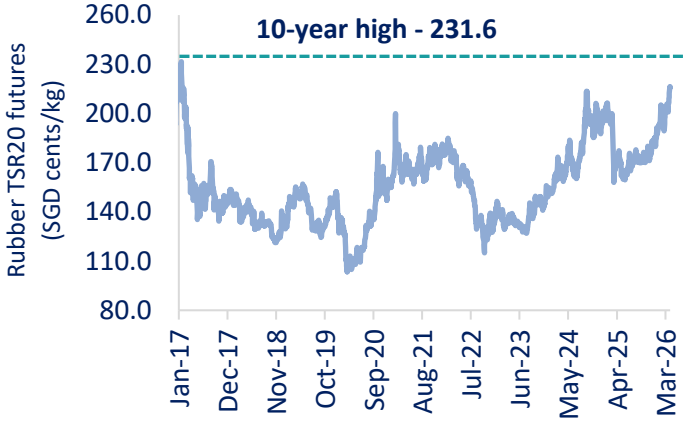




IMPACT OF RISING RUBBER PRICES ON LISTED COUNTERS

FLASH NOTE

Global rubber futures near a 10-year high



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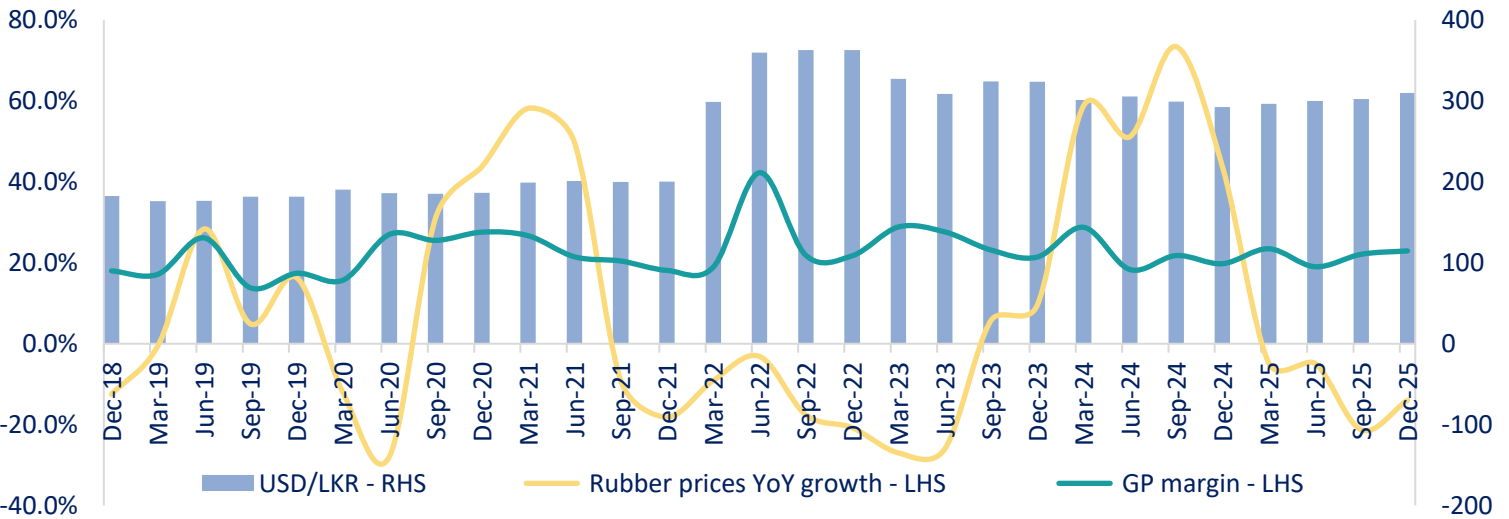
Rubber futures extended their rally, surpassing 216.3 SGD cents/kilogram, closer to a 10-year high. The surge has been largely driven by firmer oil prices, supported by stalled U.S.–Iran negotiations and ongoing tensions in the Strait of Hormuz. Natural rubber prices tend to track crude oil, as higher oil costs increase the price of synthetic rubber. The harvest season has commenced in major producing countries such as Thailand and Vietnam, while rainfall in Yunnan Province has alleviated earlier concerns about tight supply caused by heat and drought conditions.

1. Impact on DIPD

1.1. LKR depreciation may partially offset the impact of rising rubber prices

With **c.64.0%** of raw materials sourced locally in Sri Lanka and DIPD’s topline denominated in U.S. dollars, the company benefits from a natural hedge against LKR depreciation, although some impact on near-term gross margins is expected. We assume the year-end exchange rate may range between LKR 320–330/USD, supporting margin expansion. Furthermore, rising rubber prices may support revenue growth in the plantation subsidiaries.

Gross margin comparison vs USD/LKR and rubber prices YoY % change

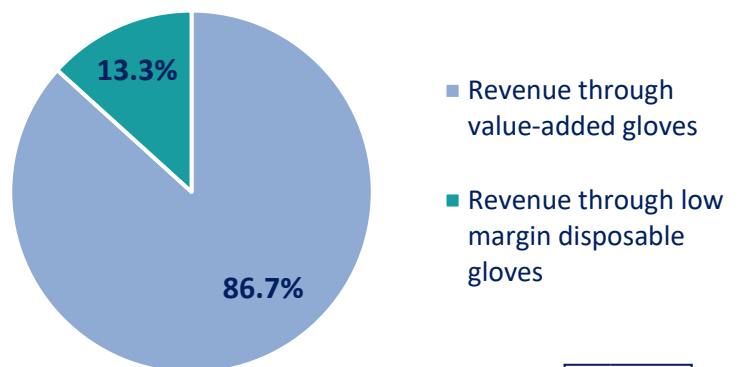


1.2. Value-added products in niche glove segments suggest a degree of pricing power

DIPD generates **c.87.0%** of its revenue from value-added glove products in niche segments, where ASPs are relatively high. While East Asian glove manufacturers are primarily focused on disposable gloves, global sources indicate that synthetic rubber glove prices have increased by around **40.0%** due to raw material price hikes.

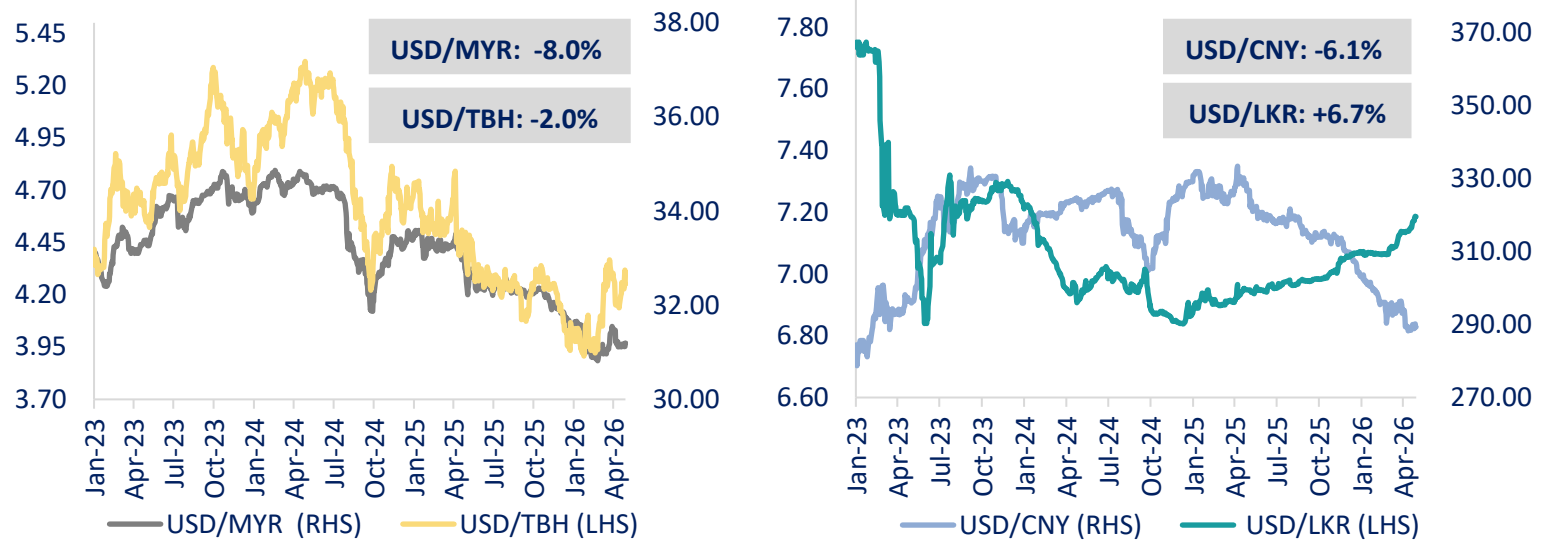
We expect DIPD to partially pass through rising raw material costs to customers, supporting margin resilience. Furthermore, global production cuts driven by higher costs may partially redirect orders to DIPD for certain products. Accordingly, we forecast **c.20%** increase in ASPs across DIPD’s glove segment under the base-case scenario.

Revenue composition of DIPD’s glove segment



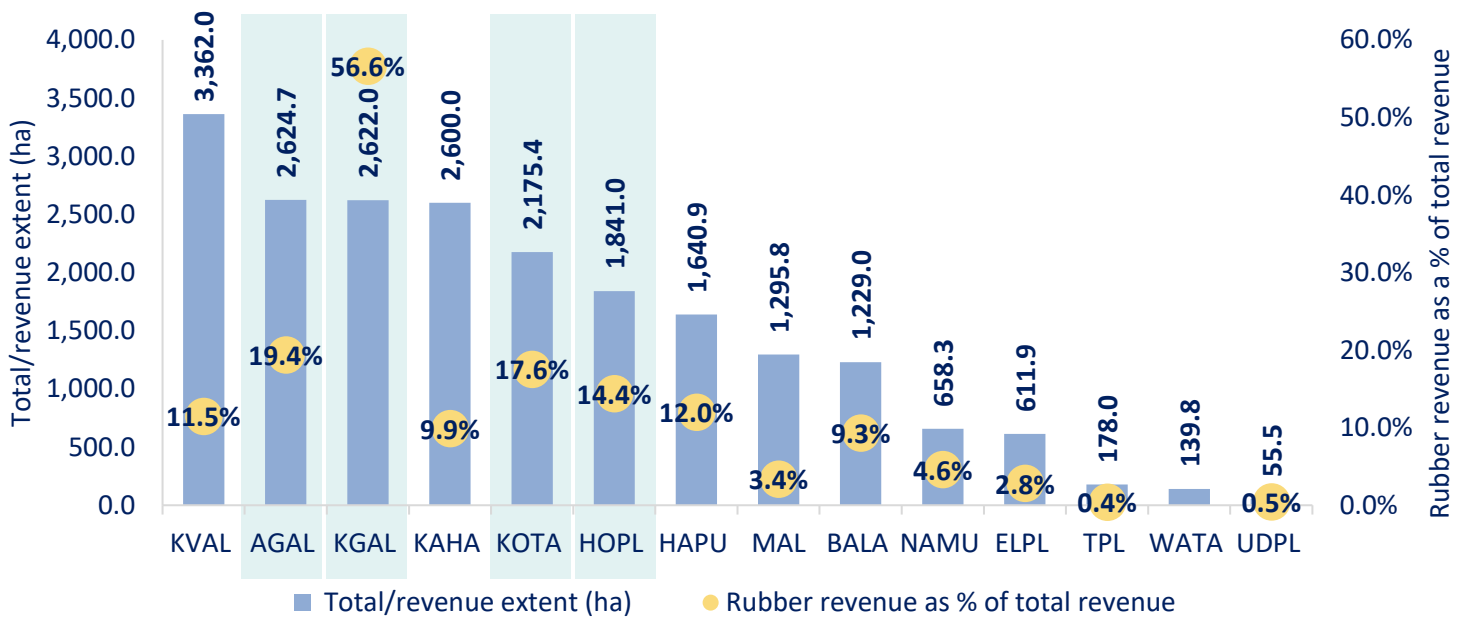
1.3. FX movements in MYR, THB, and CNY provide tailwinds for Sri Lankan glove manufacturers

Appreciation of the MYR, THB, and CNY against the USD has enhanced the relative affordability of Sri Lankan gloves, with the MYR, THB, and CNY appreciating by 8.0%, 2.0%, and 6.1%, respectively, over May-25 to May-26, while the LKR depreciated by 6.7% over the same period.



2. Impact on listed plantation sector counters

Plantation companies with highest revenue extent in rubber may benefit from rising rubber prices with higher revenue exposure. Accordingly, **KGAL**, **AGAL**, **KOTA**, and **HOPL** are well positioned to benefit from rising rubber prices, given that the rubber segment accounts for c.15.0% or more of their revenue.



**Rubber contribution to WATA is immaterial

3. Impact on other listed counters

REXP: Latex and hard rubber segments account for c.99.3% of total revenue; therefore, REXP is likely to benefit from rising rubber prices and LKR depreciation.

RICH: RICH is the parent company of KGAL, NAMU, and MASK. The plantation segment contributes c.21.0% of group topline, while the rubber segment accounts for c.10.0%. The tyre segment contributes a further c.8.0% of group topline. KGAL, RICH's primary rubber plantation arm, represents c.5.0% of overall topline and c.25.0% of plantation revenue. As such, rising rubber prices are likely to support group topline growth. Backward integration through KGAL, NAMU, and MASK positions the tyre segment distinctly within the value chain, with higher rubber prices expected to support near-term performance.

TYRE: TYRE holds a 50.0% stake in CEAT Kelani Holdings Pvt Ltd. Rising rubber prices may impact margins of the company; however, the extent of the impact will depend on the company's ability to pass on higher costs to customers. Meanwhile, higher vehicle registrations are expected to drive topline growth.



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