



First Capital
A Janashakti Group Company

EQUITY | SRI LANKA | CAPITAL GOODS

EARNINGS UPDATE | 30 DEC 2025

HEMAS HOLDINGS PLC [HHL.N0000]

DOWNGRADE TO SELL AND DISCONTINUE COVERAGE

“FAIR VALUE ACHIEVED; TIME TO BOOK PROFITS”

Fair Value: FY27E - LKR 36.0

Previous Report in Aug-25 – DOWNGRADE TO HOLD

In our previous report, we upgraded our earnings forecasts for HHL to LKR 9.0Bn for FY26E and LKR 10.2Bn for FY27E, with corresponding target prices of LKR 30.0 and LKR 36.0 per share. Despite the upward revision to earnings, the limited upside relative to our assessed fair values prompted a downgrade in our recommendation to Hold from Buy.

HHL's 2QFY26 earnings are broadly in line with FCR's expectations

HHL's earnings for the quarter were broadly in line with our expectations. For the quarter, the Consumer Brands segment reported a revenue of LKR 13.4Bn, posting a YoY growth of 21.7%. The segment recorded healthy volume growth across all its segments. The uptick in sales, was further supported by increased marketing efforts, targeted promotional campaigns, and brand-building initiatives. Meanwhile the operating profits and earnings of the segment increased to LKR 2.1Bn and LKR 1.6Bn respectively. For the six month period, the segment delivered cumulative revenue of LKR 22.0Bn, with operating profit and earnings amounting to LKR 2.9Bn and LKR 2.3Bn, respectively. Within the Healthcare segment, the pharmaceutical distribution business sustained its upward momentum through YoY volume growth. The Hospital sub-segment recorded strong revenue growth during the quarter, driven by the expansion of service offerings across both hospitals, with operating profits of LKR 1.5Bn and earnings of LKR 1.0Bn. On a cumulative basis, the segment reported revenue of LKR 37.7Bn, with operating profit and earnings of LKR 3.1Bn and LKR 2.1Bn, respectively.

FY27E fair value estimate maintained at LKR 36.0; Upside from new projects seem limited

FY27E earnings have been revised upward by approximately 2.2%, factoring in the expected earnings contribution from the Group's recent acquisition in Kenya. In contrast, FY26E earnings have been slightly revised downward by 4.8% to account for incremental costs related to new product licensing within the Healthcare segment. Given the relatively modest scale of these revisions, we retain our fair value estimates at LKR 30.0 for FY26E and LKR 36.0 for FY27E. FCR is of the view that HHL is trading close to its intrinsic value. The Consumer Brands segment appears to be operating at or near peak capacity, constrained by a mature product portfolio, limited geographic diversification, and sustained margin pressure arising from intense competitive dynamics. While management has articulated plans to expand overseas operations, we expect the near-term earnings contribution from these initiatives to remain limited. In contrast, the Healthcare segment, particularly pharmaceutical manufacturing, continues to exhibit attractive long-term growth prospects, underpinned by a portfolio of high-margin products and a strategic emphasis on rapidly expanding therapeutic areas such as cardiovascular and metabolic health. The extension of government buyback agreements enhances visibility on volume stability. However, the ongoing expansion of the Thalawathugoda hospital is unlikely to contribute meaningfully to earnings for approximately three years. In the interim, earnings from the hospital may decline due to partial closures associated with renovation activities. Additionally, the segment remains exposed to regulatory interventions, which could exert downward pressure on margins despite stable or growing volumes.

Against this backdrop, with fair value estimates maintained at LKR 30.0 and LKR 36.0 for FY26E and FY27E, respectively, and the current share price at LKR 34.6, the implied annualised return for FY27E is estimated at 5.6%. This is materially below our minimum required return of 14.0%, supporting a cautious outlook on the stock. Accordingly, we downgrade our recommendation from **HOLD** to **SELL AND DISCONTINUE COVERAGE**.

FIRST CAPITAL RESEARCH

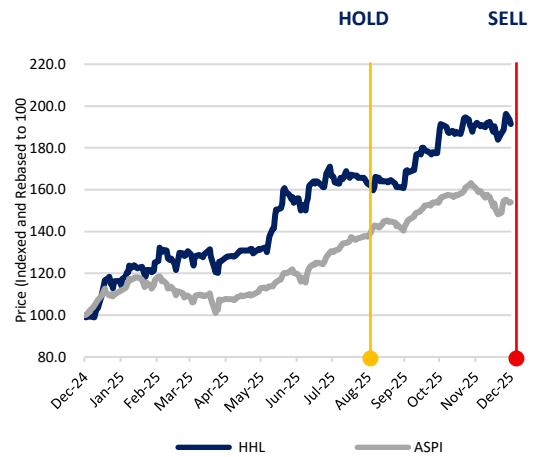
Shahana Kanagaratnam

+94 11 263 9866

shahana@firstcapital.lk

Price Performance (%)	1 mth	3 mths	12mths
HHL	-3.6%	4.6%	79.4%
ASPI	-3.4%	2.2%	43.3%

Price movement of HHL vs ASPI (indexed and rebased to 100)



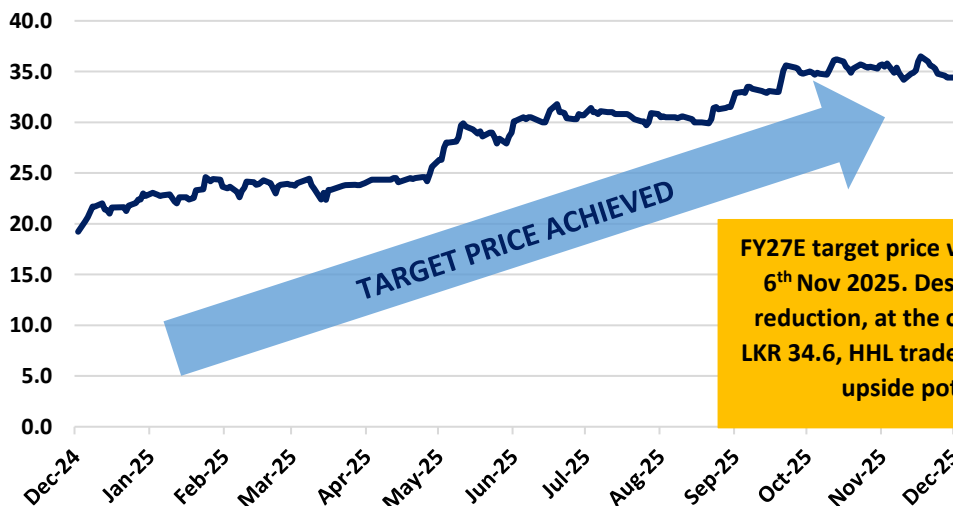
Source: CSE

Minimum Return for BUY:

Buy Below FY27E - [AER of 14% with DPS]: LKR 31.5
HHL categorized as 'Grade A' counter

Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of HHL during the five trading days prior to the issuance of this document.





First Capital
A Janashakthi Group Company

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Dilhari Dias	+94 11 2639 866
Charith Gamage	+94 11 2639 863	Imashi Sellaperuma	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866	Manusha Kandanaarachchi	+94 11 2639 866
		Salaama Sanoon	+94 11 2639 866

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
--------------------	-------------------

EQUITY SALES

CEO	Jaliya Wijeratne	+94 71 5329 602	Equity Branches		
Colombo			Negombo	Priyanka Anuruddha	+94 77 4546 070
Isuru Jayawardana	+94 76 7084 953			Priyantha Wijesiri	+94 77 9065 779
Nishantha Mudalige	+94 77 3204 929		Jaffna	Gratian Nirmal	+94 77 4510 000
Anushka Buddhika	+94 71 4310 600				
Thushara Pathiraja	+94 77 0076 314		Agents		
Dayan Fernando	+94 77 7354 081		Colombo	Kithsiri Jayasinghe	+94 77 7790 657
Anjelo LaBrooy	+94 77 7546 645		Anuradhapura	Amila Luwishewa	+94 71 0628 195
Dillon Lowe	+94 76 6160 647		Galle	Nuwan Abeynayake	+94 77 7288 274
Evelyn John	+94 77 779 2452		Kandy	Ajith Ihalawatta	+94 77 8477 530
Yudheshan Kannadasan	+94 77 415 5809		Embilipitiya	Ruwan Wanniarachchi	+94 77 3877 734
Yumeth Samarakoon	+94 72 4444 135				
Amash Ranasinghe	+94 77 7820 168				

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
---------------------	-----------------	-----------------------	-----------------

BRANCHES

Kandy	Kurunegala	Matara	Negombo
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	CSE Branch Office, 1 st Floor, E.H.Coaray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 4937 072

Disclaimer:

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the accuracy, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or a connected person or associated person may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.

About us:

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.