



**First Capital**

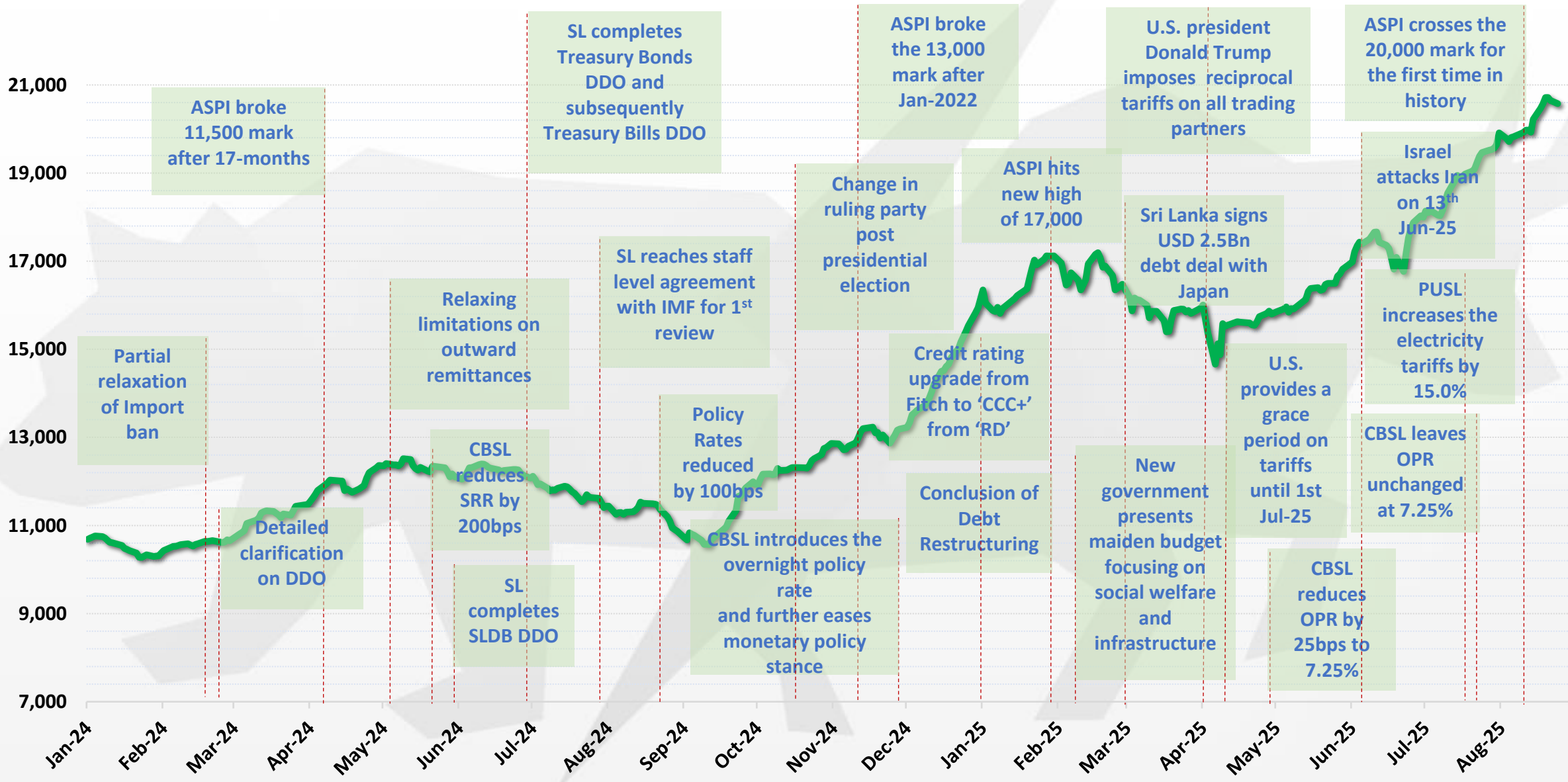
A Janashakthi Group Company

# QUARTERLY RESULTS REVIEW

**APR – JUN 2025**

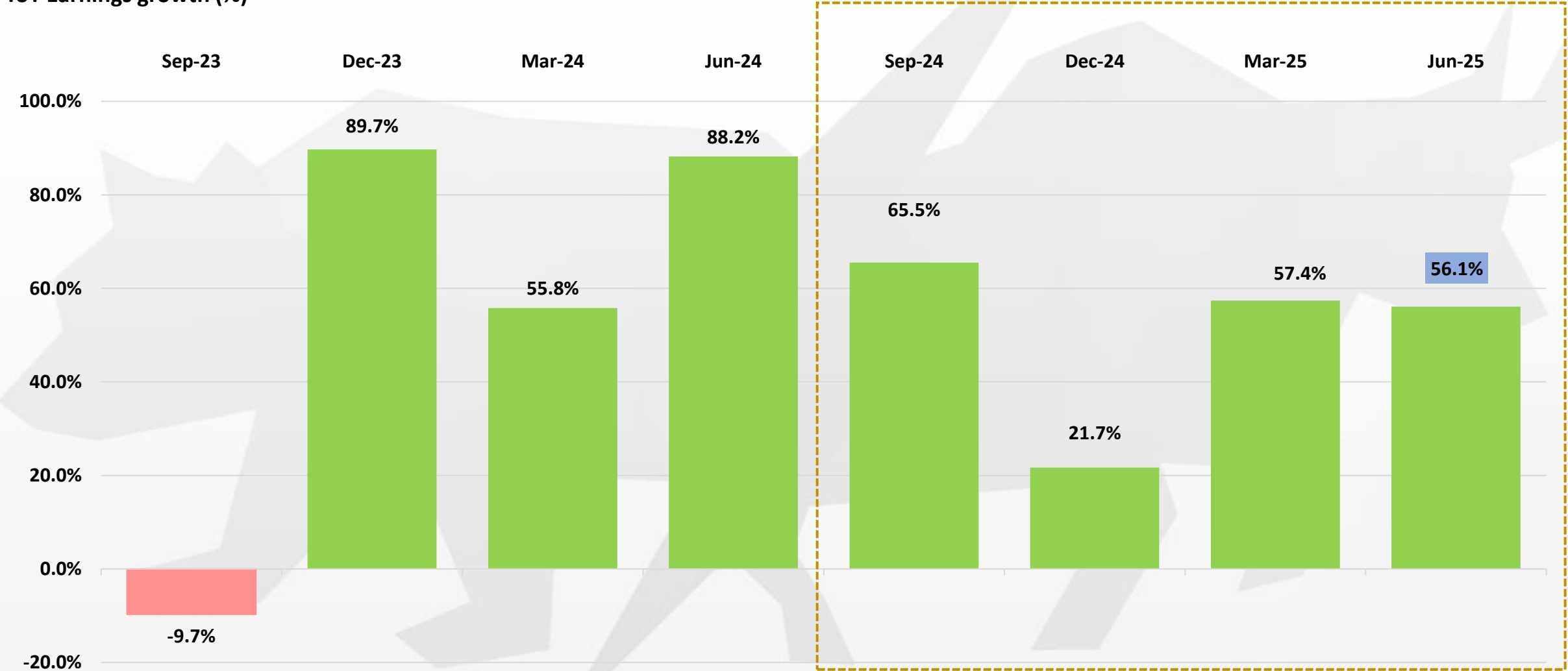


# ASPI performance and key highlights from Jan-24 to Jun-25



# Corporate earnings rise again, marking seventh straight win in line with improving economic landscape

YoY Earnings growth (%)



# June 2025 quarter earnings inclined by 56.1%YoY for 275 companies:

- ✓ In June 2025, market earnings grew by 56.1% YoY, marking the seventh consecutive quarter of earnings growth. This strong performance was primarily driven by a sharp increase in total operating income from the Banking sector, supported by higher net interest income. The Diversified Financials sector also contributed significantly, benefitting from the easing of vehicle import restrictions and stronger loan book growth. Additionally, most companies experienced a decline in finance costs, reflecting the impact of lower lending rates, while select counters reported notable topline expansion. However, on a quarter-on-quarter basis, reported earnings declined by 15.0%, indicating a moderation in short term momentum. This follows a high base in the previous quarter, where the seasonality effect benefited earnings, especially from the tourism sector, due to strong hotel performance during the peak season.
- ✓ The growth in earnings for Jun-25 can be primarily attributed to the following factors:
  1. **Diversified Financials Sector(+68.1%YoY):** Earnings growth in the sector was driven by a strong increase in net interest income, supported by a rise in loan books amid a low interest rate environment and the easing of vehicle import restrictions. These factors contributed to improved performance across key counters.
  2. **Banking Sector (+33.2%YoY):** Earnings were primarily supported by strong contributions from COMB, HNB, DFCC, NTB, and PABC, which together posted a notable 56.3% YoY increase. The growth was underpinned by higher net interest income from loan book expansion, increased net fee and commission income, and reduced impairment charges, reflecting improved asset quality and operating efficiency.
- ✓ Conversely, below sectors contributed negatively to the quarterly earnings;
  1. **Energy Sector (-42.0%YoY):** The sharp decline in sector earnings is primarily driven by the weak performance of LIOC alongside LGL, as profitability remained highly sensitive to global oil price volatility and domestic pricing mechanisms.
  2. **Utilities Sector (-16.8%YoY):** The drop in earnings was primarily driven by a 52.5%YoY decrease in earnings from VPEL and a 94.3%YoY decline from LPL amidst IMF mandated cost reflective tariffs that dampened profitability for the sector.

# Market Earnings Sector Summary – Jun 2025

Results Update

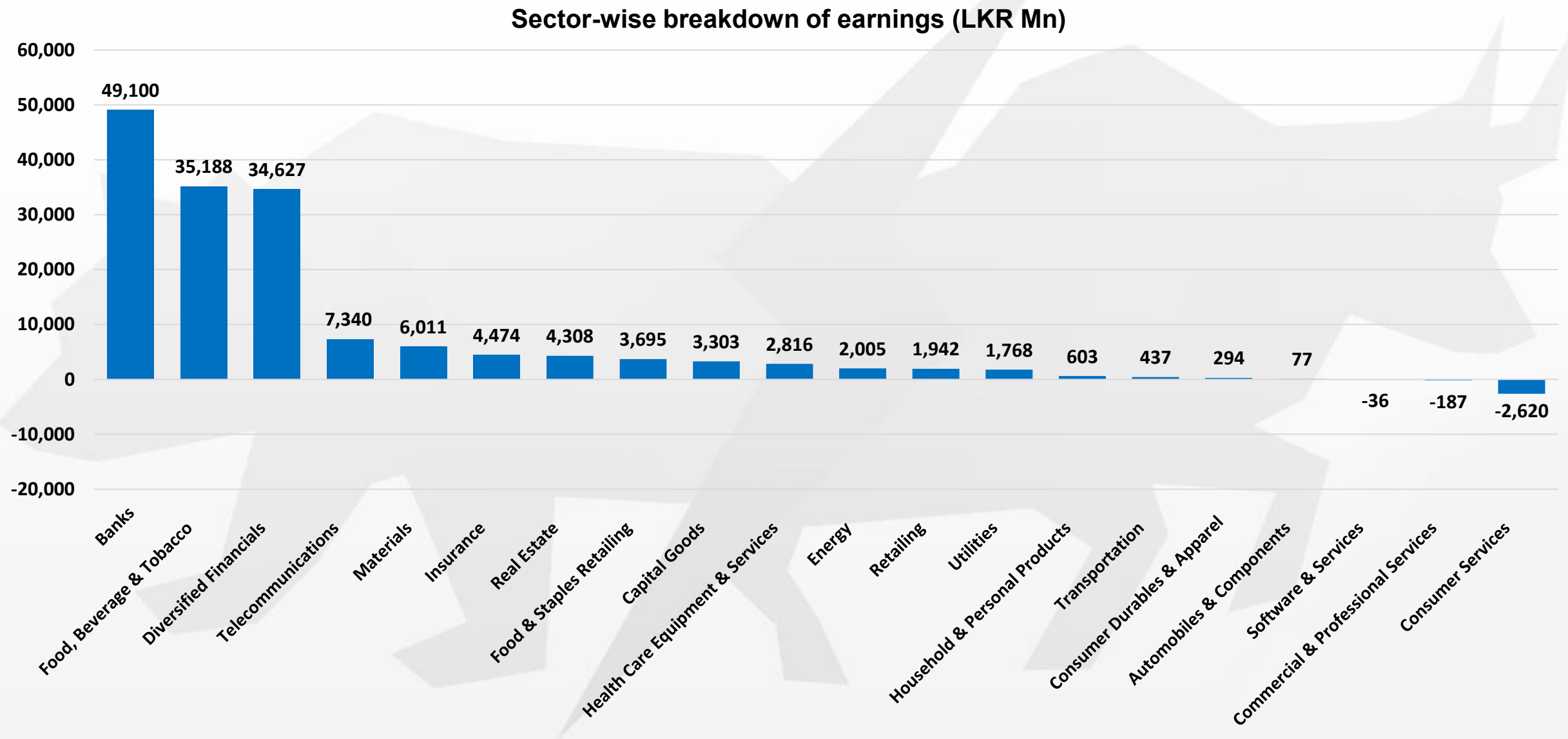
Jun 2025

Friday, August 29, 2025

| Sector   | Quarter Earnings LKR 'Mn |         |        |         |         | 4 Qtr Trailing |         |
|--|--------------------------|---------|--------|---------|---------|----------------|---------|
|  | 1QFY26                   | 1QFY25  | YoY%   | 4QFY25  | QoQ%    |                |         |
|  | 2Q2025                   | 2Q2024  | YoY%   | 1Q2025  | QoQ%    | PER (x)        | PBV (x) |
| Consumer Durables & Apparel Earnings               | 294                      | -1,408  | 121%   | -8,284  | 104%    | N/A            | 2.3x    |
| Retailing Sector Earnings                          | 1,942                    | -684    | 384%   | 372     | 422%    | 44.6x          | 1.8x    |
| Consumer Services Sector Earnings                  | -2,620                   | -5,093  | 49%    | 8,327   | -131%   | 83.2x          | 1.4x    |
| Automobiles & Components Sector Earnings           | 77                       | 191     | -60%   | 204     | -63%    | 12.9x          | 1.0x    |
| Food, Beverage & Tobacco Sector Earnings           | 35,188                   | 27,470  | 28%    | 44,606  | -21%    | 8.3x           | 2.1x    |
| Food & Staples Retailing Sector Earnings           | 3,695                    | 2,738   | 35%    | 3,625   | 2%      | 24.6x          | 4.9x    |
| Household & Personal Products Sector Earnings      | 603                      | 525     | 15%    | -302    | 299%    | 14.6x          | 1.3x    |
| Energy Sector Earnings                             | 2,005                    | 3,458   | -42.0% | 2,516   | -20%    | 11.1x          | 1.0x    |
| Diversified Financials Sector Earnings             | 34,627                   | 20,597  | 68.1%  | 31,455  | 10%     | 7.0x           | 1.1x    |
| Banks Sector Earnings                              | 49,100                   | 36,856  | 33.2%  | 47,953  | 2%      | 5.1x           | 0.9x    |
| Insurance Sector Earnings                          | 4,474                    | 4,707   | -5%    | 4,213   | 6%      | 9.4x           | 1.2x    |
| Health Care Equipment & Services Sector Earnings   | 2,816                    | 1,505   | 87%    | 1,909   | 48%     | 13.0x          | 1.5x    |
| Capital Goods Sector Earnings                      | 3,303                    | 1,639   | 102%   | 28,006  | -88%    | 13.7x          | 1.2x    |
| Commercial & Professional Services Sector Earnings | -187                     | 123     | -252%  | -108    | -73%    | N/A            | 0.9x    |
| Transportation Sector Earnings                     | 437                      | 222     | 97%    | 380     | 15%     | 30.0x          | 13.0x   |
| Materials Sector Earnings                          | 6,011                    | 4,397   | 37%    | 7,936   | -24%    | 11.5x          | 1.6x    |
| Real Estate Sector Earnings                        | 4,308                    | 2,159   | 100%   | 2,869   | 50%     | 10.5x          | 1.0x    |
| Software & Services Sector Earnings                | -36                      | -60     | 41%    | 3       | <-1000% | N/A            | 3.4x    |
| Telecommunications Sector Earnings                 | 7,340                    | -2,053  | 457%   | 6,131   | 20%     | 12.9x          | 2.1x    |
| Utilities Sector Earnings                          | 1,768                    | 2,131   | -16.8% | 265     | 568%    | 17.0x          | 1.9x    |
| Market Valuations                                  |                          |         |        |         |         | 9.4x           | 1.4x    |
| Market Earnings - Jun 2025                         | 155,145                  | 99,418  | 56%    | 182,434 | -15%    | 275            |         |
| Market Earnings - Mar 2025                         | 182,434                  | 115,969 | 57%    | 227,203 | -20%    | 273            |         |

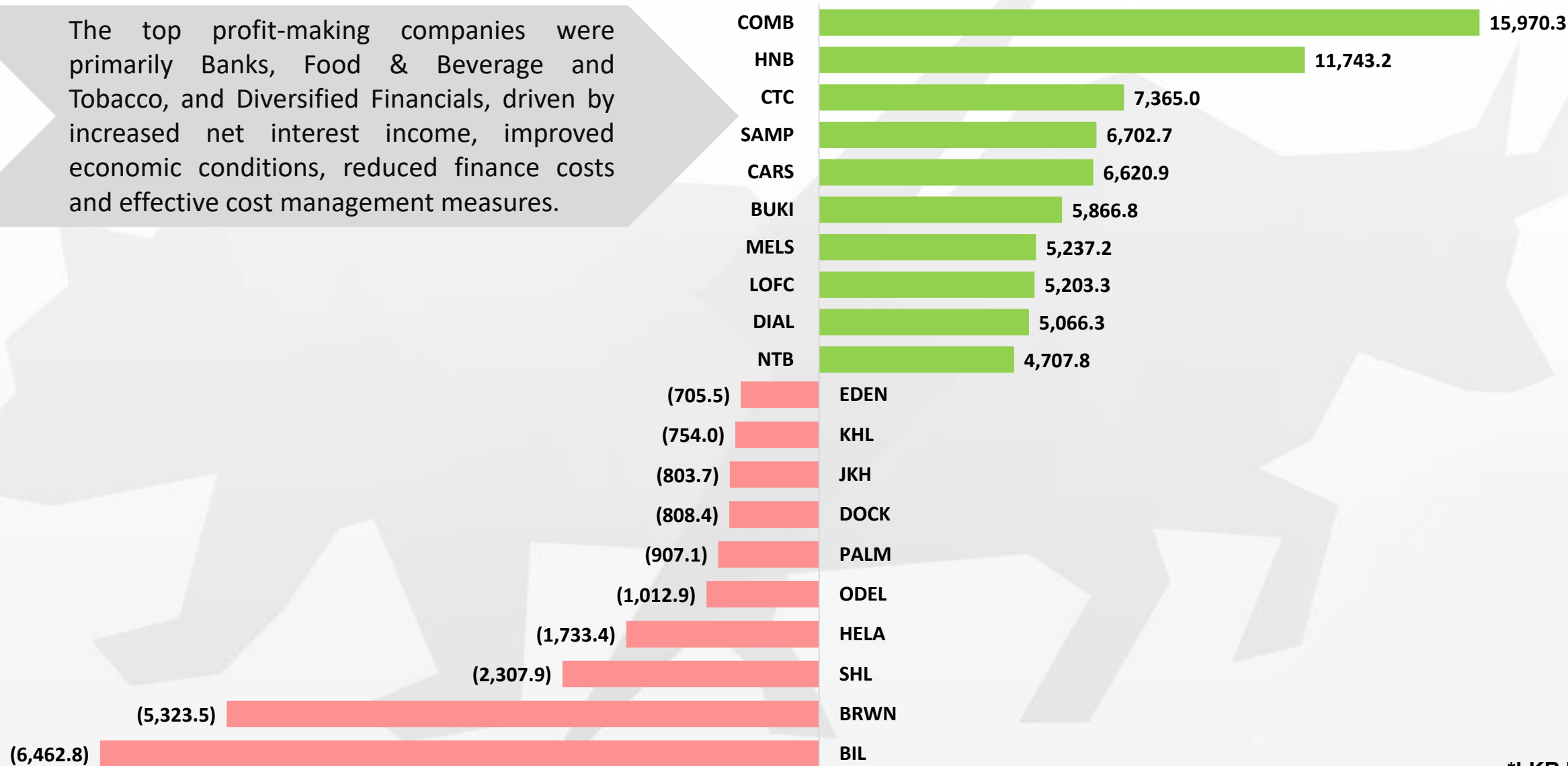


# Earnings for majority of the sectors recorded gains, whilst only three sectors made losses



# Top 10 Profit- and Loss-making companies in 2Q2025/1QFY26

The top profit-making companies were primarily Banks, Food & Beverage and Tobacco, and Diversified Financials, driven by increased net interest income, improved economic conditions, reduced finance costs and effective cost management measures.



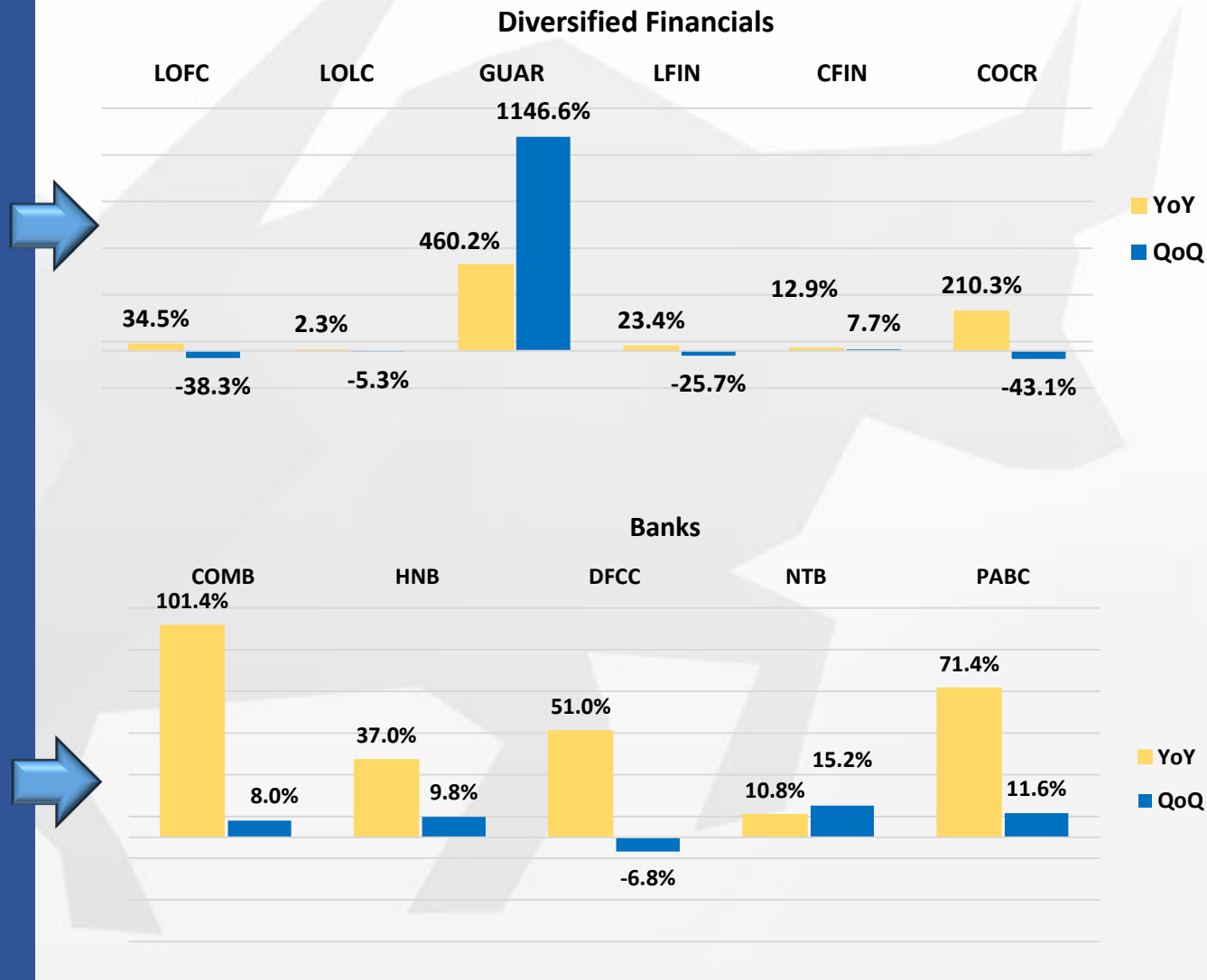
\*LKR Mn

# Earnings insight – Sector wise

The **Diversified Financials** sector emerged as a major contributor to market earnings, posting an impressive 68.1%YoY growth. The growth in earnings was primarily driven by key counters such as LOFC, LOLC, GUAR, LFIN, CFIN and COCR. The growth was supported by an increase in net interest income, attributed to expansion in loan books as interest rates remained broadly stable. Furthermore, the easing of vehicle import restrictions facilitated most companies to register higher income from the Leasing and Hire Purchase segment. The increase in gold prices supported growth in gold-backed lending, while improved asset quality and stronger consumer demand further enhanced sector profitability.

The **Banking** sector also had a significant impact on market earnings, posting an impressive 33.2%YoY growth. The growth in earnings was primarily driven by key banks namely, COMB, HNB, DFCC, NTB and PABC, which collectively recorded a remarkable 56.3%YoY surge in earnings. An increase in net interest income, higher net fee and commission income, and a reduction in impairment charges were the key factors that drove earnings this quarter. Additionally, the sector benefited from a corresponding drop in interest expenses, resulting in improved net interest margins for most banks. The rise in digital, credit, and debit card transactions contributed to higher fee and commission income, whilst improved customer credit quality led to reduced impairment charges. However, the sector faced headwinds from rising operating expenses, and a few banks including SAMP, SDB and CBNK reported declines in their bottom-line.

## Counters with the most significant growth in earnings



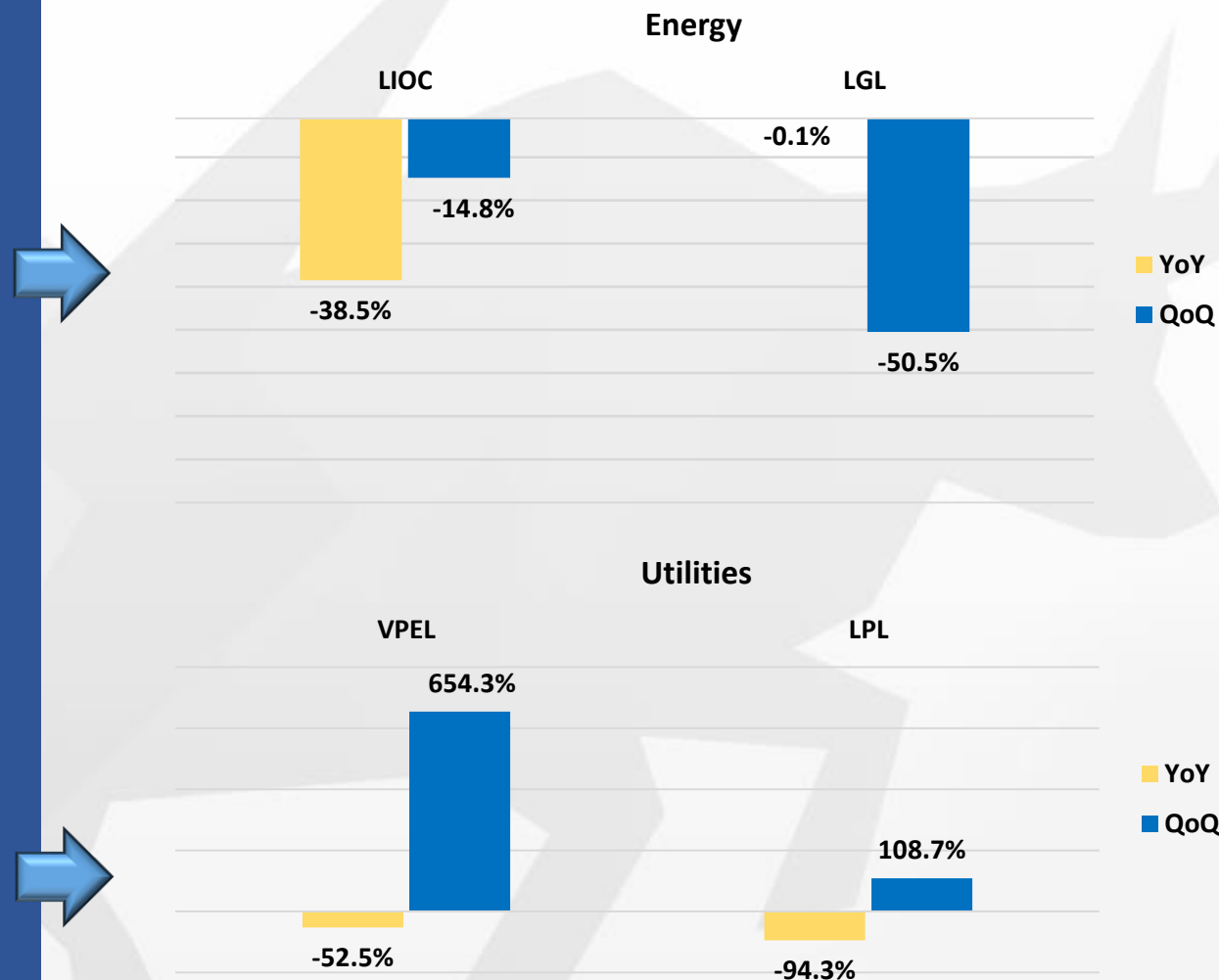


# Earnings insight – Sector wise

The **Energy sector** recorded a 42.0%YoY decline in earnings for the Jun-25 quarter, driven primarily by the weak performance of LIOC and LGL. LIOC's performance was the primary laggard during the quarter, largely impacted by sensitivity to global oil price movements and domestic pricing dynamics under the monthly fuel pricing formula. Oil price volatility, driven by ongoing geopolitical risks, weighed on earnings, making them particularly vulnerable in the near term. Additionally, the removal of the 3.0% distributor commission reduced per-litre margins, especially on high grade fuels, exerting further pressure on profitability. Growing demand for electric vehicles (Evs) also contributed to a decline in fuel volumes, adding another layer of strain on earnings despite efforts to enhance pricing transparency.

The **Utilities sector** reported a 26.0%YoY decline in earnings for the quarter ending June 2025, primarily driven by a 52.5%YoY drop in earnings from VPEL and a 94.3%YoY decline from LPL. This decline was influenced by changing weather patterns and challenges related to the tariff structure. Efforts to balance affordability with the IMF-mandated cost-reflective pricing have added complexity, affecting sector profitability. These factors, combined with pressure on industrial and vulnerable consumers, contributed to the sector's earnings decline during the quarter.

## Counters with the most significant decline in earnings



# Thank you!

***"SUCCESSFUL INVESTMENTS IS ABOUT  
MANAGING RISKS"***

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