|  Malwatte Valley Plantation | MAL.N | <i>Not published</i> | 32.3x | 2.3x | 28.1 | 441.5 | 222.7 |
|  Maskeliya Plantations | MASK | 5,380.4 | 4.1x | 1.3x | 48.9 | 823.5 | 335.8 |
|  Mahaweli Coconut Plantations | MCPL | 547.0 | 13.3x | 1.4x | 21.9 | 79.3 | <i>Not published</i> |
|  Namunukula Plantations Limited | NAMU | 9,632.2 | 4.8x | 0.9x | 412.9 | 1,776.5 | 448.0 |
|  Talawakelle Tea Estates | TPL | 4,811.3 | 3.8x | 0.9x | 136.2 | 1,529.7 | 443.2 |
|  Tea Smallholder Factories | TSML | <i>Not published</i> | 21.3x | 0.7x | 56.2 | 58.1 | 1.5 |
| Udapussellawa Plantations | UDPL | 3,292.2 | 2.7x | 0.6x | 172.2 | 776.0 | <i>Not published</i> |
| Watawala Plantations PLC | WATA | 3,647.2 | 10.4x | 4.1x | 27.3 | 2,182.8 | 429.0 |

**Trailing PER 4-Qtr and PBV are form Sep-23 to Jun-24 and share price as at 11-Nov-24

Majority of the plantation sector stocks experienced increases in prices during 01-Oct-24 to 11-Nov-24



Investor sentiment centered majorly towards 7 stocks




Tea



Rubber



Palm

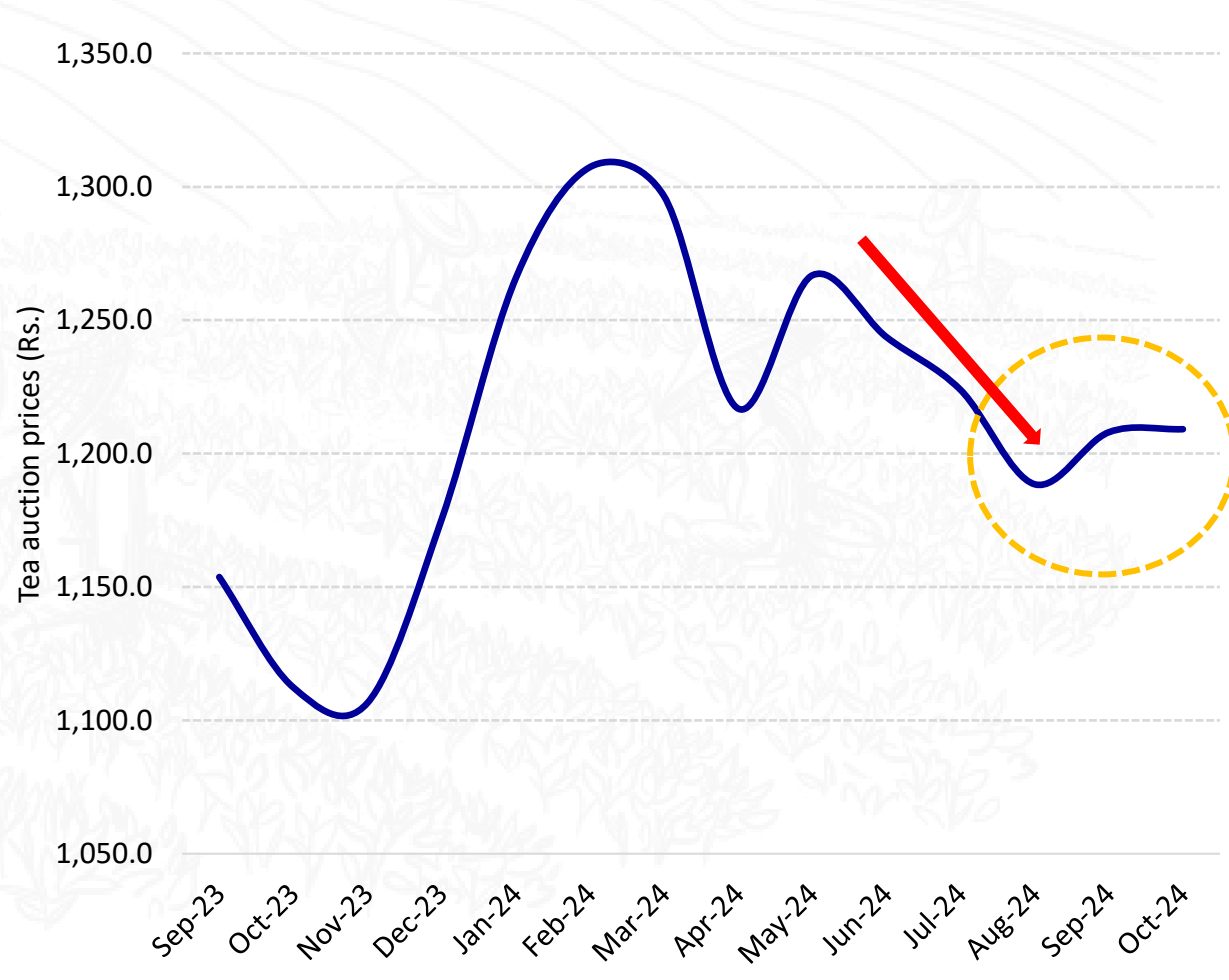
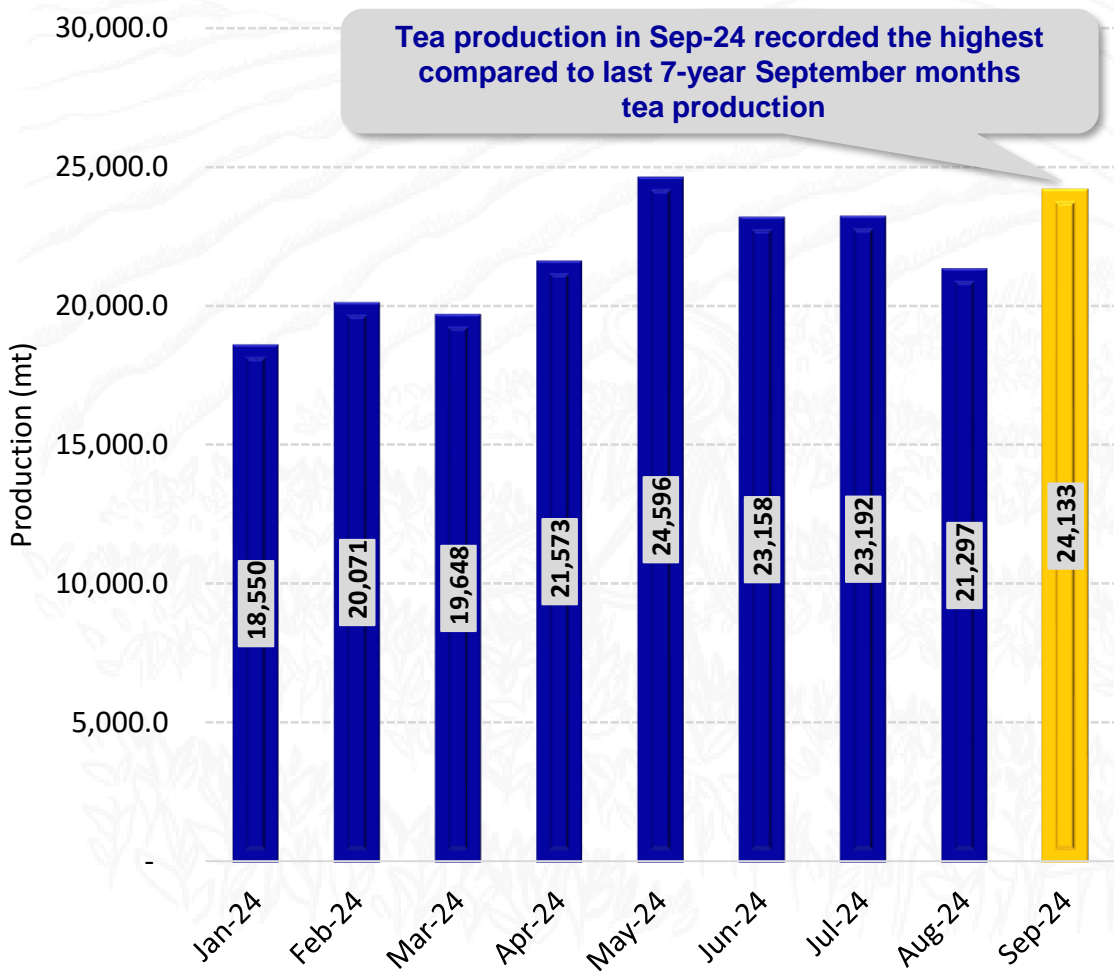
Major crops in cultivation

1.0. TEA

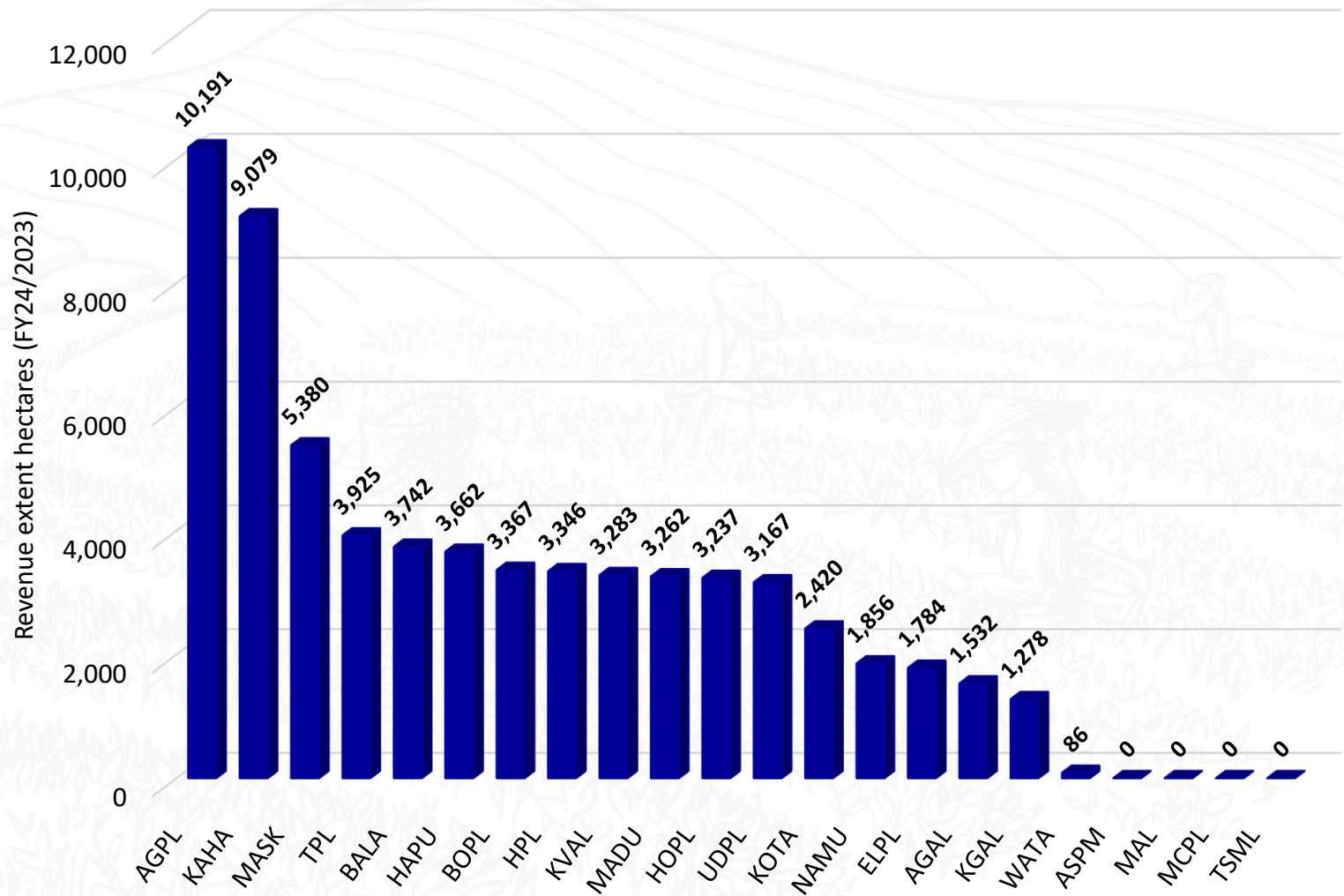
Tea production in Sep-24 recorded the highest compared to last 7-year September months tea production despite tea auction prices remaining lower on a YoY basis

During Sep-24 tea production registers 7-year high of 24.1 million kilos, up by 27.7% YoY and production increases at all elevation levels compared to Sep-23, whilst Jan-24 to Sep-24 crop improves by 1.4% to 196.2 million kilos







Revenue from tea is expected to increase while production rises, with auction prices remaining relatively stable



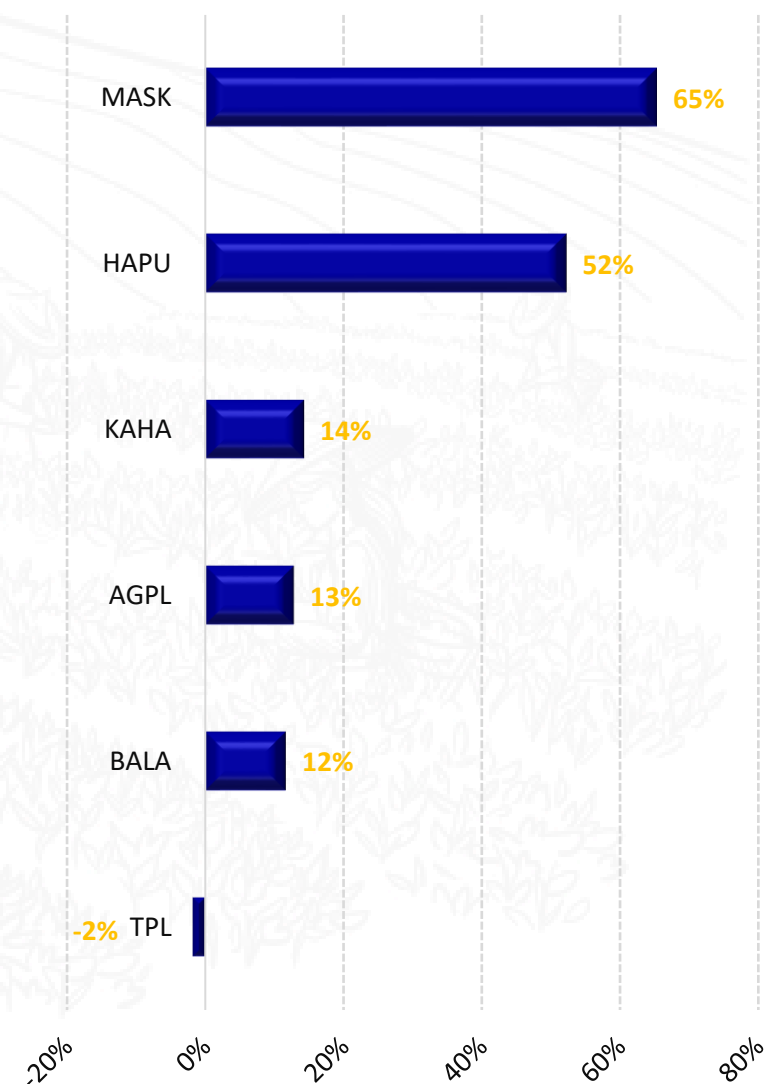
Top 6 companies exposed to tea production with highest revenue extents



Valuations and capital gains of top 6 companies exposed to tea production with highest revenue extents

| Company | Ticker | Tea revenue extents hectares (FY24/2023) | Trailing PER 4 Qtr** | PBV** | NAVPS | 4 Qtr earnings: Sep-23 to Jun-24 (LKR Mn) | Earnings 2QFY25/3Q2024 (LKR Mn) |
|--|--------|--|----------------------|-------|-------|---|---------------------------------|
|  Agarapatana Plantations | AGPL | 10,191.4 | 6.4x | 1.0x | 9.1 | 930.1 | 395.2 |
|  Kahawatte Plantations | KAHA | 9,079.2 | N/A | 1.8x | 10.9 | (77.9) | 64.3 |
|  Maskeliya Plantations | MASK | 5,380.4 | 4.1x | 1.3x | 48.9 | 823.5 | 335.8 |
|  Talawakelle Tea Estates | TPL | 3,925.0 | 3.8x | 0.9x | 136.2 | 1,529.7 | 443.2 |
|  Balangoda Plantations | BALA | 3,741.8 | 5.4x | 0.8x | 76.0 | 514.4 | Not published |
|  Hapugastenne Plantations | HAPU | 3,661.7 | 7.7x | 0.6x | 76.0 | 289.1 | Not published |

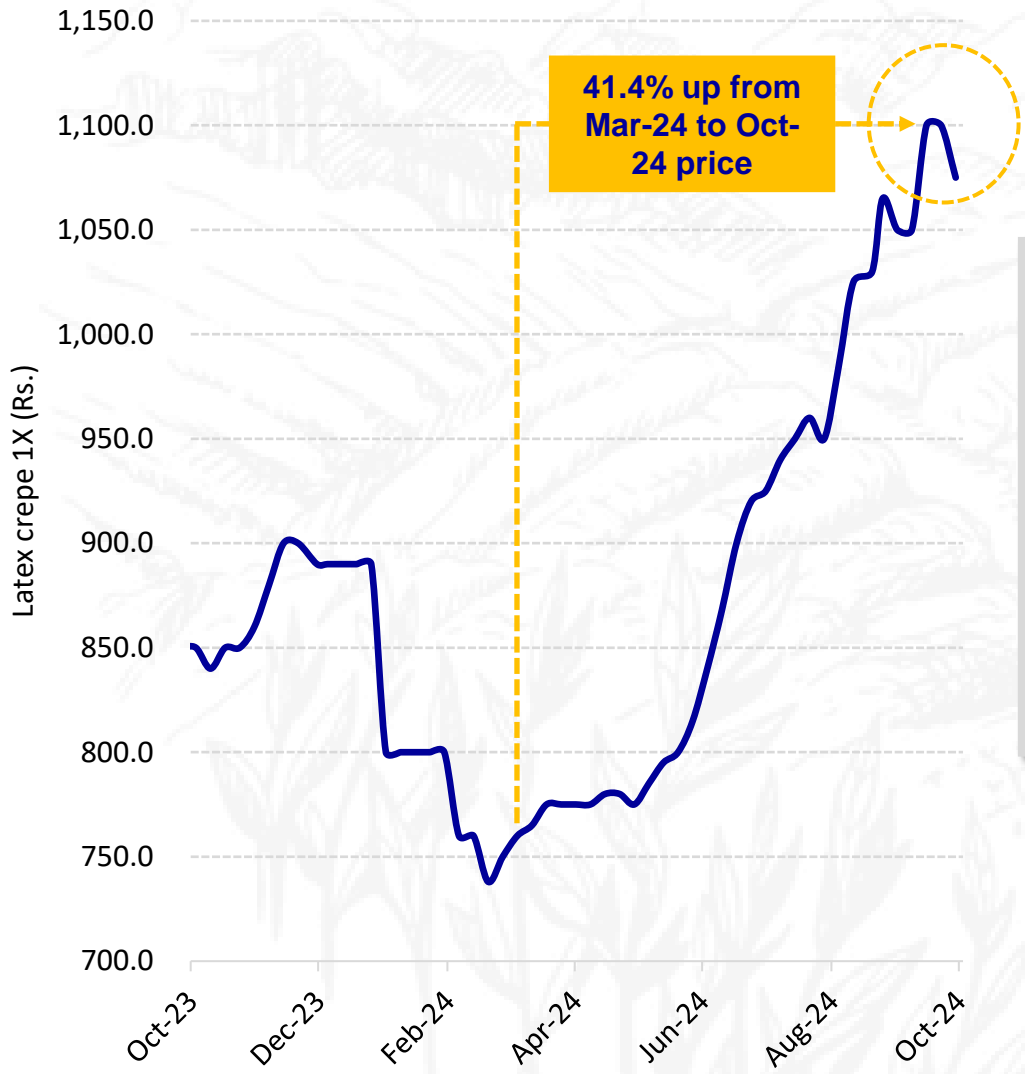
Capital gain from 01-Oct-24 to 11-Nov-24



**Trailing PER 4-Qtr and PBV are form Sep-23 to Jun-24 and share price as at 11-Nov-24

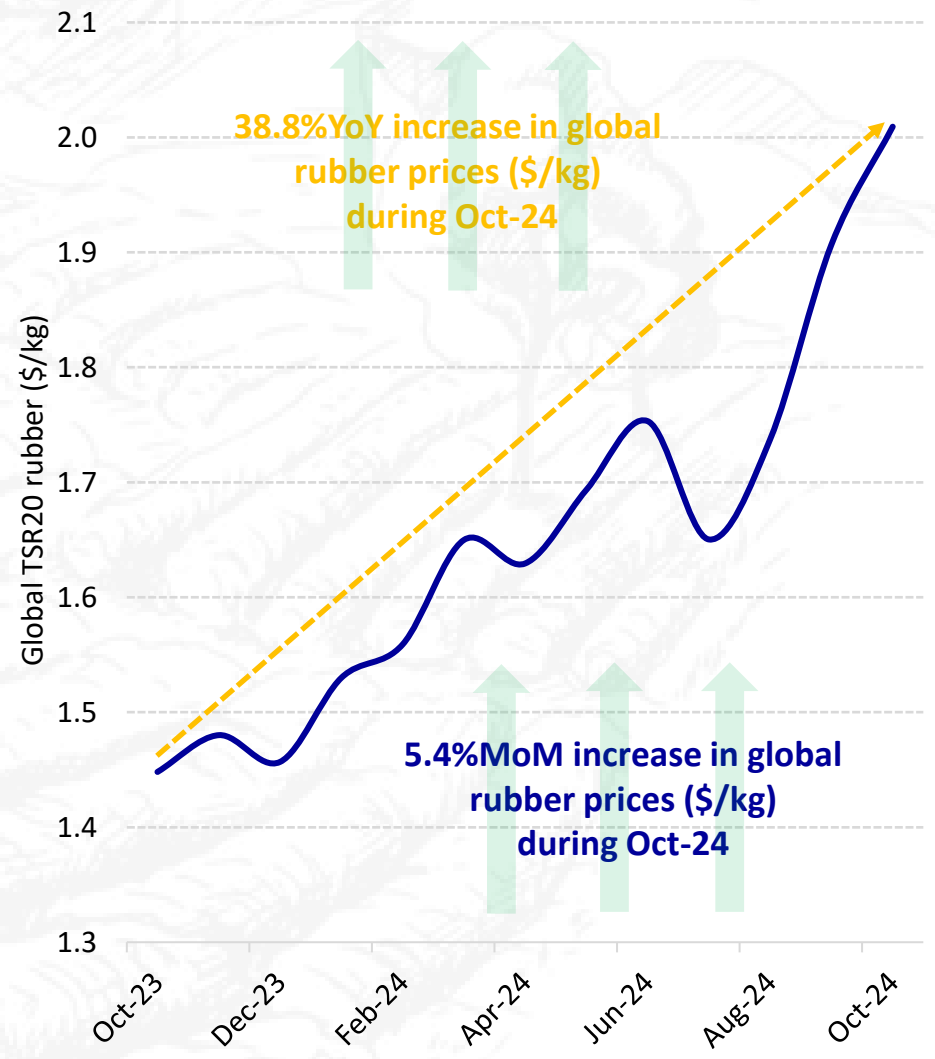
2.0. RUBBER

Rubber prices have been increasing at the Colombo Rubber Auctions



41.4% up from Mar-24 to Oct-24 price

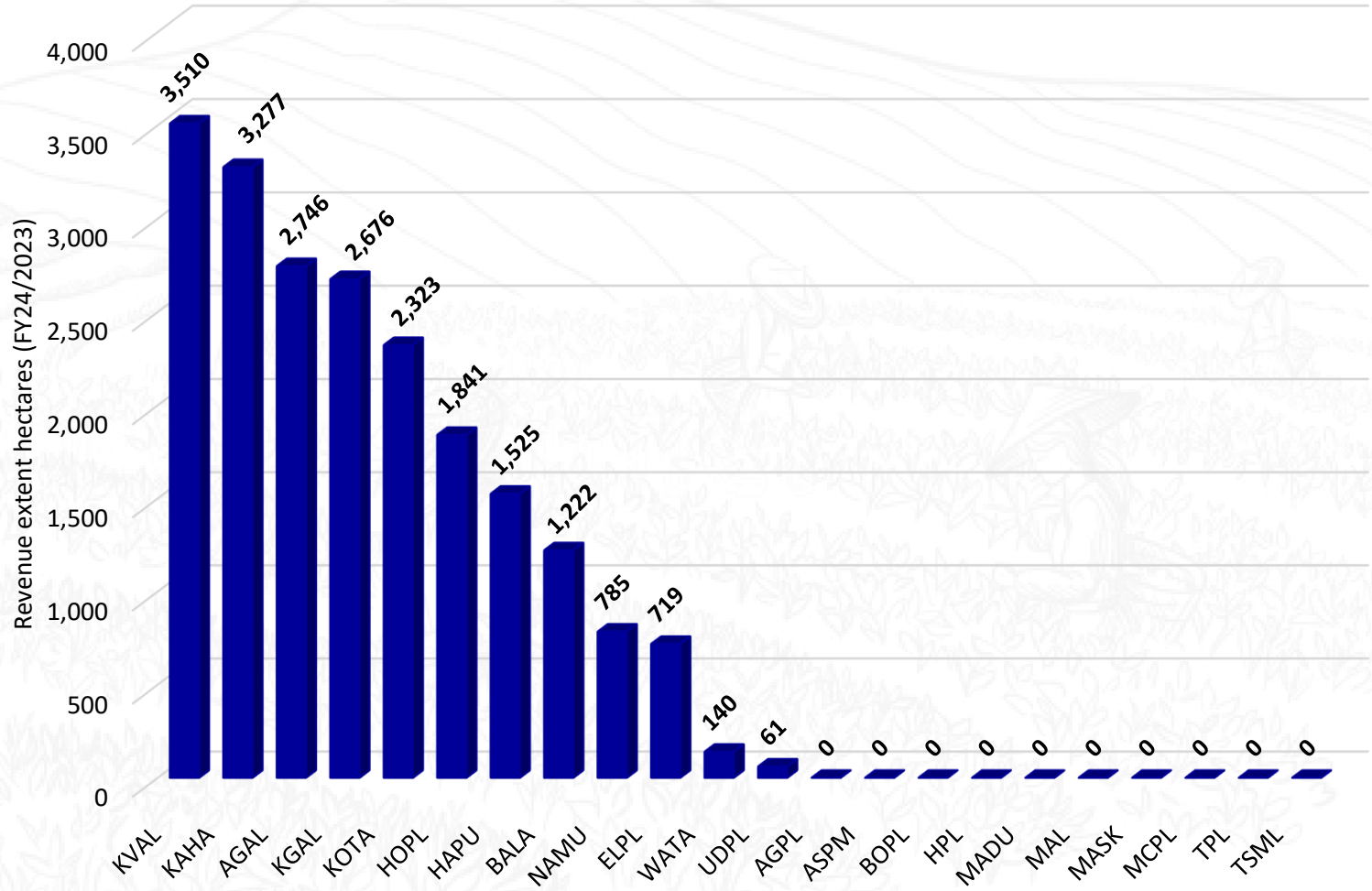
“ According to the World Bank reports, inline with the global rubber prices, rubber prices at the Colombo auctions inclined in Sep-24. However, at the last rubber auction in Oct-24 prices declined slightly ”









38.8% YoY increase in global rubber prices (\$/kg) during Oct-24

5.4% MoM increase in global rubber prices (\$/kg) during Oct-24

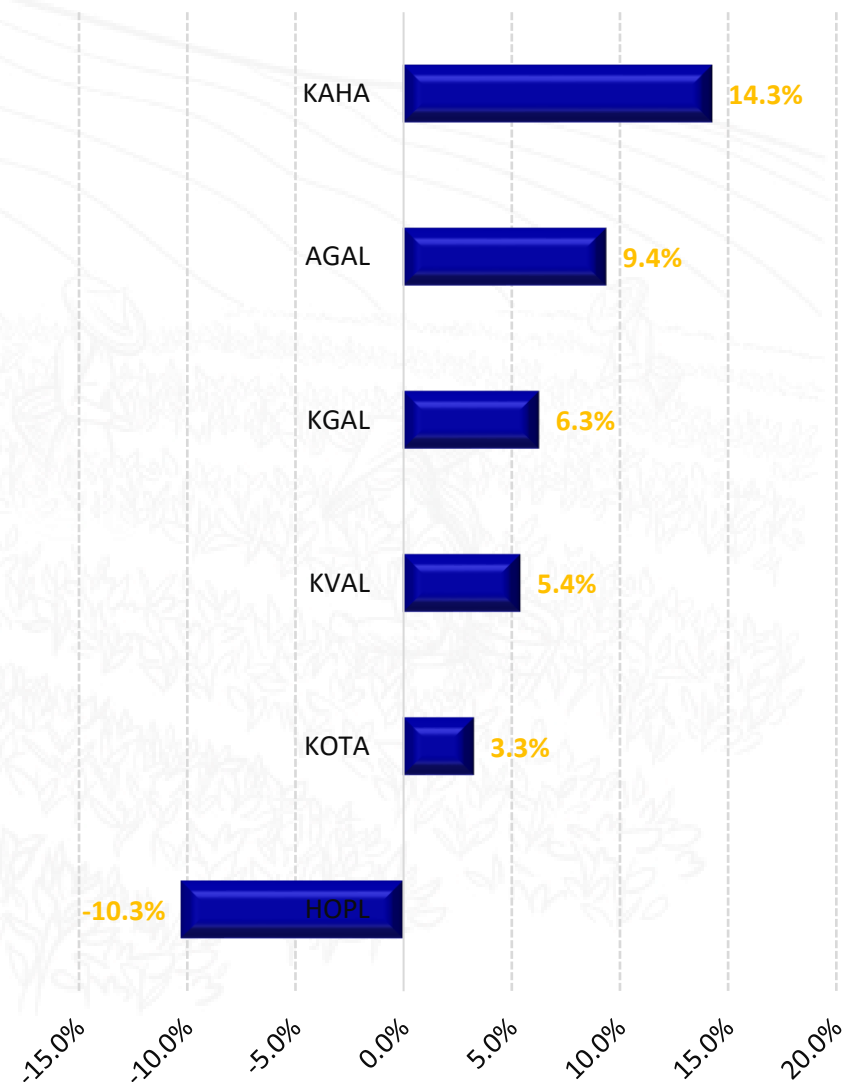
Top 6 companies exposed to rubber production with highest revenue extents



Valuations and capital gains of top 6 companies exposed to rubber production with highest revenue extent

| Company | Ticker | Rubber revenue extent hectares (FY24/2023) | Trailing PER 4 Qtr** | PBV** | NAVPS | 4 Qtr earnings: Sep-23 to Jun-24 (LKR Mn) | Earnings 2QFY25/3Q2024 (LKR Mn) |
|--|-------------|--|----------------------|-------|-------|---|---------------------------------|
|  Kelani Valley Plantations | KVAL | 3,510.0 | 4.6x | 0.7x | 117.8 | 1,139.8 | 370.6 |
|  Kahawatte Plantations | KAHA | 3,276.8 | N/A | 1.8x | 10.9 | (77.9) | 64.3 |
|  Agalawatte Plantations | AGAL | 2,746.1 | 6.1x | 1.3x | 28.5 | 930.1 | 368.6 |
|  Kegalle Plantations | KGAL | 2,676.0 | N/A | 0.6x | 198.3 | (136.2) | 152.0 |
|  Kotagala Plantations PLC | KOTA | 2,322.7 | N/A | 1.3x | 4.9 | (145.4) | 141.7 |
|  Horana Plantations PLC | HOPL | 1,841.0 | 11.2x | 1.0x | 36.7 | 86.1 | 72.2 |

Capital gain from 01-Oct-24 to 11-Nov-24

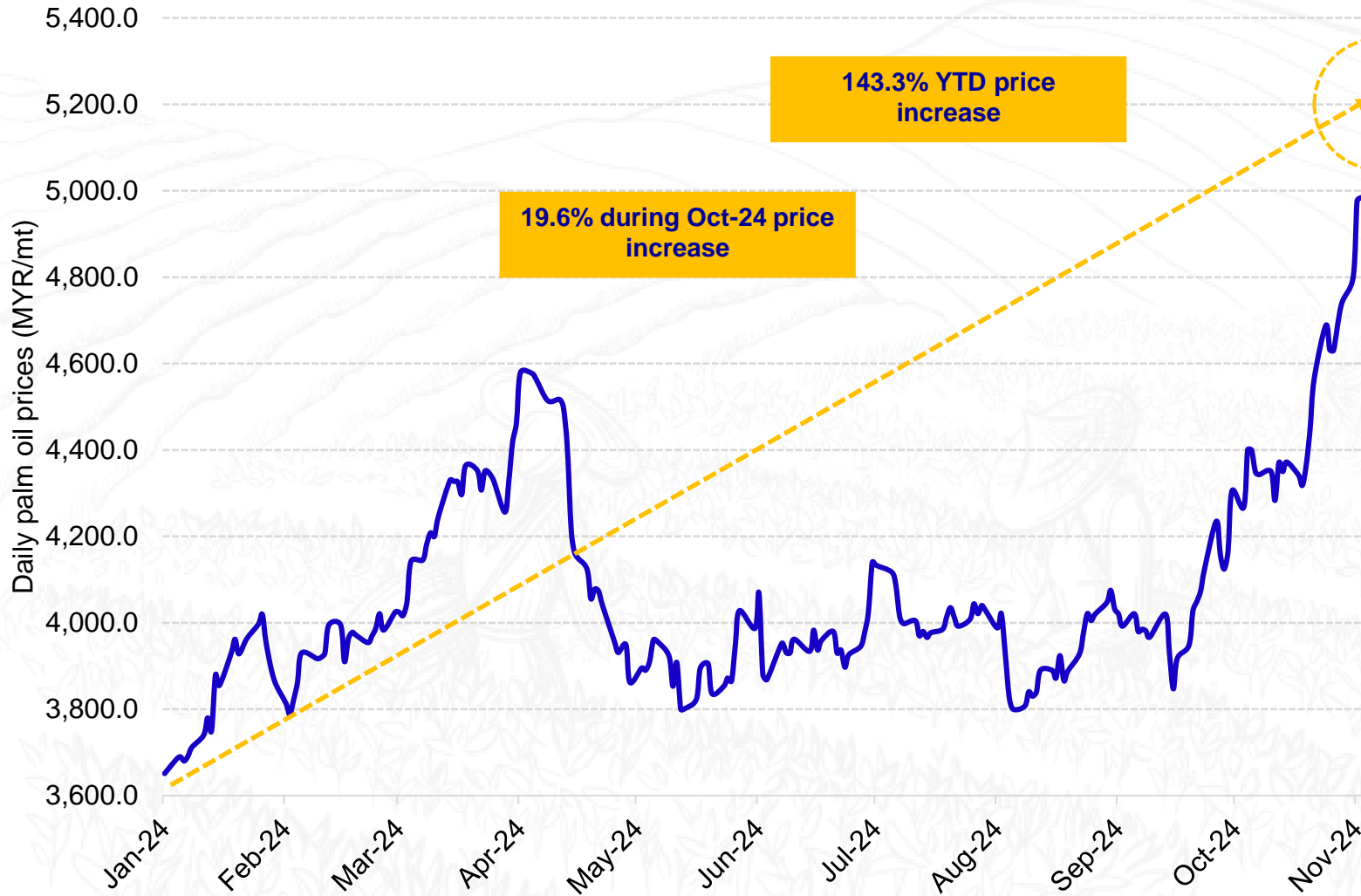


**Trailing PER 4-Qtr and PBV are form Sep-23 to Jun-24 and share price as at 11-Nov-24



3.0. PALM OIL

Rising global palm oil prices will further benefit companies exposed to palm oil production



“ The increase in global palm oil prices is expected to impact Sri Lankan palm oil prices, leading to a rise in local prices as well ”

Drivers behind the increasing palm oil prices....

As crude and soybean oil prices increase, biodiesel becomes a more economically viable alternative fuel, boosting demand for palm oil

Reduced palm output from key producers and an ample supply of alternatives



**All details are as of 11-Nov-24

Top 6 companies exposed to pam oil production with highest revenue extents

1

Watawala Plantations PLC



2

Namunukula Plantations Limited

3

ep
elpitiya
Elpitiya Plantations

4

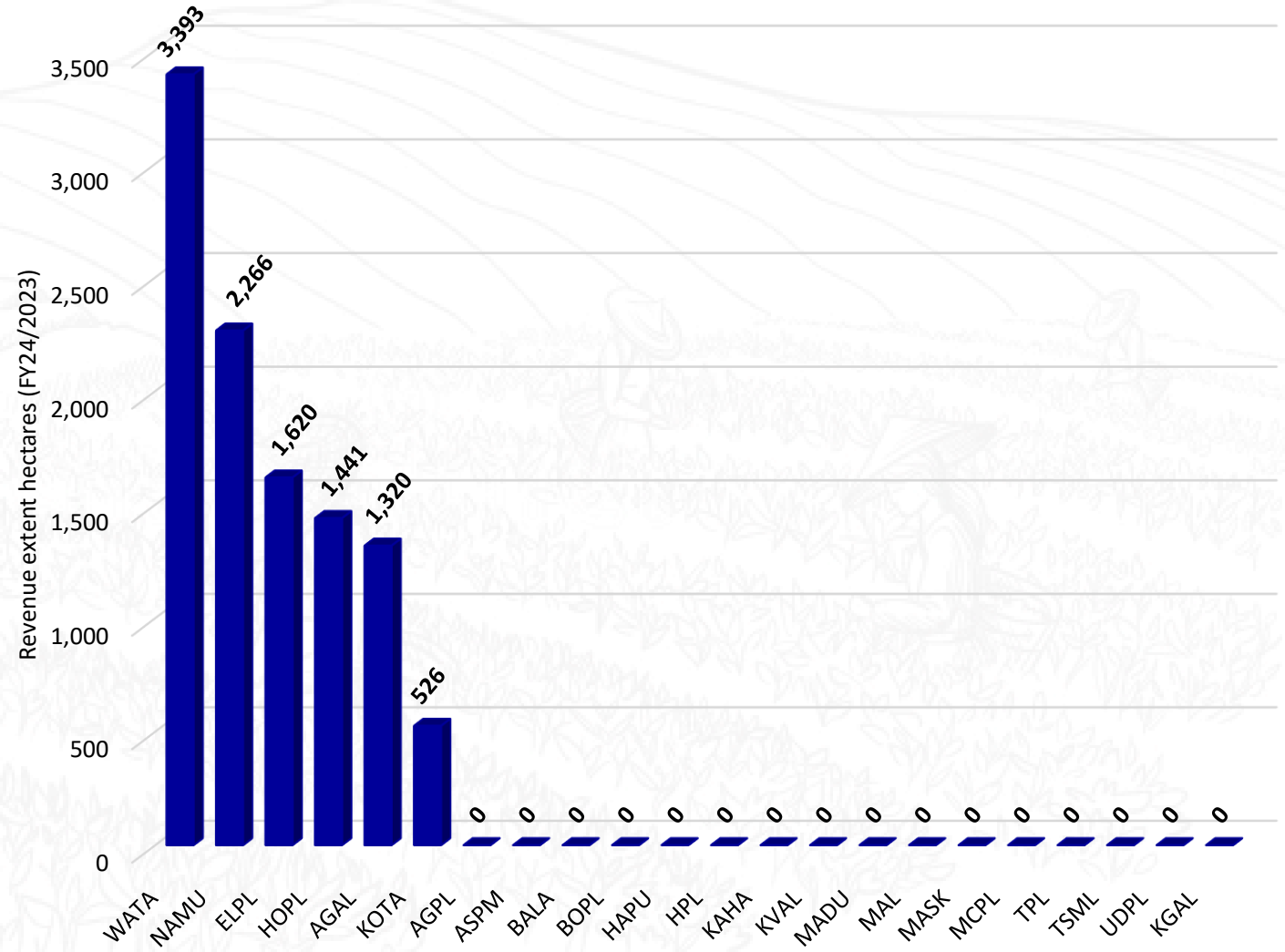
HORANA
PLANTATIONS PLC

5







Ap
AGALAWATTE
PLANTATIONS PLC

6

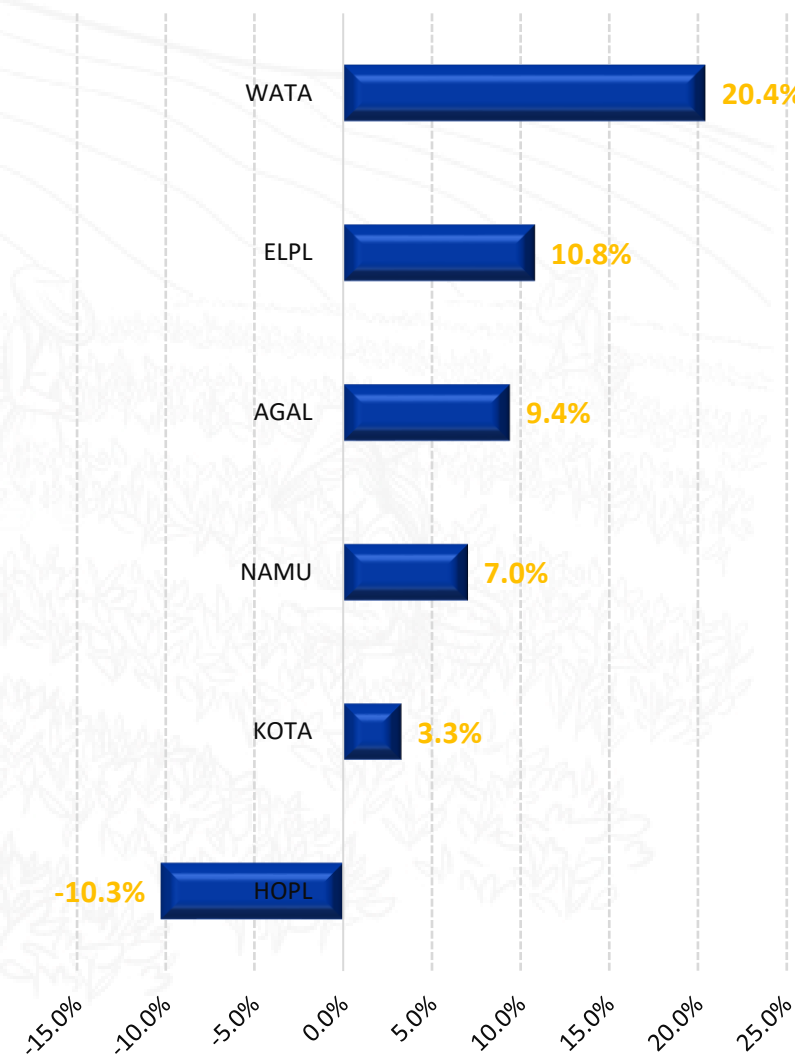
KOTAGALA PLANTATIONS PLC



Valuations and capital gains of top 6 companies exposed to palm oil production with highest revenue extents






















| Company | Ticker | Palm revenue extent hectares (FY24/2023) | Trailing PER 4 Qtr** | PBV** | NAVPS | 4 Qtr earnings: Sep-23 to Jun-24 (LKR Mn) | Earnings FY2Q25/3Q2024 (LKR Mn) |
|---|--------|--|----------------------|-------|-------|---|---------------------------------|
|  Watawala Plantations PLC | WATA | 3,393.3 | 10.4x | 4.1x | 27.3 | 2,182.8 | 429.0 |
|  Namunukula Plantations Limited | NAMU | 2,266.3 | 4.8x | 0.9x | 412.9 | 1,776.5 | 448.0 |
|  Elpitiya Plantations | ELPL | 1,619.8 | 5.2x | 1.0x | 116.8 | 1,584.7 | <i>Not published</i> |
|  Horana Plantations PLC | HOPL | 1441.0 | 11.2x | 1.0x | 36.7 | 86.1 | 72.2 |
|  Agalawatte Plantations | AGAL | 1,319.5 | 6.1x | 1.3x | 28.5 | 930.1 | 368.6 |
|  Kotagala Plantations PLC | KOTA | 525.9 | N/A | 1.3x | 4.9 | (145.4) | 141.7 |

Capital gain from 01-Oct-24 to 11-Nov-24



**Trailing PER 4-Qtr and PBV are form Sep-23 to Jun-24 and share price as at 11-Nov-24

Capital gains of Plantation sector stocks during Oct-24, 3-month and year to date

| Company | Ticker | During Oct-24 | 3-month | Year to date |
|--|--------------|---------------|---------|--------------|
|  Agalawatte Plantations | AGAL | 7.6% | 9.2% | 5.7% |
|  Agarapatana Plantations | AGPL | 10.3% | 16.2% | 10.4% |
|  Balangoda Plantations | BALA | 9.2% | 28.6% | 11.3% |
|  Bogawantalawa Tea Estates | BOPL | 28.4% | 35.3% | 26.1% |
|  Elpitiya Plantations | ELPL | 8.8% | 13.0% | 32.1% |
|  Hapugastenne Plantations | HAPU | 52.5% | 59.1% | 48.7% |
|  Horana Plantations | HOPL | -6.1% | 5.5% | -6.3% |
|  Hatton Plantations | HPL | 6.6% | 18.7% | 1.1% |
|  Kahawatte Plantations | KAHA | 13.7% | 11.0% | 18.8% |
|  Kegalle Plantations | KGAL | 4.1% | 6.7% | 2.3% |
|  Kotagala Plantations | KOTA | -1.6% | 7.1% | 1.7% |
|  Kelani Valley Plantations | KVAL | 1.2% | 1.1% | 3.2% |
|  Madulsima Plantations | MADU | 14.3% | 16.5% | 11.1% |
|  Malwatte Valley Plantation | MAL.N | 4.0% | 9.3% | 8.2% |
|  Maskeliya Plantations | MASK | 61.3% | 101.7% | 79.9% |
|  Mahaweli Coconut Plantations | MCPL | 5.2% | 16.7% | 22.1% |
|  Namunukula Plantations | NAMU | 0.4% | -0.7% | -10.1% |
|  Talawakelle Tea Estates | TPL | -3.4% | 0.8% | 11.6% |
|  Tea Smallholder Factories | TSML | 2.5% | 0.7% | -3.5% |
|  Udapussellawa Plantations | UDPL | 41.3% | 40.4% | 56.1% |
|  Watawala Plantations | WATA | 7.5% | 16.1% | 44.6% |



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Thank you!

*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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