



First Capital
A Janashakti Group Company

EQUITY | SRI LANKA | MATERIALS

EARNINGS UPDATE | 15 Aug 2025

JAT HOLDINGS PLC [JAT.N0000]

DOWNGRADE TO HOLD

“COATINGS REMAIN STRONG BUT VALUATIONS SUGGEST LIMITED UPSIDE”

Fair Value: FY26E - LKR 40.0 [+6%]

Total Return with DPS: FY26E - 9% [AER 11%]

Fair Value: FY27E - LKR 46.0 [+22%]

Total Return with DPS: FY27E – 26% [AER 13%]

JAT reported earnings of LKR 149.3Mn in 1QFY26, reflecting a 20.1%YoY increase, broadly in line with expectations, only exceeding FCR's forecast of LKR 143.6Mn by 4.0%. Looking ahead, we expect JAT to maintain its strong fundamentals, with recurring earnings projected to reach LKR 1.7Bn in FY26E and LKR 2.2Bn in FY27E, underpinned by continued margin expansion and cost efficiencies from backward-integrated binder plants. Net margins are expected to remain healthy in the 14.0%–15.0% range, while revenue is forecast to grow by approximately 20.0%YoY in FY26E and 13.0%YoY in FY27E, driven by strong domestic demand, international expansion, and new product offerings. Despite this robust outlook, the stock has already delivered a strong rally; up 105.0%YoY and 50.8%YTD, outperforming both the broader market (+72.8%YoY, +25.0%YTD) and the materials sector (+69.6%YoY, +23.4%YTD). Given the substantial outperformance and the view that most positive developments are now reflected in the current share price, we believe upside from current levels is limited. Therefore, we revise our recommendation to **DOWNGRADE TO HOLD**, from the previously maintained BUY.

LKR (Mn)	1QFY25	1QFY26	YoY	FY24	FY25	YoY
Earnings (LKR 'Mn)						
Revenue	2,197	2,266	+3%	11,560	11,625	+1%
Gross Profit	657	830	+26%	3,393	4,012	+18%
Operating Profit	150	231	+54%	1,365	1,823	+34%
PBT	141	166	+18%	1,215	1,606	+32%
Net Profit	124	149	+20%	1,021	1,779	+74%
Balance Sheet (LKR 'Mn)						
Shareholder's Equity	9,221	10,695	+16%	9,128	10,413	+14%
Borrowings	2,706	2,957	+9%	2,085	2,702	+30%
NAVPS	18.1	21.0		17.9	20.4	

JAT's earnings climbed 20.1%YoY in 1QFY26 to LKR 149.3Mn

JAT reported earnings of LKR 149.3Mn, marking a 20.1%YoY increase, broadly aligning with our expectations and exceeding FCR's estimate of LKR 143.6Mn by 4.0%. The strong uptick in profitability was primarily driven by a 674bps YoY improvement in gross margins, largely attributed to cost savings from the Acrylic Binder plant and the removal of intermediary distributors in the Colombo district. Additionally, profitability was supported by a 3.0%YoY revenue increase supported by increased wood coating market share, alongside contributions from electric charger sales and the first UV machine sale in Bangladesh.

Improved margins are visibly taking shape

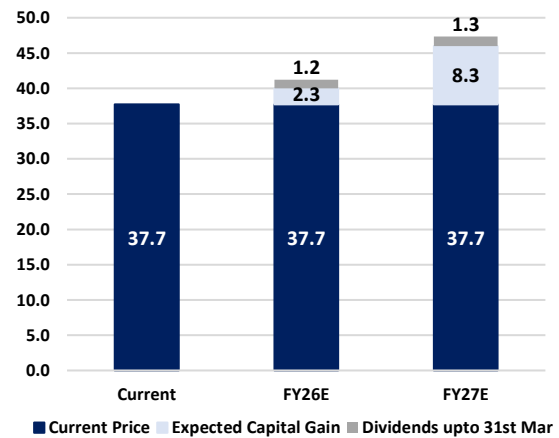
FCR forecasts JAT's gross and operating margins to expand by 203bps and 301bps YoY in FY26E, primarily supported by LKR 422.0Mn in cost savings from the Horana binder plant, reducing raw material cost per unit by 5.9%, and LKR 119.4Mn from the Bangladesh alkyd resin plant. While potential margin pressure could arise from a possible LKR depreciation (FCR's base case: LKR 310/USD), with 90.0% of raw materials imported and 65.0% of revenue generated locally, JAT's strong brand equity and its 35.0%–45.0% pricing premium over Nippon enable effective cost pass-through to customers. Moreover, stable global crude oil prices should help support margin stability. Accordingly, FCR expects net margins are projected to remain within the range of 14.0%–15.0%.

Topline growth to be driven by industry tailwinds and expanding global presence

FCR maintains revenue growth of c.20.0%YoY in FY26E and 13.0%YoY in FY27E. This is primarily driven by an expected 18.0%YoY increase in domestic sales in FY26E, supported by JAT's enhanced wood coating market share through its 360° marketing campaign (58% in FY25 vs. 57% in FY24), alongside favorable government regulations limiting higher price discounts in the emulsion paint segment. In the electric charger space, FCR expects sales of EV chargers under the “Volt Charge” brand to contribute around 6.0% to FY26E revenue, underpinned by confirmed orders for 2,000 home chargers for BYD and 20 fast chargers for the Keells Super network. In Bangladesh, the newly introduced value-for-money product, CoatEx, is expected to contribute 7.0%–8.0% of total revenue in FY26E, driven by approximately 55.0%YoY growth and a 2.0% market share gain in FY25, further supported by medium-term GDP expansion in the region. Consequently, foreign revenue is projected to grow by 28.6%YoY in FY26E and 28.3%YoY in FY27E, aided by the recovery in the Maldives market, confirmed furnishing orders from Australia worth AUD 2.0Mn (approx. LKR 385.6Mn), and geographical expansion into Kenya, Vietnam, and Cambodia, alongside a recently announced acquisition in the Southeast Asian region. However, we believe these developments are now fully priced into the current valuations of the company.

FY27E target price remains unchanged, reflecting a limited upside potential; DOWNGRADE TO HOLD

We maintain our recurring earnings forecasts for JAT at LKR 1.7Bn for FY26E and LKR 2.2Bn for FY27E, supported by ongoing margin expansion through cost-saving initiatives and revenue growth. Thereby target share price remains at LKR 40.0 and LKR 46.0 for FY26E and FY27E, respectively with total annualized returns of 11.0% and 13.1%, respectively. However, the stock has significantly outperformed both the broader market and the materials sector over the past 12 months, with JAT rising 105.0%YoY, compared to broad market and materials sector gains of 72.8%YoY and 69.6%YoY, respectively. Year-to-date, JAT has delivered a return of 50.8%, outpacing the broad market's 25.0% and the material sector's 23.4% on the back of strong financials. Given this strong outperformance and our conservative stance on earnings forecasts, we believe the stock's current price already reflects much of its fundamental value. In light of the limited potential for further upside, we have revised our recommendation to **DOWNGRADE TO HOLD**, from the previously maintained BUY.

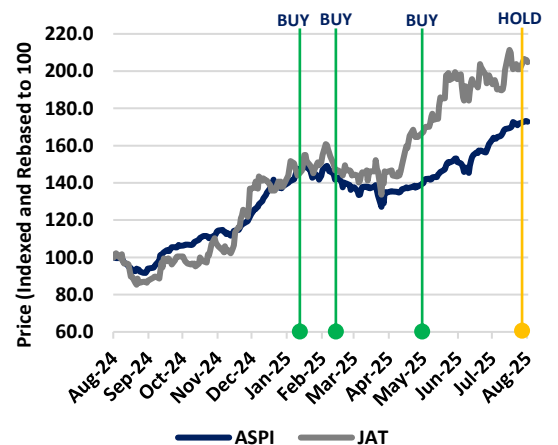


FIRST CAPITAL RESEARCH

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



Minimum Return for BUY:

Buy Below for FY27E [AER of 18.0% with DPS]: LKR 35.8 JAT 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 JAT during the five trading days prior to the issuance of this document.

Key risks associated with our recommendation

Downside risks

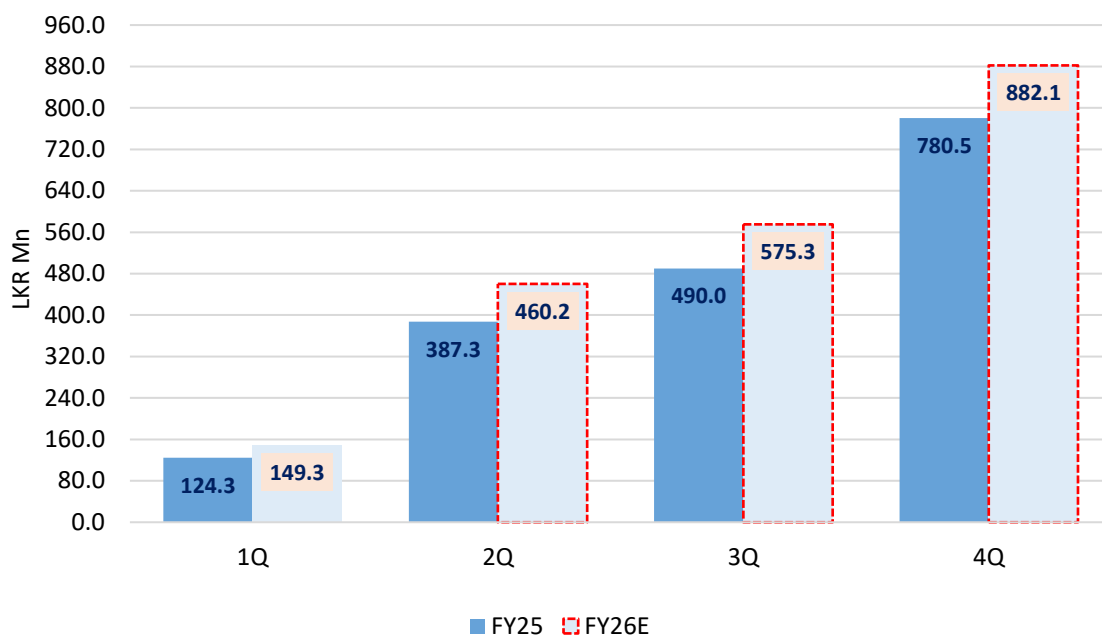
- Interest and exchange rate risks
- Severe price competition in Sri Lanka and Bangladesh
- Greater than anticipated economic slowdown of Bangladesh
- Cash outflows due to foreign acquisitions
- Potential borrowings for the acquisition could increase finance costs
- Increasing demand for Aluminum products

Upside risks

- Greater than anticipated demand for key products including Oppen furniture
- Increased demand from newly operating markets
- Greater than anticipated of BYD electric charger sales
- Greater than anticipated demand for CoatEx product



Quarterly Earnings



Estimate Revision

In LKR Mn	FY26E-O	FY26E-R	% Change	FY27E-O	FY27E-R	% Change
Earnings Estimate						
Revenue	13,943	13,943	0%	15,737	15,737	0%
Gross Profit	5,095	5,095	0%	6,079	6,079	0%
EBIT	2,606	2,606	0%	3,321	3,321	0%
Profit Before Tax	2,432	2,432	0%	3,206	3,206	0%
Adjusted Net Profit	2,067	2,067	0%	2,292	2,292	0%
Adjusted EPS	4.0	4.0	0%	4.5	4.5	0%
Recurring Net Profit	1,702	1,702	0%	2,244	2,244	0%
Recurring EPS	3.3	3.3	0%	4.4	4.4	0%
Balance Sheet Estimate						
Shareholders' Equity	11,857	11,857	0%	13,458	13,458	0%
Borrowings	2,750	2,750	0%	2,802	2,802	0%
Adjusted NAVPS	23.2	23.2		26.4	26.4	
Ratio Estimate						
PER (x)	7.9x	9.3x		7.1x	8.4x	
PBV (x)	1.4x	1.6x		1.2x	1.4x	
DY (%)	3.8%	3.2%		4.2%	3.6%	



Valuation Table

P/E 31 Mar (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	8,897	10,167	11,556	11,625	13,943	15,737	17,209
Gross Profit	2,603	3,424	3,389	4,012	5,095	6,079	6,642
EBIT	1,186	1,931	1,246	1,823	2,606	3,321	3,606
Adjusted Net Profit	1,215	1,305	912	1,779	2,067	2,292	2,495
Adjusted EPS (LKR)	2.4	2.6	1.8	3.5	4.0	4.5	4.9
YoY Growth (%)	103.0%	7.4%	-30.1%	94.6%	16.2%	10.9%	8.8%
Recurring Net Profit	1,215	1,305	912	1,494	1,702	2,244	2,495
Recurring EPS (LKR)	2.4	2.6	1.8	2.9	3.3	4.4	4.9
YoY Growth (%)	103.0%	7.4%	-30.1%	63.8%	13.9%	31.8%	11.2%
Valuations							
PER (x)	15.8x	14.7x	21.1x	10.8x	9.3x	8.4x	7.7x
PBV (x)	2.5x	2.2x	2.1x	1.8x	1.6x	1.4x	1.3x
DPS	0.8	0.8	0.8	1.0	1.2	1.3	1.5
DY (%)	2.2%	2.2%	2.1%	2.8%	3.2%	3.6%	3.9%
Dividend Payout (%)	34.4%	32.5%	44.2%	30.0%	30.0%	30.0%	30.0%
NAVPS	15.2	16.9	17.9	20.4	23.2	26.4	29.8

****Note:** recurring net profit is calculated by excluding the deferred tax benefit for FY25 and applying a 30.0% tax rate for FY26E on a conservative basis

Ratio Analysis

		FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth	Revenue	66.0%	14.3%	13.7%	0.6%	19.9%	12.9%	9.4%
	Cost of Sales	69.4%	7.2%	21.1%	-6.8%	16.2%	9.2%	9.4%
	Gross Profit	58.3%	31.5%	-0.9%	18.4%	27.0%	19.3%	9.3%
	EBIT	73.2%	62.8%	-35.5%	46.3%	43.0%	27.4%	8.6%
	Net Profit	101.6%	7.5%	-21.3%	94.6%	16.2%	10.9%	8.8%
Profitability	GP Margin	29.3%	33.7%	29.3%	34.5%	36.5%	38.6%	38.6%
	EBIT Margin	13.3%	19.0%	10.8%	15.7%	18.7%	21.1%	21.0%
	NP Margin	13.6%	12.8%	7.9%	15.3%	14.8%	14.6%	14.5%
	Return on Equity	15.6%	15.1%	10.0%	17.1%	17.4%	17.0%	16.4%
Liquidity	Current Ratio	2.6x	2.4x	1.9x	2.0x	2.2x	2.3x	2.4x
	Quick Ratio	1.8x	1.2x	1.1x	1.2x	1.4x	1.5x	1.6x
Activity	Inventory Days	110.7	156.0	142.9	137.9	126.6	129.4	130.2
	Accounts Payable Days	102.7	133.4	107.1	103.9	93.6	97.9	97.8
	Accounts Receivable Days	156.3	151.8	126.2	145.4	142.2	146.3	148.5
Gearing	Debt/Equity	0.2x	0.2x	0.2x	0.3x	0.2x	0.2x	0.2x
	Debt/Debt+Equity	0.9x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x
	Debt/Total assets	0.1x	0.1x	0.1x	0.2x	0.2x	0.1x	0.1x



Valuation Summary

Expected JAT Price	FY26E	FY27E	Return	FY26E	FY27E
PER Valuation based target price	40.5	44.9	Target Price	40.0	46.0
DCF Valuation based target price	39.4	47.1	Current Price	37.7	37.7
Average Target Price	39.9	46.0	Capital Gain (LKR)	2.3	8.3
Target Price after Rounding off	40.0	46.0	Dividends upto 31 Mar (LKR)	1.2	1.3
			Capital Gain %	6%	22%
			Dividend Yield %	3%	4%
			Total Return %	9%	26%
			Annualized Return %	11%	13%

Discounted Cash Flow Valuation

DCF based Valuation	FY26E	FY27E	COE	FY26E	FY27E
Enterprise Value	20,337	23,320	Rf	10%	10%
Debt (-)	2,802	2,860	Rm	18%	18%
Cash (+)	2,649	3,670	Growth %	3%	3%
Total Value of Equity	20,087	24,028	Unlevered β	0.5	0.5
No. of Shares (Mn)	510	510	Adjusted β	0.4	0.4
Target Price	39.4	47.1	Ke = $R_f + \beta(R_m - R_f)$	13%	13%

WACC	FY26E	FY27E
Ke	13%	13%
Kd	12%	12%
D/E Assumption	60:40	60:40
Terminal Growth (%)	3%	3%
WACC	12%	11%

PER Valuation

PER based Valuation	FY26E	FY27E
Earnings (LKR 'Mn)	2,067	2,292
No. of Shares ('Mn)	510	510
EPS	4.0	4.5
Expected PER	10x	10x
Price at 10x Earnings	40.5	44.9

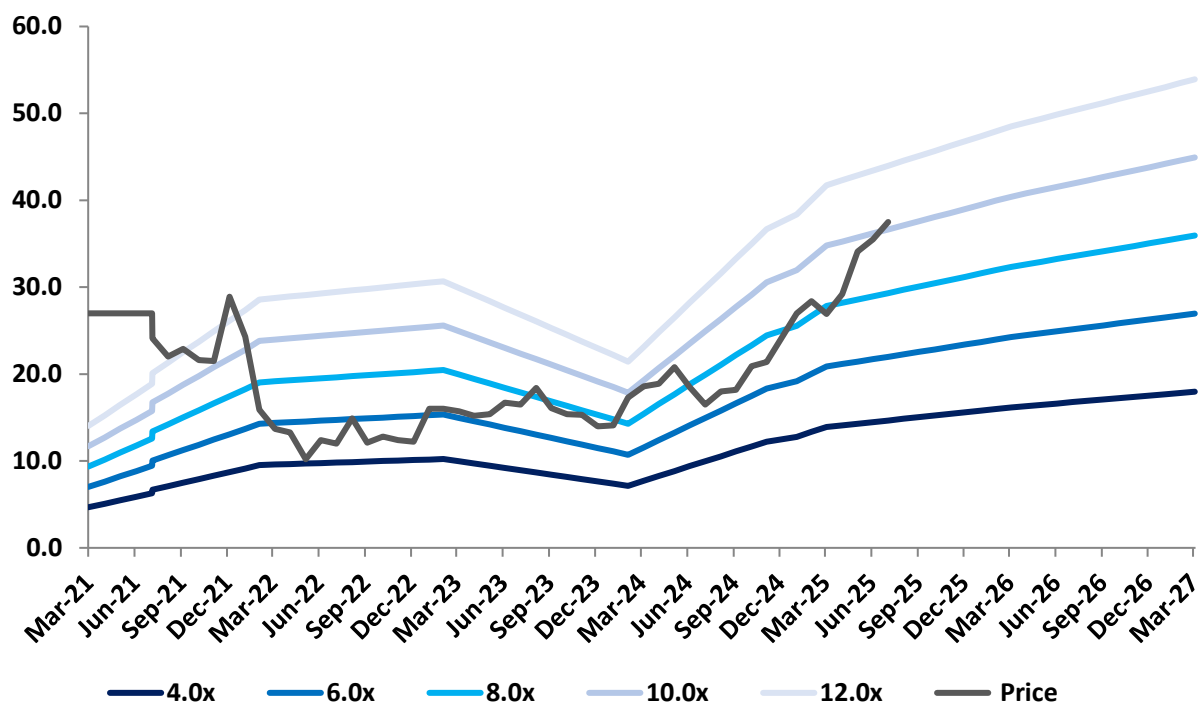
Recommendation Criteria

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)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	8,897	10,167	11,556	11,625	13,943	15,737	17,209
Cost of sales	(6,293)	(6,743)	(8,168)	(7,613)	(8,848)	(9,659)	(10,567)
Gross profit	2,603	3,424	3,389	4,012	5,095	6,079	6,642
Other operating income	67	126	116	154	230	232	234
Selling and distribution	(824)	(857)	(1,296)	(1,352)	(1,603)	(1,731)	(1,893)
Admin expenses	(660)	(761)	(962)	(991)	(1,115)	(1,259)	(1,377)
EBIT	1,186	1,931	1,246	1,823	2,606	3,321	3,606
Net finance income	72	(445)	(145)	(194)	(174)	(115)	(43)
Profit before tax	1,258	1,486	1,101	1,606	2,432	3,206	3,564
Taxation	(47)	(185)	(187)	173	(365)	(914)	(1,069)
Adjusted net profit for the period	1,211	1,301	914	1,779	2,067	2,292	2,495
Recurring net profit for the period	1,211	1,301	914	1,494	1,702	2,244	2,495
Adjusted EPS	2.4	2.6	1.8	3.5	4.0	4.5	4.9
Recurring EPS	2.4	2.6	1.8	2.9	3.3	4.4	4.9



Appendix II: Statement of Financial Position

Balance sheet							
As at 31 March (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets							
Non current assets							
Property plant and equipment	1,668	1,979	3,631	3,637	3,818	4,030	4,264
Other non current assets	244	1,077	1,232	1,370	1,356	1,342	1,332
Current Assets							
Inventories	2,254	3,512	2,884	2,866	3,274	3,574	3,963
Receivables and prepayment	5,572	5,261	5,315	6,358	7,358	8,135	8,775
Short term investments and other current	1,056	887	1,051	1,119	1,560	2,213	3,088
Cash and cash equivalents	689	276	224	320	294	435	583
Total Assets	11,544	13,009	14,449	16,021	18,010	20,079	22,355
Equity and Liabilities							
Stated capital	2,395	2,395	2,395	2,395	2,395	2,395	2,395
Retained earnings and foreign currency tr	5,360	6,246	6,733	8,018	9,461	11,063	12,805
Equity attributable to equity holders of th	7,755	8,642	9,128	10,413	11,857	13,458	15,201
Non-controlling interest	(8)	(14)	(13)	(22)	(18)	(13)	(8)
Total equity	7,747	8,628	9,115	10,391	11,839	13,445	15,192
Non-current liabilities							
Interest bearing loans and borrowings	14	57	114	83	110	112	114
Other non-current liabilities	78	133	149	106	109	110	111
Current liabilities							
Trade and other payables	2,413	2,516	2,276	2,059	2,478	2,704	2,959
Current tax liabilities	17	117	121	117	190	373	587
Interest bearing loans and borrowings	1,275	1,558	1,971	2,620	2,640	2,690	2,746
Total liabilities	3,797	4,381	5,334	5,630	6,172	6,635	7,162
Total equity & liabilities	11,544	13,009	14,449	16,021	18,010	20,079	22,355
Adjusted NAVPS	15.2	16.9	17.9	20.4	23.2	26.4	29.8



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