



First Capital  
A Janashakti Group Company

EQUITY | SRI LANKA | MATERIALS

INITIATION REPORT | 01 OCT 2025

# DIPPED PRODUCTS PLC [DIPD.N0000]

## INITIATING WITH A BUY

### “SCALING PROTECTION, GLOBALLY DIVERSIFIED”

**Fair Value: FY27E - LKR 90.0 [+36.4%]**

Total Return with DPS: FY27E – 40.5% [AER 25%]

P/E 31 Mar (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	55,294	80,099	73,942	79,289	89,278	100,067	111,568
Gross Profit	10,733	19,609	17,059	16,564	19,641	21,915	24,266
EBIT	5,360	9,628	7,729	6,802	9,642	10,707	11,770
<b>Adjusted Net Profit</b>	<b>5,383</b>	<b>6,507</b>	<b>4,472</b>	<b>3,568</b>	<b>4,893</b>	<b>5,459</b>	<b>6,032</b>
Adjusted EPS (LKR)	9.0	10.9	7.5	6.0	8.2	9.1	10.1
YoY Growth (%)	4.2%	20.9%	-31.3%	-20.2%	37.1%	11.6%	10.5%
<b>Valuations</b>							
PER (x)	7.3x	6.1x	8.8x	11.1x	8.1x	7.2x	6.5x
PBV (x)	1.8x	1.5x	1.4x	1.2x	1.1x	1.0x	0.9x
DPS	2.5	3.0	2.3	1.9	2.5	2.7	3.0
DY (%)	3.8%	4.5%	3.4%	2.9%	3.7%	4.1%	4.6%
Dividend Payout (%)	27.8%	27.6%	30.1%	31.9%	30.0%	30.0%	30.0%
NAVPS	36.6	45.1	48.2	53.1	58.8	65.2	72.2

#### Capacity expansion is the next big thing for DIPD

DIPD has expanded its production capacity through the construction of a new rubber glove manufacturing facility in Hanwella, supported by an investment of LKR 1.0Bn. This addition has increased the company's overall production capacity by 25.0%. FCR expects the new facility to contribute approximately LKR 1.0Bn in revenue by FY27E, assuming a capacity utilization rate of 80.0% to 90.0%. This expansion will address rising global demand, as the global glove market is projected to grow at a 3-year CAGR of 12.7%. In line with this growth strategy, DIPD has also entered into a 30-year lease agreement with the Board of Investment of Sri Lanka for a 4.75-acre land plot, located in the Katunayake Export Processing Zone, including its existing buildings. With the anticipated completion of the new facility by FY27E, DIPD's topline is projected to reach LKR 100.1Bn, driven by favorable global market conditions, a 5.0% depreciation in the LKR, and sustained high-capacity utilization of 80.0% to 90.0%. Additionally, the completion of acquisition of Hi-Care Thailand; a glove manufacturing company, in Nov-24 is expected to contribute approximately LKR 1.6Bn to revenue by FY27E. Consequently, DIPD's topline is forecasted to grow at a 3-year CAGR of 9.0%.

#### Leading the way through cutting-edge R&D and automation

DIPD consistently fosters innovation, launching 3 to 4 new products annually and holding 13 patents. This focus on innovation enables DIPD to operate across a diverse range of product segments, such as household, electrician, medical, and sports gloves, offering both supported and unsupported varieties, with a portfolio exceeding 750 glove types. Unlike many East Asian and Chinese manufacturers that tend to specialize in narrow product ranges, DIPD's broad and diversified offering sets it apart. The availability of high-margin products, including nitrile, electrician, and sports gloves, presents opportunities to further improve profit margins. Operational efficiencies driven by factory innovations also contribute to cost reduction in the coming future. Given that latex accounts for approximately 40.0% to 50.0% of total cost of sales, margin pressure is expected to remain limited, supported by the stable latex price outlook. Additionally, DIPD's energy cost accounts for c.30.0% of cost of sales. Its reliance on c.90.0% renewable energy, bolstered by the new boiler plant in Hanwella, helps mitigate the impact of rising electricity tariffs. Accordingly, we expect EBIT and net margins to hover around 9.0% to 11.0% (c.+210bps in FY27E) and 6.0% to 7.0% (c.+94bps in FY27E), respectively.

#### Revenue diversification strengthens business resilience and lowers dependency risk

Historically, the hand protection segment has accounted for approximately 60.0% of both revenue and EBIT, while the plantation segment has contributed around 40.0% to the same. This trend is expected to continue in the future, helping to reduce revenue dependency risk. Furthermore, during periods of slowdown in the hand protection segment, the plantation segment can continue to contribute to revenue and EBIT, effectively serving as a hedge. Additionally, DIPD's presence in over 70 countries further mitigates exposure to global policy uncertainties. The plantation segment is projected to grow by 8.9%YoY in FY27E, driven by increasing production volumes amid a recovery in global demand, as tea prices remain relatively stable. This growth is further supported by the contributions of KVAL, HOPL, and TPL, which together account for approximately 5.0% of national tea production. These entities operate across various elevation zones, reducing climate-related risks and enabling the production of value-added tea products.

#### Blended valuation suggests a 36.4% price upside with a 25.4% TAR

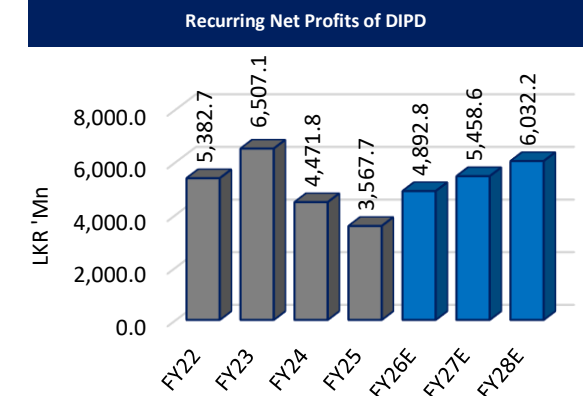
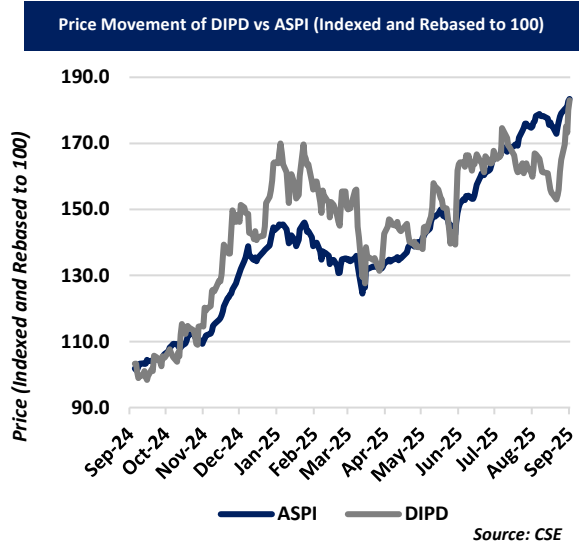
We initiate our investment coverage on DIPD with a **BUY** recommendation, supported by DCF and PER based valuation methodologies, arriving at a target price of LKR 90.0 for FY27E with a total annualized return (TAR) of 25.4%. Our positive outlook is underpinned by expected bottom-line growth of 37.1%YoY in FY26E and 11.6%YoY in FY27E, driven by the key elements of our investment thesis. We expect ROE to reach 17.5% in FY27E, aligning closely with the 12-year historical average of 17.4%. At our target price, DIPD may trade at 10.0x forward earnings, which remains significantly below the median forward P/E of 27.0x for ASEAN glove manufacturers.

#### FIRST CAPITAL RESEARCH

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Price Performance (%)	1 mth	3 mths	12 mths
DIPD	14.5%	11.9%	83.1%
ASPI	4.8%	21.7%	83.4%



**\*\*Recurring net profits have been calculated excluding the gain on bargain purchase from the acquisition**

Source: FC Research, CSE

#### 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
- U.S tariffs and GSP+ concerns

##### Upside risks

- LKR depreciation impact is limited, with 50.0% to 60.0% of exposure effectively hedged
- Appreciation of ASEAN currencies against USD and other major currencies
- Reduction in excess inventory produced during the COVID-19 period
- Rapid growth of the key export markets



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