SENFIN SECURITIES · THEMATIC RESEARCH

El Niño and the Sri Lankan Economy

Macroeconomic implications, sectoral impact and equity-market outlook

SenFin SECURITIES
Associate Company of SENKADAGALA FINANCE PLC

Prepared July 2026

REFERENCE

Abbreviations & Key Terms

CLIMATE & WEATHER

ENSO — El Niño - Southern Oscillation

ONI — Oceanic Niño Index

SST — Sea-Surface Temperature

NE / SW — North - East / South-West Monsoons

NOAA — US Nat'l Oceanic & Atmospheric Admin.

WMO — World Meteorological Organization

ECONOMY & POLICY

GDP — Gross Domestic Product

CPI — Consumer Price Index

CCPI — Colombo Consumer Price Index

NCPI — National Consumer Price Index

YoY — Year-on-Year

FX — Foreign Exchange (Currency)

IMF — International Monetary Fund

CBSL — Central Bank of Sri Lanka

ENERGY & POWER

CEB — Ceylon Electricity Board

IPPs — Independent Power Producers

IOC — Indian Oil Company (Lanka IOC)

MARKETS & VALUATION

CSE — Colombo Stock Exchange

ASPI — All-Share Price Index

S&P SL20 — S&P Sri Lanka 20 Index

PER — Price-to-Earnings Ratio

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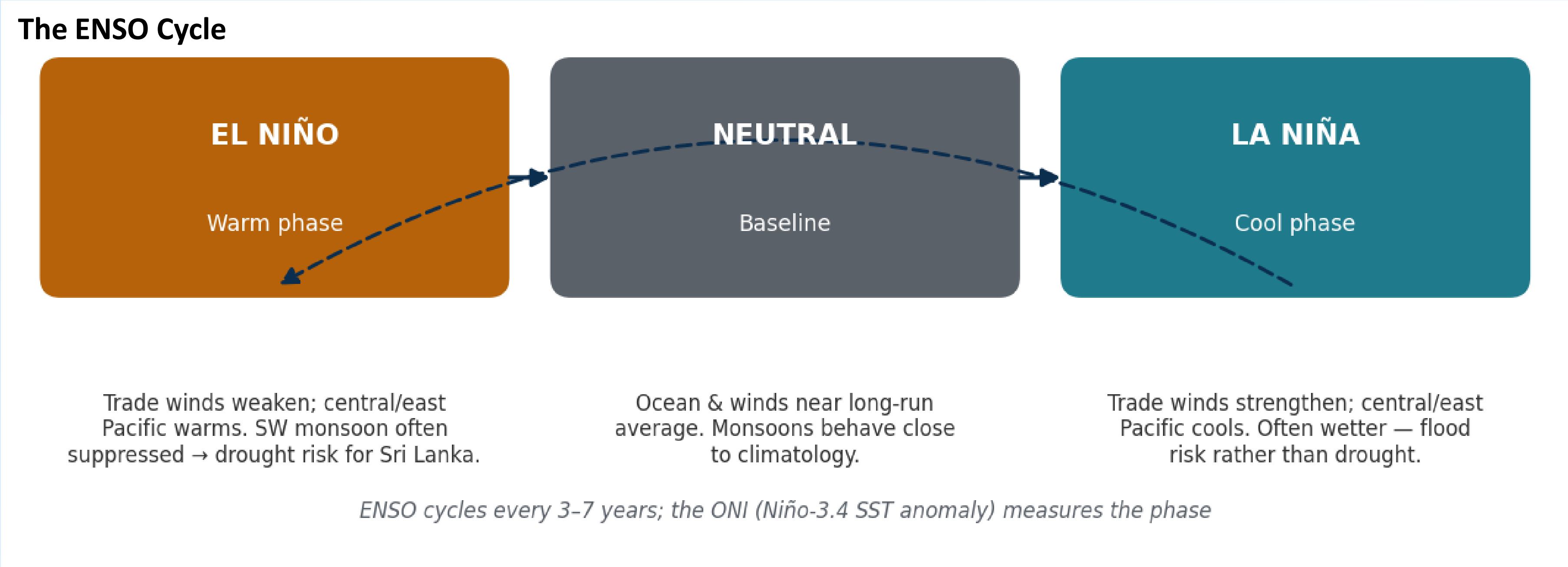
PART ONE

What El Niño is, why Sri Lanka is exposed, and the two chains that carry the shock into markets.

El Niño is the Warm Phase of a Recurring Pacific Cycle

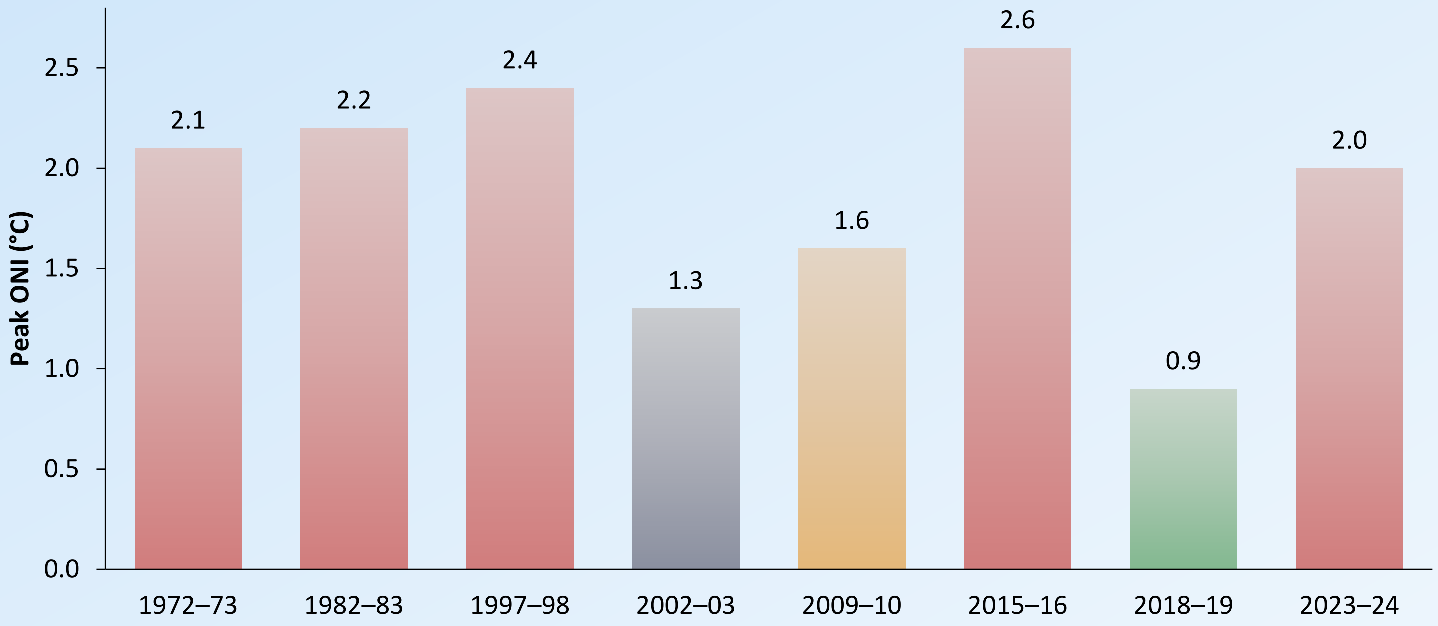


Measured by the Oceanic Niño Index (ONI) — the 3-month SST anomaly in the Niño-3.4 region. An El Niño is declared at ONI ≥ +0.5°C for five overlapping seasons.

Recurs every 3–7 years. Forecast by NOAA & WMO months ahead — a rare, tradeable lead on a macro shock.

For Sri Lanka: suppressed SW monsoon (drought first), then a stronger NE monsoon (floods later) a two-phase shock.

Big Events are Forecastable — and Sri Lanka is Structurally Exposed



Peak Oceanic Niño Index by event. 2015–16 (2.6) is the modern record; 2023–24 (2.0) was strong but well-managed.

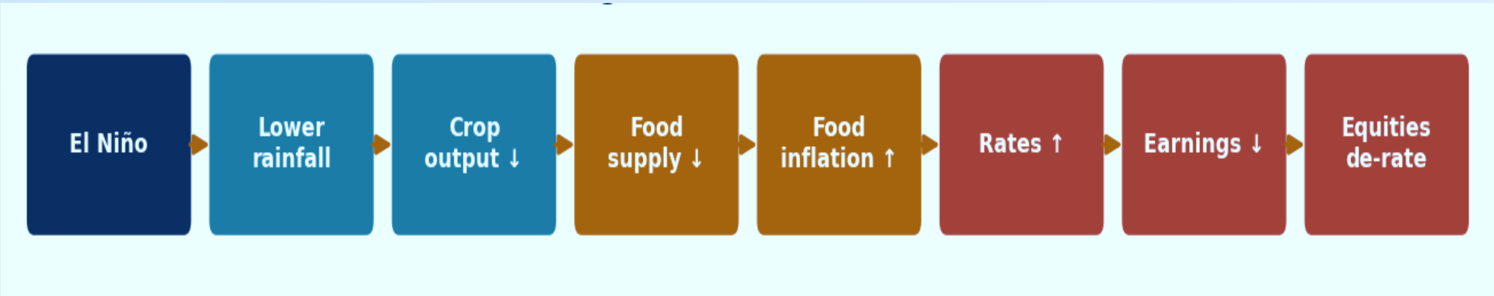
Very strong ≥2.0 · Strong 1.5–1.9 · Moderate 1.0–1.4 · Weak 0.5–0.9

WHY SRI LANKA IS VULNERABLE

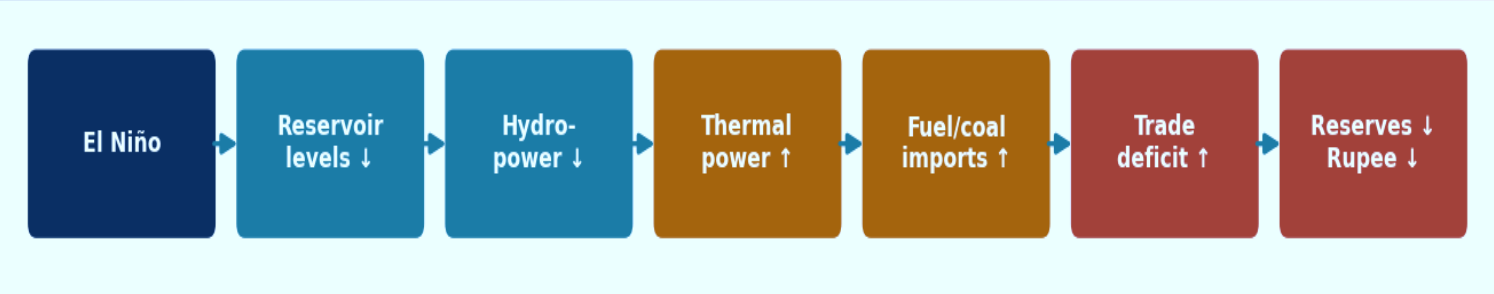
- Two monsoons drive the whole agricultural calendar
- Agriculture = 25% of jobs, dominates rural incomes
- Hydropower is 40–45% of power in good years
- Tea, rubber & coconut exports are rain-sensitive
- Thin FX reserves under the IMF programme

TRANSMISSION MECHANISM

Chain A — Food, Inflation and Rates



Chain B — Hydropower, Imports and the Rupee



The two chains compound

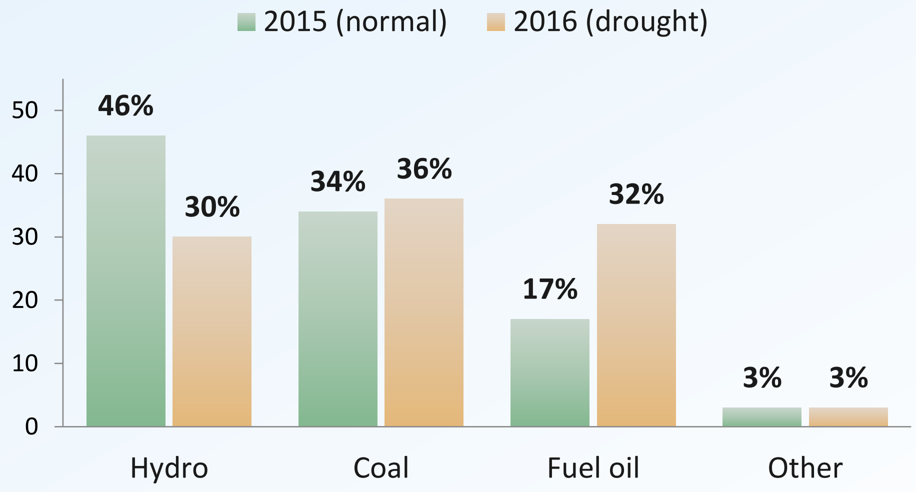
A weaker rupee (Chain B) raises the local-currency cost of imported food and fuel feeding the inflation that drives Chain A. El Niño squeezes inflation, the currency and margins at the same time.

Food is a heavy CPI weight.

Even a partial harvest failure moves headline CCPI materially, so this chain carries political as well as monetary force.

But it's a supply shock.

The CBSL cannot grow rice with rate hikes, so it may partly look through the rate response is real but not mechanical.



Hydro ~46%→30% in 2016, back-filled by imported fuel.

WHY IT BITES FASTER NOW

The 2026 Amplifier: Cost-recovery Pricing

BEFORE 2022

- Government administered fuel & power prices
- Global cost spikes absorbed on the state balance sheet
- A hydro shortfall showed up as CEB losses — not consumer inflation

UNDER THE IMF PROGRAMME

- Fuel prices reset monthly; tariffs reviewed ~half-yearly
- A drought-driven rise in thermal generation passes to household bills fast
- Same physical shock → more measured inflation, more visible pressure

Bottom line: the macro channel now transmits to the CPI far faster than in prior droughts.

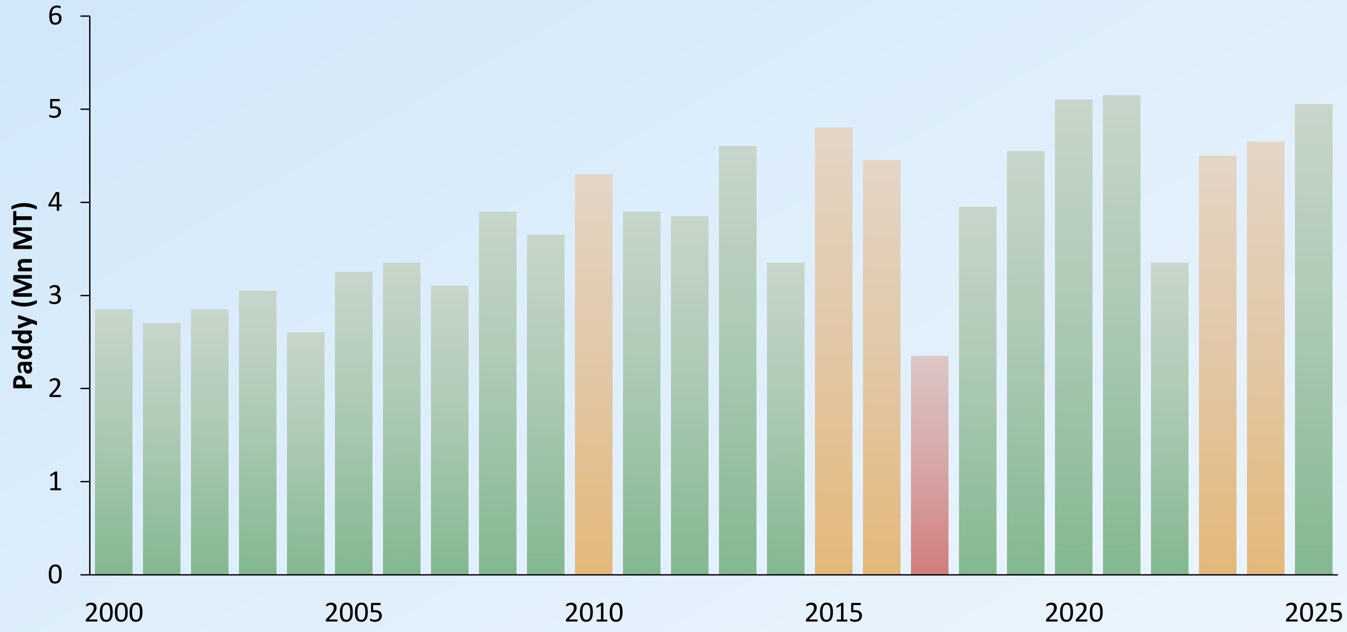
PART TWO

Macro & Market Impact

Calibrating on the one clean event — 2016–17 — across the economy and the Colombo Stock Exchange.

HISTORICAL ANALYSIS

Calibrate in 2016 –17 — The One Clean Event



Paddy collapsed 50% into 2017; the milder 2023–24 event barely dented output.

Normal year
El Niño year
2017 collapse

WHY OLDER EVENTS MISLEAD

1997–98

Very strong — but swamped by the Asian Financial Crisis

2009–10

Moderate — masked by the post-war market rally

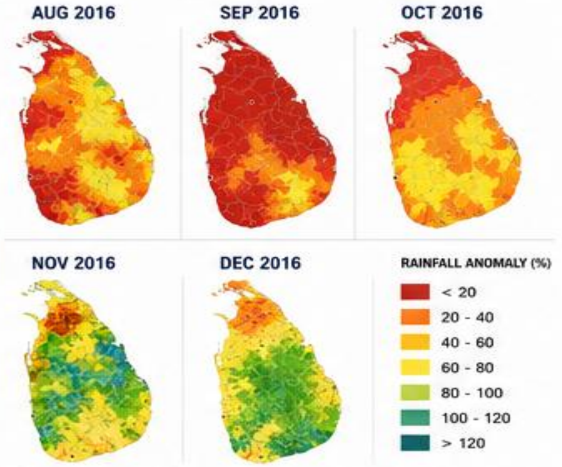
2015–16

The clean analog — no offsetting boom or crisis

EL NIÑO IMPACT IN SRI LANKA

During 2016 El Niño, Sri Lanka experienced below normal and erratic rainfall due to weak South West and North East monsoons. This led to severe drought conditions affecting water resources, agriculture, hydropower generation and livelihoods across the country.

FIGURE 01: RAINFALL ANOMALY (% OF LONG TERM AVERAGE)

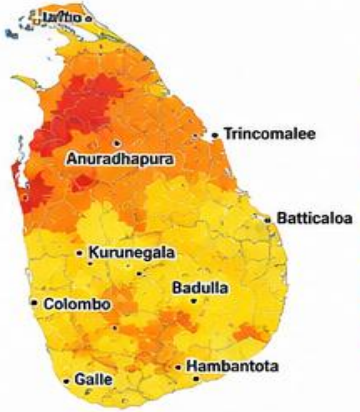


RAINFALL ANOMALY (%)

- < 20
- 20 - 40
- 40 - 60
- 60 - 80
- 80 - 100
- 100 - 120
- > 120

Most parts of the country received less than 20% of normal rainfall in September 2016.

FIGURE 02: STANDARDIZED PRECIPITATION INDEX (SPI) – DEC 2016

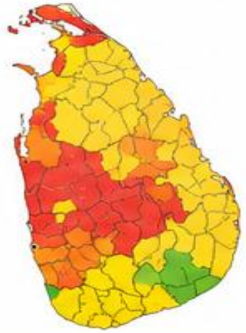


SPI CLASSIFICATION

- Extremely Wet (SPI ≥ 2.0)
- Very Wet (1.5 to 1.99)
- Moderately Wet (1.0 to 1.49)
- Near Normal (-0.99 to 0.99)
- Moderately Dry (-1.0 to -1.49)
- Severely Dry (-1.5 to -1.99)
- Extremely Dry (SPI ≤ -2.0)

Prevalent drought conditions affected the majority of the island since August 2016.

FIGURE 03: DRINKING WATER SUPPLY STATUS (DEC 2016)



STATUS

- Severe Restriction
- Slight Restriction
- Normal
- No Supply Issues

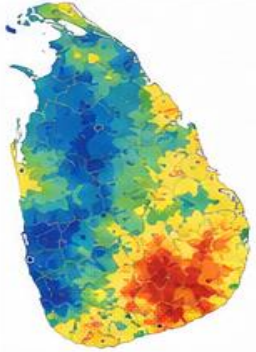
Access to drinking water was a challenge in 22 out of 25 districts.

42 million LKR was allocated for drinking water distribution in 22 districts from Sep – Dec 2016.

FIGURE 04: SOUTH WEST MONSOON RAINFALL (JUNE – SEPTEMBER 2016)

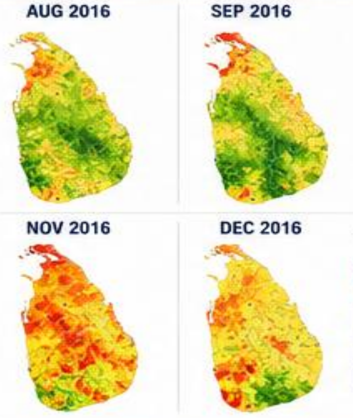
% OF AVERAGE RAINFALL

- 0 - 25 %
- 25 - 50 %
- 50 - 75 %
- 75 - 100 %
- 100 - 125 %
- 125 - 150 %
- > 150 %



More than 30% of annual rainfall is received during the South West monsoon. In 2016, a significant part of Sri Lanka received only 25–50% of the average rainfall.

FIGURE 05: VEGETATION HEALTH INDEX (VHI)



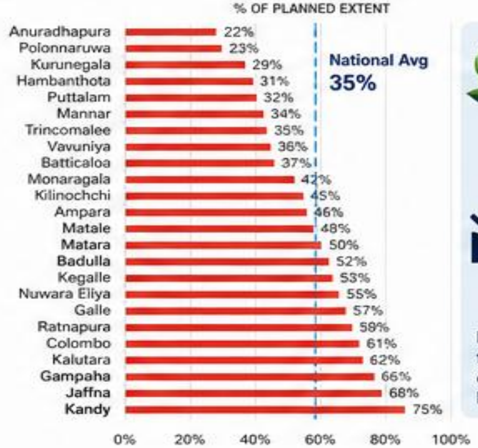
VHI

- Very Poor (0 - 15)
- Poor (15 - 35)
- Moderate (35 - 55)
- Good (55 - 75)
- Very Good (75 - 100)

The August–October drought had significant impact on vegetation health. Conditions improved slightly in November but deteriorated again in December.

Source: WFP / MODIS

FIGURE 06: MAHA 2016/17 PADDY CULTIVATION ENROLMENT BY DISTRICT (END OF NOV 2016)



Only 35% (281,910 ha) of the planned 804,838 ha was cultivated in Maha season 2016/17.

Lowest enrolment rate in the last 30 years.

Four of the top five rice producing districts cultivated less than 35%.

Source: Department of Agriculture

FIGURE 07: RESERVOIR WATER STATUS (22 DEC 2016)

RESERVOIR TYPE	NO. OF RESERVOIRS	CAPACITY (MCM)	CURRENT WATER (MCM)	% OF CAPACITY
MAJOR RESERVOIRS	73	3,593	1,040	29%
MEDIUM RESERVOIRS	220	616	186	30%

- Total water in major reservoirs is only 29% of capacity (1,040 MCM out of 3,593 MCM).
- Maha season requires approximately 2,220 MCM.
- Carry over capacity for Yala 2017 should exceed 50%. With current levels, only ~200,000 ha expected to be cultivated in Yala 2017 (about 50% of normal extent).

Source: Department of Irrigation

FIGURE 08: AFFECTED POPULATION (DEC 2016)

915,000+ people affected in 23 out of 25 districts

MOST AFFECTED PROVINCES

KEY IMPACTS

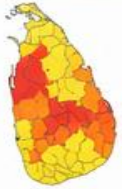
- Lack of drinking water
- Low crop production
- Income loss & indebtedness

MOST AFFECTED DS DIVISIONS

- **Polonnaruwa:** Welikanda, Lankapura, Dimbulagala, Medagama, Bibile
- **Mannar:** Musali
- **Puttalam:** Vanathavilluwa
- **Kurunegala:** Rasnayakepura
- **Trincomalee**
- **Ampara:** Mahawewa
- **Hambanthota:** Katuwana

PRIORITY AREAS (FOR EARLY RESPONSE)

- Priority 1 (Highest)
- Priority 2
- Priority 3



The Macro Shock is Coherent and Sequential

−0.3 to −1.0pt	+2 to +5pt	46%→30%	~−20%
GDP growth drag	inflation add (food-led)	hydro share of power	reserves drawdown (mod.)

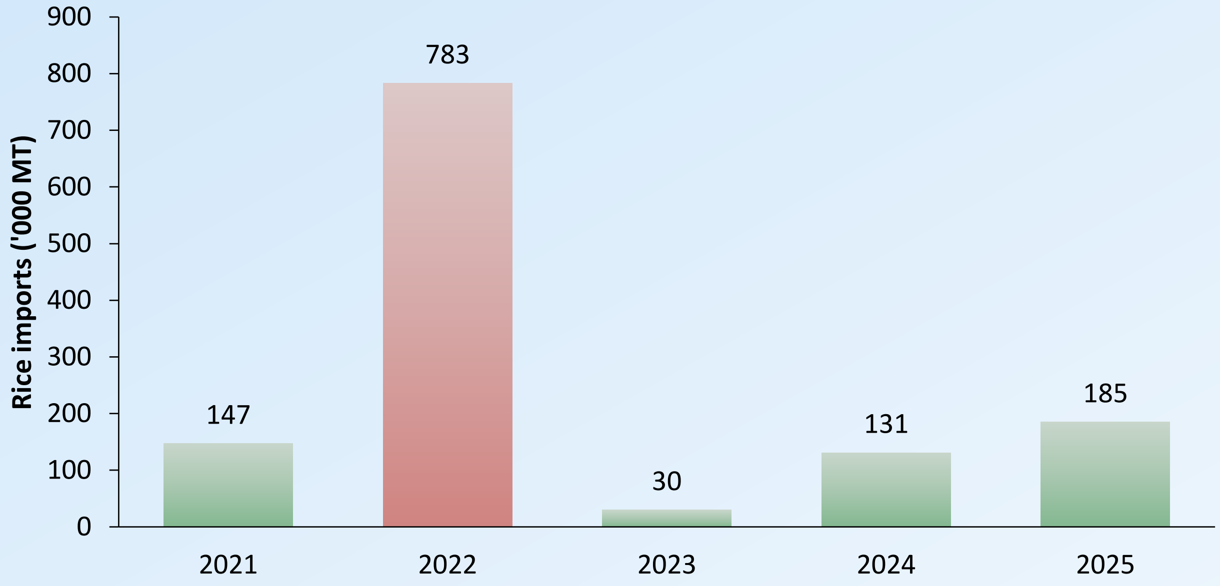
First: output & food inflation

- Lower paddy, tea & coconut output tightens supply
- Food-heavy NCPI surged: YoY −0.7%→+8.6% (Jan-16→Mar-17)
- Coconut lags 6–12 months (the 2024 dip)
- CBSL tightened: policy rates +125bp, T-bills +300bp (2016–17)

Then: the external squeeze

- Fuel + food imports widen the trade deficit
- Reserves drawn down; rupee under pressure (300/$ vs 150/$ in 2016)
- Fiscal strain: relief, subsidies, CEB support vs IMF targets
- Buffers now: solar 9–10% of grid; stable remittances

Imports Surge to Cover the Shortfall



Rice imports spike in shortfall years (2022 reflects the crisis + drought aftermath).

2016 → 2017 IMPORT BILL (US$ Mn)

Rice & cereals	22 → 314	**+14×**
Fuel & energy	2,481 → 3,428	**+38%**
Coal	197 → 261	**+33%**
Combined rise		**+US$1.8bn**

Energy — not food — is the larger, more variable channel in absolute dollars.

AT A GLANCE

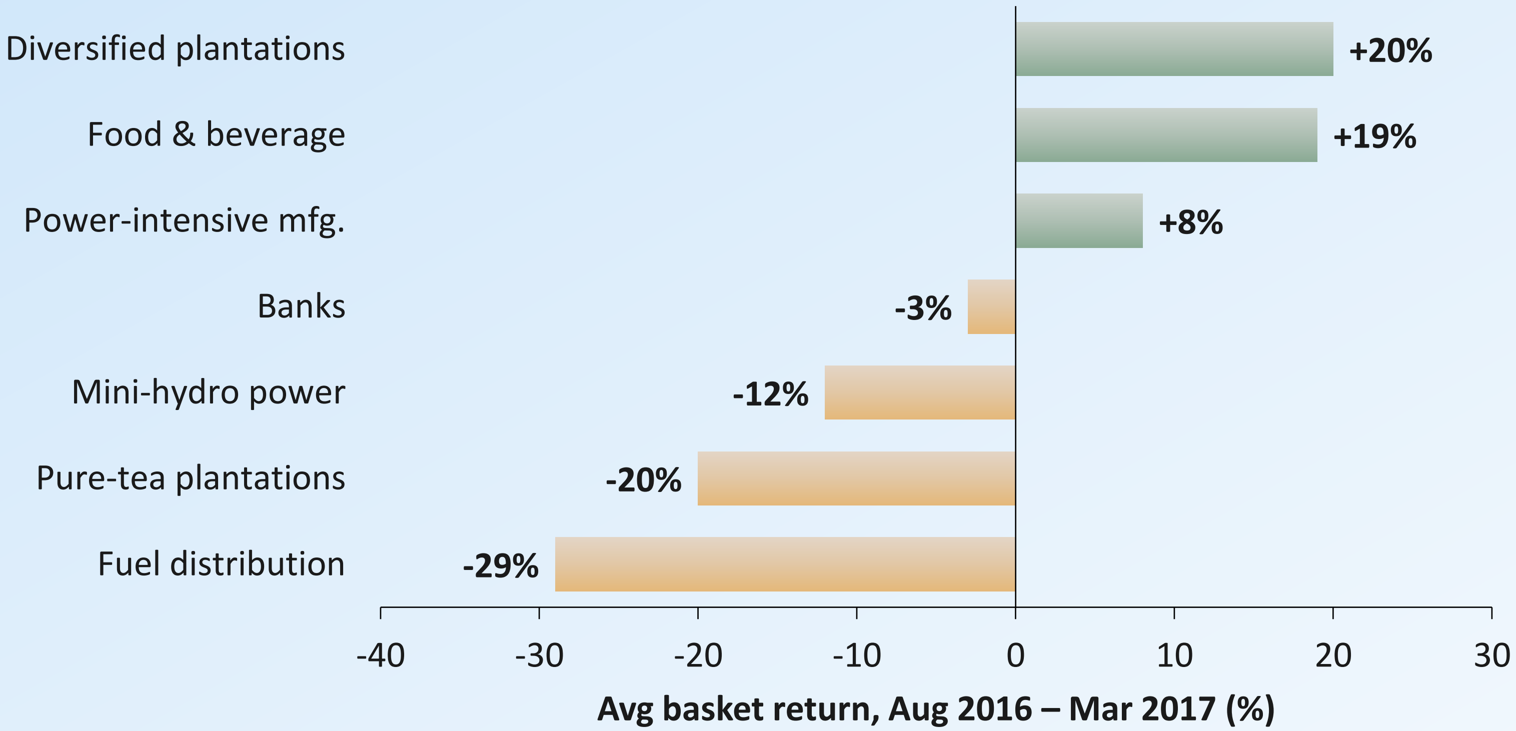
Macro - Indicator Dashboard

Indicator	Normal	Under El Niño	Impact
GDP growth	On trend	Slower	Negative
Headline inflation	Stable	Rises (food-led)	Negative
Policy / lending rates	OPR 7.75%	Higher / longer	Negative
Exchange rate (LKR)	Stable	Depreciation	Negative
Foreign reserves	~US$6.9bn	Drawn down	Negative
Paddy output	Full seasons	Falls (to −50%)	Negative
Hydropower share	40–45%	Falls to ~30%	Negative
Electricity cost	Baseline	Rises	Negative
Solar output	Baseline	Rises (dry/sunny)	Positive
Remittances	Baseline	Broadly stable	Stabiliser
ASPI / equities	Baseline	De-rate	Negative

Almost every arrow points the same way — the two non-negative rows (solar, remittances) are the structural buffers softening 2026–27.

SECTOR-WISE IMPACT

The Key Finding: The Drought Signal is Dispersed



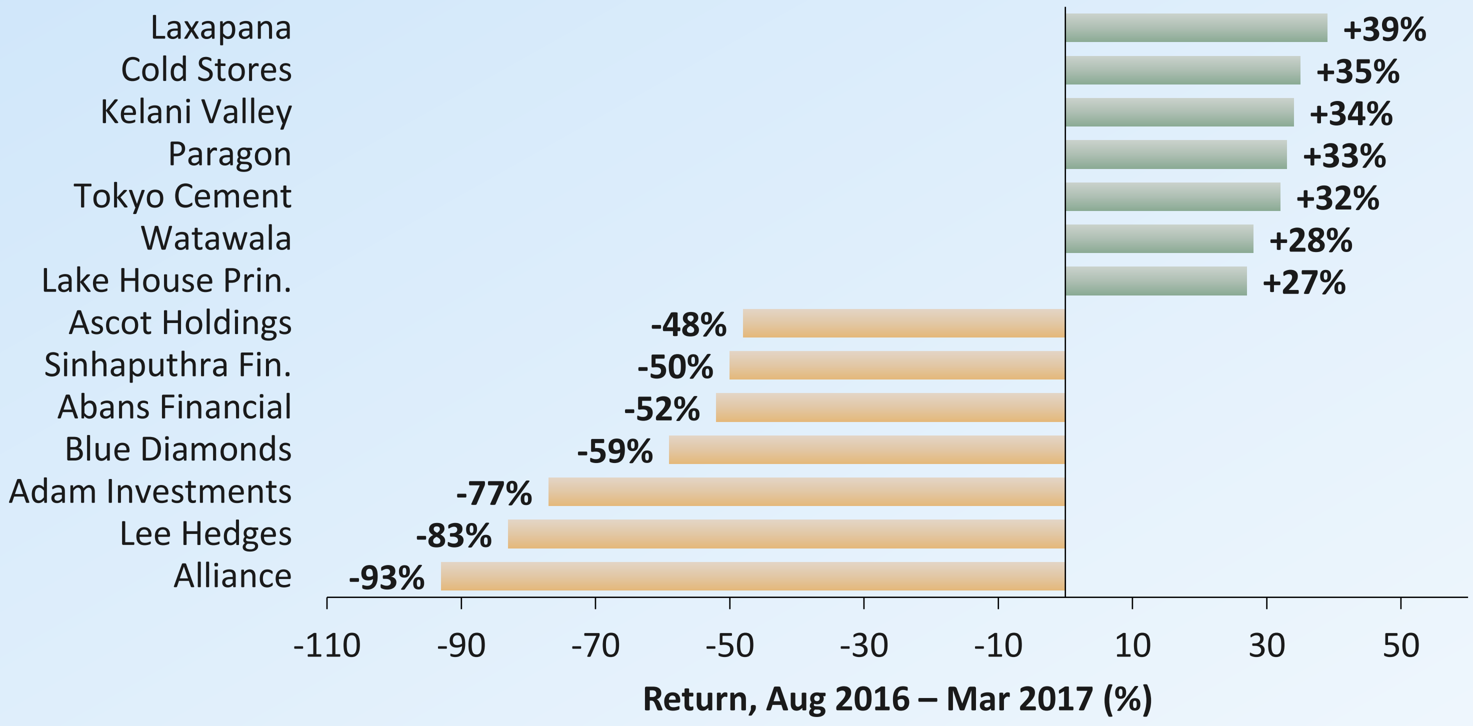
BUY THE MECHANISM, NOT THE LABEL

- Fuel distribution — the thesis's supposed winner — fell hardest (−29%).
- Diversified plantations rose +20% while pure-tea estates fell −20%.
- A company's revenue driver matters more than its sector tag.

Sector Bias — Grounded in Observed 2016 – 17 Moves

+ Positive	**Diversified plantations**	Non-tea revenue cushions yield loss
+ Positive	**Food & beverage**	Pricing power passes input inflation on
Mixed	**Power-intensive mfg.**	Tariff headwind vs. company-specific demand
Neutral	**Banks**	Rate tailwind vs. rural asset-quality risk
– Negative	**Mini-hydro power**	Revenue is mechanically rainfall-linked
– Negative	**Pure-tea plantations**	Volume & quality hit; price offset lags
– Negative	**Fuel distribution**	Retail margins squeezed despite demand

Winners & Losers: Dispersion at The Stock Level

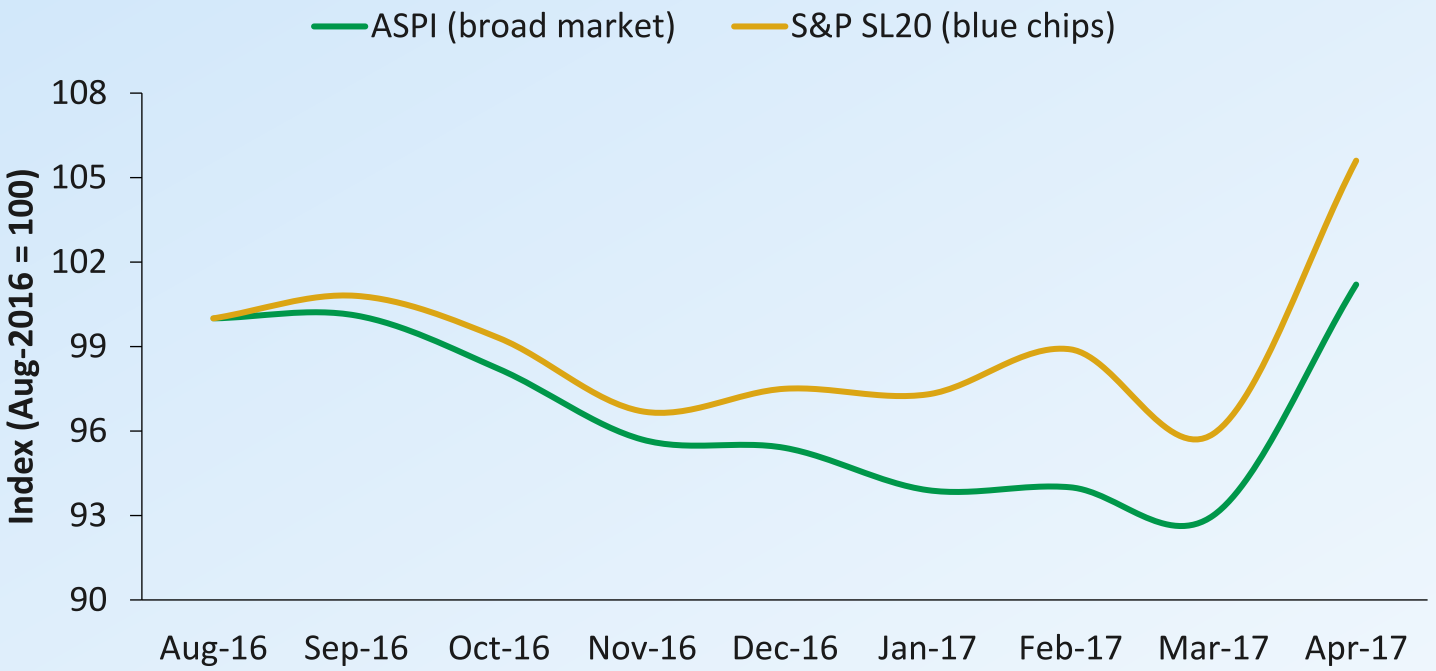


WITHIN ONE 'SECTOR'

Kelani Valley *diversified estate*	+34%
Watawala *palm-oil / consumer*	+28%
Talawakelle *pure high-grown tea*	−10%
Kotagala *leveraged pure tea*	−39%
Vidullanka *mini-hydro*	−12%
Lanka IOC *fuel-retail margin*	−21%

Spread of 73 points — from −39% to +34% — inside the plantation label.

An Orderly De-Rating — With Defensive Blue Chips



ASPI vs S&P SL20, rebased to Aug-2016. Blue chips lost far less.

~84%

of stocks fell (median −14%)

13.5x → 11.9x

market PER de-rated

Not a crash — a slow-burn supply shock.
Expect wide dispersion a thesis-driven investor can harvest through relative positioning, not a market call.

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PETTAH MARKET · COLOMBO · WEEK-ENDING REPORTS

When the *rains failed*.

A strong El Niño parched Sri Lanka through 2016, wilting the Maha and Yala harvests. These are Pettah market food prices across nine week-ending reports — July 2016 to March 2017.

+114%

coconut, retail, over the window

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Source: Pettah market average retail & wholesale prices · fish via Fisheries Trade Centre, Peliyagoda

THE PRICE BOARD, AT A GLANCE

El Niño, Measured from the Peak

July 2016 was the drought's high-water mark for produce. Measured from that peak, most vegetables had normalized by March 2017 — while the crops with a lag, rice and coconut, kept climbing.

STEEPEST RISE

+114%

Coconut

STEEPEST FALL

-50%

Cabbage

ENDED DEARER

5 / 21

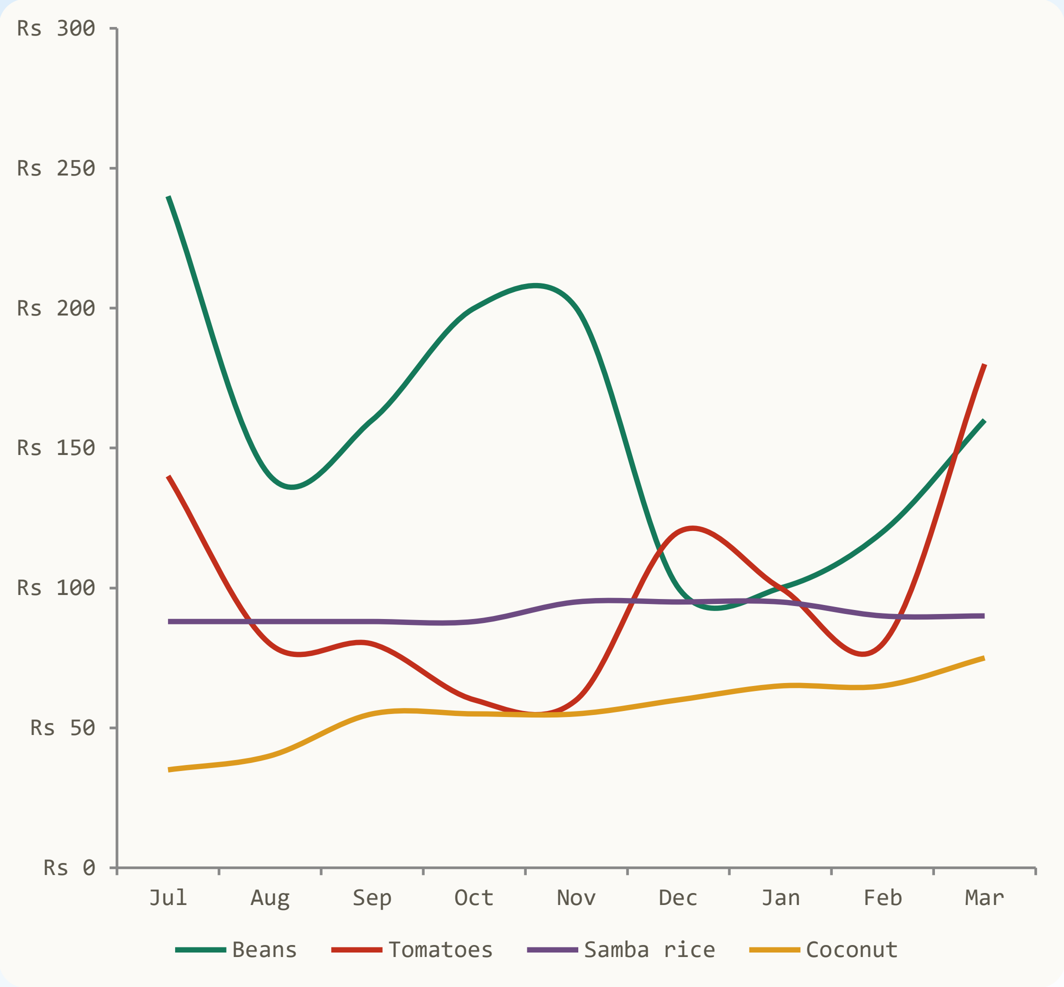
items vs Jul '16

WINDOW

9 mo

Jul '16 → Mar '17

Retail, Rs · four marquee items



CATEGORY

Rice: The Slow Burn

Paddy is a lagging crop. As the drought's toll on the Maha harvest fed through the supply chain, both Samba and red Kekulu climbed steadily into January 2017 — the clearest delayed signal of El Niño anywhere on the table — before easing as the new harvest landed.

Samba rice

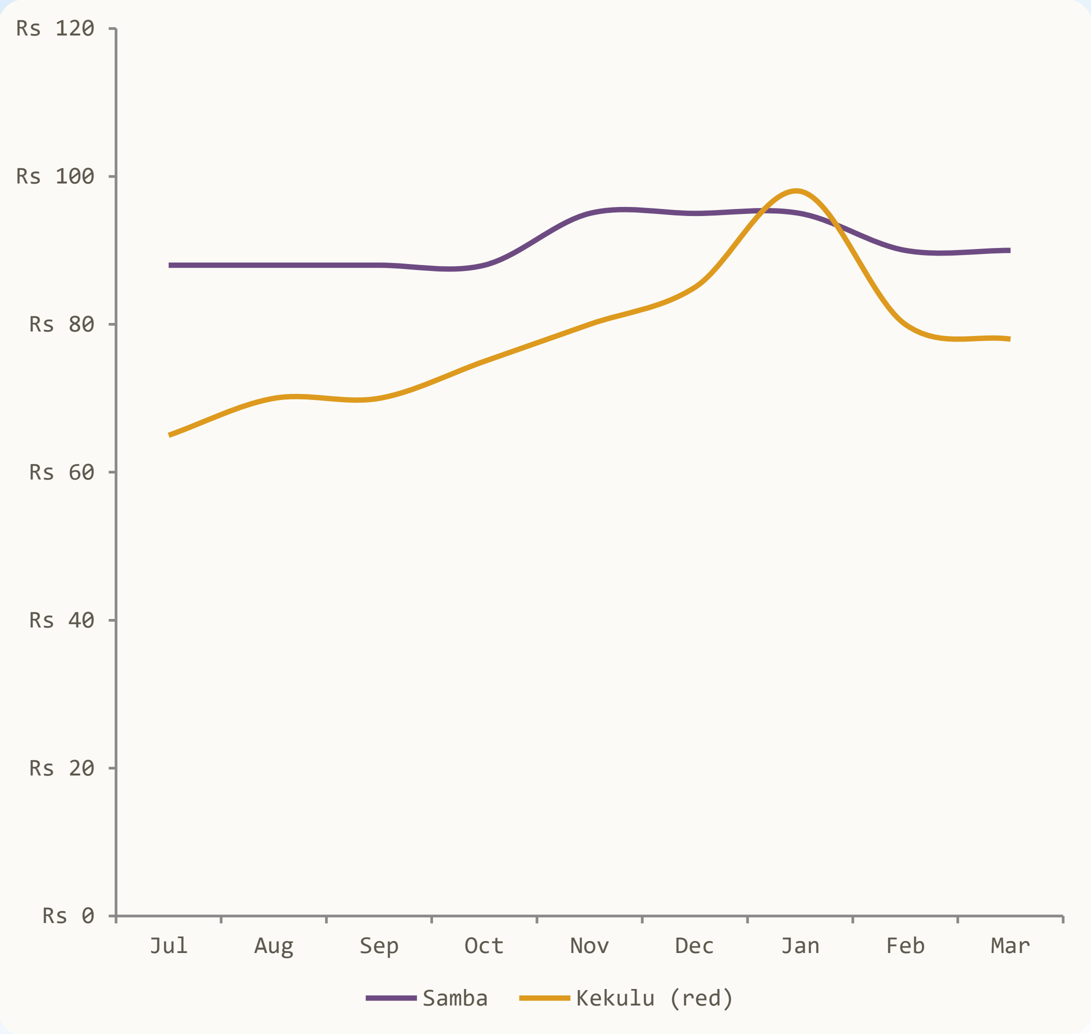
▬ +2%

Kekulu (red)

▲ +20%

Red rice peaked at Rs 98/kg in January 2017 — a fifth above its July level even as vegetables were falling.

Retail price, Rs per kg



CATEGORY

Vegetables: Peak & Relief

The loudest story on the table. Vegetables were extraordinarily dear at the drought's peak in mid-2016 — beans at Rs 240, carrots and pumpkin at Rs 160 — then fell hard through autumn as rains and fresh planting restored supply. A short tomato spike in early 2017 shows how quickly a dry spell still bites.

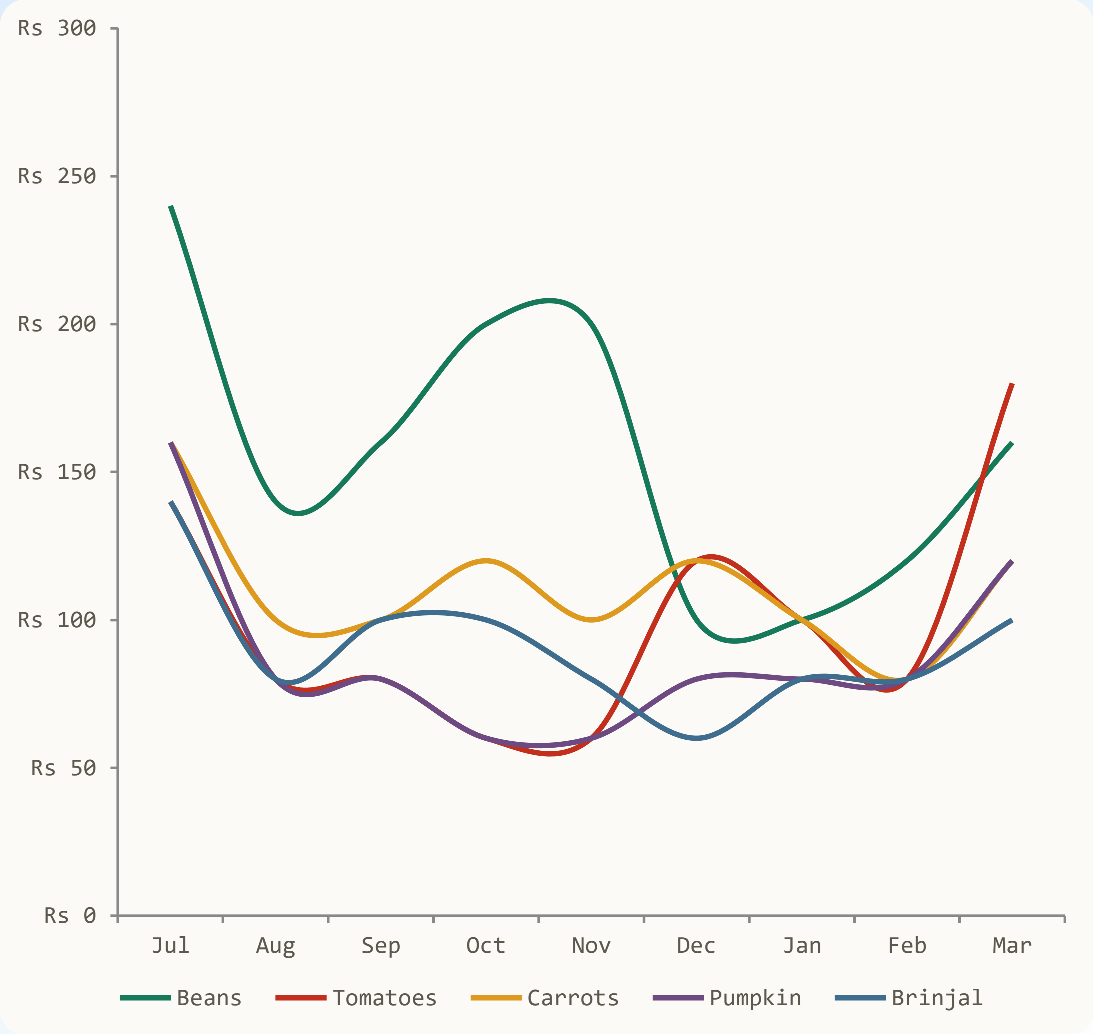
Beans
▼ -33%

Tomatoes
▲ +29%

Carrots
▼ -25%

Measured from July's peak, five of six vegetables ended cheaper — the drought premium unwinding.

Retail price, Rs per kg



CATEGORY

Roots & Pantry: A Split Screen

Home-grown staples leaned up with the dry weather — potatoes and especially coconut, which rose almost every single week. Imported staples went the other way: dried chilies and dhal eased steadily as overseas supply and the rupee did their work.

Coconut (each)

▲ +114%

Potatoes

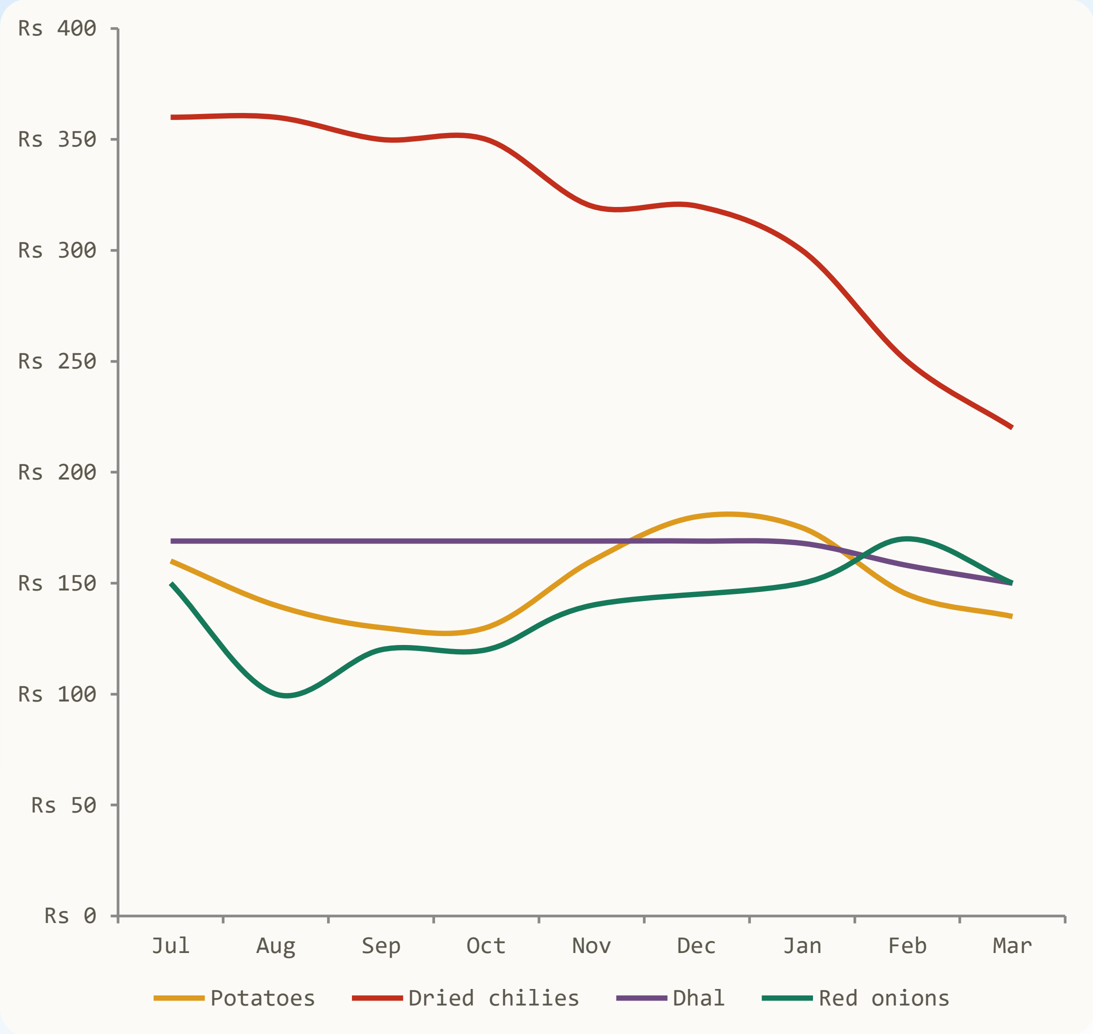
▼ -16%

Dried chilies

▼ -39%

Coconut climbed Rs 35 → 75 each (+114%) — the standout local casualty of the drought.

Retail price, Rs per kg



CATEGORY

Fish: The Control Group

Sea prices answer to weather and fuel more than to drought, so the fish lines are choppier and lack the produce narrative. They're a useful check: the dip-and-recover pattern here is noise, not El Niño — which makes the steady rice and coconut climbs above stand out all the more.

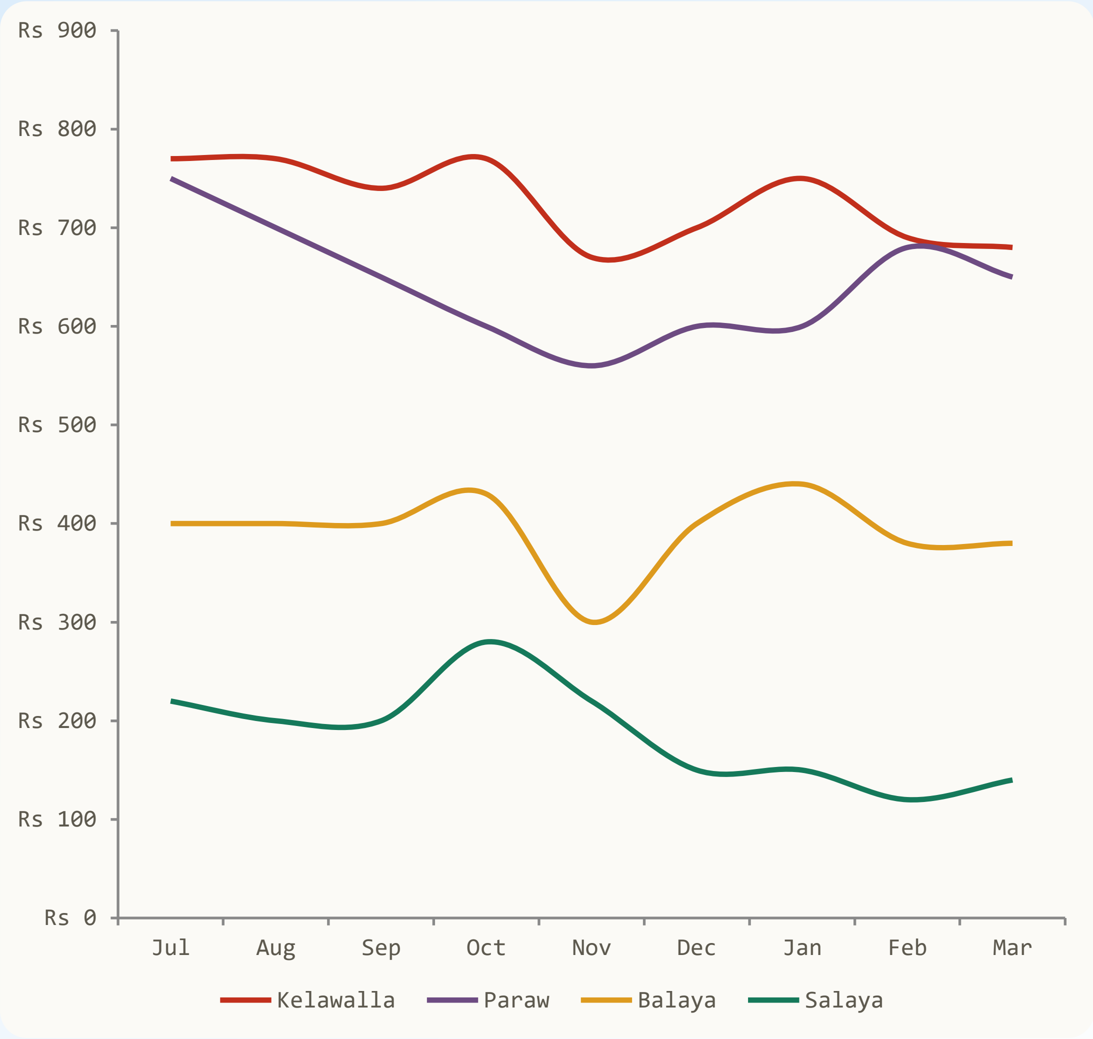
Kelawalla
▼ -12%

Paraw
▼ -13%

Salaya
▼ -36%

November's fuel-and-weather dip aside, fish returned close to where it started — no lasting drought trend.

Retail price, Rs per kg



WHAT THE PRICE BOARD SAYS

Four Things El Niño did to the Basket

Vegetables spiked, then relaxed

Produce was dearest at the mid-2016 peak and mostly unwound by spring 2017.

Rice climbed on a lag

Paddy's drought hit arrived late — Samba and red rice rose into January 2017.

Coconut was the quiet casualty

A steady, relentless +114% retail — the clearest home-grown drought signal.

Imports cushioned the shock

Dried chilies and dhal eased throughout, softening the overall food bill.

Source : Pettah market, weekly week-ending prices · July 2016 – March 2017 · Rupees

LISTED COMPANIES IN FOCUS

Listed Companies in Focus

Agri-inputs & food: CIC · Agstar · Renuka Agri Foods · Ceylon Grain Elevators · Three Acre Farms

Consumer & diversified: Ceylon Cold Stores · Hayleys · Richard Pieris Exports

Renewable power: Vidullanka · Resus Energy · Lotus Hydro · Vallibel Power Erathna · WindForce

Plantation Sector

LISTED COMPANY IN FOCUS ·

CIC HOLDINGS PLC

Integrated Agri conglomerate — Rev Rs 91.8bn, PBT Rs 11.4bn (FY2025/26); JKH equity-accounted associate.

58% of revenue is weather-sensitive

62% of inputs imported (FX-exposed)

Rs 53bn revenue at risk in a 2016-style drought

EXPOSURE — SEGMENTS & GEOGRAPHY

Crop Solutions — 41% rev · High
Livestock — 22% rev · High
Agri Produce — 7% · Highest (direct)
Health & Personal Care — 21% · Low
Industrial — 10% · Moderate

Factories sit in the wet-zone Western corridor (Gampaha / Colombo) — low direct risk. But the production farms AND the farmer customer base are in the Dry Zone (Polonnaruwa, Anuradhapura, Kurunegala, Puttalam). Exposure is demand-led, not asset-led.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Dry-zone farm income falls
▼
Agri-input demand ↓ · feed & fuel imports ↑ (FX)
▼
Hydropower ↓ → thermal energy costs ↑
▼
CIC margin & working-capital pressure

RISKS

- Agri-input demand slump (Crop = 41% of rev)
- Import / feed cost inflation as rupee weakens
- Thermal-shift energy costs when hydro fails

OPPORTUNITIES

- Drought-tolerant & hybrid seed demand
- Soil-health inputs + water-management upsell
- 5MW solar + defensive Health / JKH earnings

Net read: a margin & working-capital event, not existential — CIC is an adaptation play. Watch agri-input volumes, the rupee / feed-import bill, and the hydro-vs-thermal generation mix.

LISTED COMPANY IN FOCUS ·

CEYLON COLD STORES PLC

Elephant House manufacturing + Keells supermarkets — Group Rev ~Rs 185bn (FY2025/26); a JKH-group company.

Rs 38bn Elephant House mfg — heat-sensitive demand upside

~50% cumulative electricity-tariff hikes — cold-chain cost

147 Keells outlets islandwide — produce & energy exposure

EXPOSURE — SEGMENTS & GEOGRAPHY

Manufacturing (Elephant House) — 21% rev · demand UP in heat
Supermarket (Keells / JMSL) — 79% rev · mixed

Factories at Ranala & Seethawaka (Colombo, wet zone) — low physical risk but water- & energy-intensive. 147 Keells outlets islandwide, incl. dry-zone towns. Exposure is cost- & supply-led, not asset damage.

HOW EL NIÑO TRANSMITS

Hot / dry El Niño weather
▼
Beverage & ice-cream demand ↑ (tailwind)
▼
BUT hydropower ↓ → electricity tariffs ↑ (cold chain)
▼
Dairy · sugar · ginger · fruit input costs ↑
▼
Keells fresh-produce supply & wastage ↑
▼
Net: mixed — demand up, margins squeezed

RISKS

- Electricity-tariff & cold-chain cost inflation
- Dairy / sugar / ginger / fruit input costs rise
- Keells produce supply, wastage & food inflation

OPPORTUNITIES

- Hot weather lifts CSD, water & ice-cream volumes
- Bottled-water demand spikes in drought / disruptions
- Rooftop solar (18% of energy) + pricing power hedge

Net read: more defensive than agri names — El Niño's heat lifts beverage & ice-cream demand, partly offsetting higher energy and input costs. Watch electricity tariffs, dairy / sugar / ginger prices, and Keells fresh-produce wastage.

LISTED COMPANY IN FOCUS ·

AGSTAR PLC

Pure-play agri-inputs — fertiliser, crop care & seeds; Group Rev Rs 9.5bn (FY2024/25).

82% of revenue is fertiliser — pure farm-demand exposure

Rs 9.5bn group revenue, +25% YoY (FY24/25)

PBT – Rs368m loss-making — minimal margin buffer

EXPOSURE — SEGMENTS & GEOGRAPHY

Fertiliser — 82% rev · High
Crop care (agrochem) — 12% · High
Seeds — 2% · High

Blending & warehouses at Ekala / Ja-Ela (Gampaha, wet zone) — low physical risk. The customer base is Dry-Zone farmers (Polonnaruwa, Anuradhapura, Dambulla). Exposure is almost entirely demand-led.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Dry-zone farm income & planting fall
▼
Fertilizer, agrochemical & seed demand ↓
▼
Imported fertilizer cost ↑ on weaker rupee
▼
Inventory build-up & working-capital strain
▼
Loss-making base amplifies margin stress

RISKS

- Agri-input demand slump (82% fertiliser)
- Imported-fertiliser cost inflation on FX
- Thin / negative margins leave no buffer

OPPORTUNITIES

- Recovery years drive restocking demand
- Drought-tolerant seed & soil-health products
- Pricing pass-through when supply is scarce

Net read: the most El Niño-geared name here — a near pure-play on Dry-Zone farmer demand with a loss-making base and little margin buffer, giving the highest earnings sensitivity to a drought.

LISTED COMPANY IN FOCUS ·

CEYLON GRAIN ELEVATORS PLC

Animal feed & poultry (Prima group) — feed = 85% of revenue; EPS Rs 57.68 (FY2025).

85% of revenue from feed milling & farming

+43% EPS growth (Rs 57.68 vs 40.28)

Maize-led feed cost — drought & FX exposed

EXPOSURE — SEGMENTS & GEOGRAPHY

Feed milling & farming — 85% rev · High
Poultry breeding & commercial — 11% · High
Other — 4%

Feed mill at Seeduwa (Gampaha); farms around Chilaw (Puttalam); grain imported via Colombo port. Factories are wet-zone — feed-grain sourcing and poultry demand carry the risk, not asset damage.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Local maize crop falls; import reliance ↑
▼
Feed-grain (maize / soya) costs ↑ on FX
▼
Poultry heat stress → mortality, lower output
▼
Feed & day-old-chick demand softens
▼
Margin squeeze on feed spreads

RISKS

- Maize / soya feed-cost inflation (drought + FX)
- Poultry heat stress cuts bird performance
- Weaker rural demand for feed & chicks

OPPORTUNITIES

- Vertical integration cushions feed spreads
- Import scale & port access secure supply
- Pricing power as a market leader

Net read: exposed via feed-grain costs and poultry heat stress, but scale, vertical integration and import logistics make it more resilient than the pure agri-input names.

LISTED COMPANY IN FOCUS ·

THREE ACRE FARMS PLC

Upstream poultry — broiler & layer Day-Old Chicks (Prima / CGE group); Rev Rs 6.18bn (FY2025).

Rs 6.18bn revenue, broadly flat YoY (FY2025)

Breeder farms — heat & hatchability risk

Feed-led cost base — grain & FX exposed

EXPOSURE — SEGMENT & GEOGRAPHY

Broiler Day-Old Chicks · High
Layer Day-Old Chicks · High
Upstream poultry (Prima / CGE group)

Breeder & hatchery farms in the wet / intermediate zone (Horana, Kalutara). Heat stress hits hatchability and chick quality; demand tracks the broiler / egg cycle, and feed grain is the main cost.

HOW EL NIÑO TRANSMITS

El Niño heat & drought
▼
Breeder heat stress → hatchability, mortality ↑
▼
Feed-grain (maize) costs ↑ on drought + FX
▼
Live-bird & egg prices turn volatile
▼
Small farmers cut chick placements
▼
Volume + margin pressure

RISKS

- Breeder-flock heat stress cuts hatch rates
- Feed-cost inflation squeezes economics
- Cautious farmer placements cut DOC demand

OPPORTUNITIES

- Climate-controlled housing lifts resilience
- Group integration (CGE feed) secures inputs
- Recovery in bird prices lifts placements

Net read: directly heat-exposed at the breeder-farm level and feed-cost sensitive — a leveraged play on the poultry cycle, partly cushioned by group vertical integration.

RICHARD PIERIS EXPORTS PLC

Value-added rubber / polymer product exporter; Group turnover Rs 7.25bn, FX earnings US$22m (FY2024/25).

US$22m FX export earnings — weak-rupee upside

Rs 7.25bn group turnover, +2% YoY (FY24/25)

PBT −Rs251m group loss — cost & demand pressure

EXPOSURE — SEGMENT & GEOGRAPHY

Value-added rubber & polymer exports · Moderate
End-demand is global, not local

Rubber sourced from Kegalle-area estates (Sabaragamuwa); factories at Biyagama EPZ / Ja-Ela (Gampaha). Because sales are exports, local weather touches raw-material inputs and energy — not end demand.

HOW EL NIÑO TRANSMITS

El Niño weather
▼
Rubber latex yield & prices shift (dry spells)
▼
Raw-rubber input cost & availability vary
▼
Energy / thermal costs ↑ if hydropower fails
▼
BUT weaker rupee lifts export margins (FX)
▼
Net: mixed — inputs & energy vs FX tailwind

RISKS

- Rubber / latex supply & price volatility
- Energy-cost inflation in processing
- Global demand & freight-cost swings

OPPORTUNITIES

- Weaker rupee boosts export competitiveness
- Diversified polymer inputs cut rubber reliance
- Value-added product mix lifts margins

Net read: the least El Niño-sensitive name here — an exporter where a weaker rupee is a tailwind; local weather touches rubber inputs and energy costs, not end demand.

LISTED COMPANY IN FOCUS ·

RENUKA AGRI FOODS PLC

Coconut-based agri foods — manufacturing & plantations; Group Rev ~Rs 7.1bn (FY2025).

~Rs 7.1bn group revenue (FY2025)

Loss Rs 241m after tax — minimal buffer

9–12 mth lag: coconut output falls after drought

EXPOSURE — SEGMENT & GEOGRAPHY

Coconut products: milk, water, DC, oil · Highest
Plantations + manufacturing — 100% agri

Processing & estates in the coconut triangle (Puttalam, Dankotuwa) plus Galle. Directly exposed: El Niño drought cuts nut yields with a 9 - 12 month lag and spikes kernel prices, hitting own plantations first.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Coconut nut yields fall (9–12-month lag)
▼
Kernel / nut input prices spike
▼
Own-plantation output & factory throughput ↓
▼
Export volumes & margins compressed
▼
Loss-making base amplifies the earnings hit

RISKS

- Coconut yield collapse & price spikes
- Own-plantation output & throughput fall
- Loss-making base leaves no buffer

OPPORTUNITIES

- Higher coconut prices lift realisations later
- Value-added mix (coconut water) aids margin
- Weaker rupee supports export competitiveness

Net read: with Agstar, the most drought-exposed name — coconut yields fall hard after El Niño with a 9–12 month lag, and a loss-making base amplifies the earnings hit.

LISTED COMPANY IN FOCUS ·

HAYLEYS PLC

Sri Lanka's largest diversified conglomerate — 14 verticals; Consolidated Rev Rs 585bn (+19%, FY2025/26).

Rs 585bn consolidated revenue, +19% YoY

14 industry verticals — broad diversification

Mixed agri/plantation pockets vs non-agri buffer

EXPOSURE — SEGMENTS & GEOGRAPHY

Agriculture (seeds, agrochem) · High
Plantations (tea, rubber, palm) · Moderate
Purification (coconut-shell carbon) · Moderate
Gloves, textiles, logistics · Low

Estates in the hill/wet zone (Talawakelle, Kelani Valley, Horana); agri serves Dry-Zone farmers; Haycarb needs coconut-shell supply. Group scale dilutes weather risk.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Tea, rubber & coconut yields dip
▼
Agri-input demand softens (dry-zone farmers)
▼
Coconut-shell charcoal supply tightens (Haycarb)
▼
BUT gloves, textiles & logistics unaffected
▼
Net: modest, sector-specific drag only

RISKS

- Plantation & coconut-linked input pressure
- Agri-input demand dip in drought years
- Hydro / energy cost exposure in power arm

OPPORTUNITIES

- Diversification buffers any single shock
- Agri arm sells drought-tolerant solutions
- Global footprint offsets local weather

Net read: too diversified for El Niño to move the needle at group level — weather pressures a few sectors (plantations, agri, purification) that non-agri verticals easily absorb.

LISTED COMPANY IN FOCUS ·

VIDULLANKA PLC

Renewable IPP — mini-hydro + solar, incl. overseas (Uganda); Rev Rs 5.4bn, Output 198.7 GWh (FY2025).

51 MW installed renewable capacity

198.7 GWh output — fell from 215 GWh

Hydro+solar mix — partial weather hedge

EXPOSURE — SEGMENTS & GEOGRAPHY

Mini-hydro generation · High (rainfall-linked)
Solar generation · Low (dry-season upside)
Overseas hydro (Uganda) · diversifies

Local hydro plants sit in wet-zone catchments (Sabaragamuwa / Central). El Niño drought cuts run-of-river output directly; solar and the Uganda hydro asset partly offset the shortfall.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Catchment rainfall & river flows fall
▼
Run-of-river hydro generation ↓ (revenue-linked)
▼
Output already fell 215 → 199 GWh
▼
BUT clearer skies lift solar yield
▼
Net: hydro hit, softened by solar & Uganda

RISKS

- Lower rainfall cuts hydro generation & revenue
- Output & PAT volatility across wet / dry years
- Grid curtailment / tariff risk

OPPORTUNITIES

- Solar generation rises in dry, clear conditions
- Overseas hydro (Uganda) diversifies weather
- Capacity growth (51 MW and rising)

Net read: directly rainfall-exposed on hydro, but a solar + overseas mix makes Vidullanka the most diversified of the pure renewables here.

LISTED COMPANY IN FOCUS ·

RESUS ENERGY PLC

Small-hydro + solar IPP — 30 MW portfolio; Generation 62.3 GWh, turnover ~Rs 1.2bn (+11%, FY2024/25).

30 MW 16 MW hydro + 14 MW solar

62.3 GWh generation (FY24/25)

≈50/50 hydro-solar split — built-in hedge

EXPOSURE — SEGMENTS & GEOGRAPHY

8 small-hydro stations (16 MW) · High
3 solar PV stations (14 MW) · Low

Hydro plants on wet-zone rivers; solar plants in the dry zone. The near-even hydro/solar split means a drought that cuts hydro tends to coincide with strong solar — a natural hedge.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
River flows & hydro generation ↓
▼
Hydro revenue (16 MW) falls
▼
BUT clear dry skies lift solar output (14 MW)
▼
Solar partly offsets the hydro shortfall
▼
Net: muted — the mix cushions the blow

RISKS

- Drought cuts hydro generation & revenue
- Rainfall-driven earnings volatility
- Grid / tariff & curtailment risk

OPPORTUNITIES

- Solar rises exactly when hydro falls (hedge)
- Continued portfolio growth (4x in 9 yrs)
- 11 stations reduce single-site risk

Net read: a naturally hedged renewable — the ~50/50 hydro-solar split means El Niño's drought hits hydro but simultaneously boosts solar, muting the earnings impact.

LISTED COMPANY IN FOCUS ·

LOTUS HYDRO POWER PLC

Pure small-hydro IPP — 4 run-of-river plants, 4.9 MW; Revenue Rs 257m; Generation ~15.4 GWh (FY2024/25).

4.9 MW across 4 run-of-river plants

15–19 GWh generation swings on rainfall

100% hydro — no weather hedge

EXPOSURE — SEGMENT & GEOGRAPHY

4 run-of-river hydro plants · Highest
100% rainfall-dependent generation

Small plants on wet-zone rivers (Sabaragamuwa / Central catchments). With no solar or wind to offset, generation and revenue track rainfall almost one-for-one.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Catchment rainfall falls
▼
Run-of-river flows drop
▼
Generation falls (swings ~15–19 GWh)
▼
Revenue falls near one-for-one (100% hydro)
▼
Net: the most rainfall-geared name here

RISKS

- Drought cuts generation & revenue directly
- No solar / wind hedge — full exposure
- Small scale magnifies earnings swings

OPPORTUNITIES

- Wet years drive strong output & cash
- Low fuel cost / clean-energy tariffs
- Optionality to add solar for balance

Net read: the purest El Niño short in the deck — 100% run-of-river hydro with no offset, so a drought flows straight through to generation and revenue.

LISTED COMPANY IN FOCUS ·

VALLIBEL POWER ERATHNA PLC

Mini-hydro (10 MW Erathna) diversifying into utility-scale solar; Group Rev Rs 1.5bn (+12%, FY2025/26).

10 MW Erathna mini-hydro + new solar

Rs 1.5bn record group revenue (+12%)

Hydro → +solar adding a weather hedge

EXPOSURE — SEGMENTS & GEOGRAPHY

Erathna & Kiriwaneliya mini-hydro · High
New utility-scale solar · Low (offsetting)

The Erathna plant sits in the Ratnapura / Kuruwita wet-zone catchment (Sabaragamuwa) — high rainfall, but El Niño dry spells cut river flows. Newly added solar begins to balance the mix.

HOW EL NIÑO TRANSMITS

El Niño drought
▼
Ratnapura catchment rainfall falls
▼
Erathna run-of-river generation ↓
▼
Hydro revenue softens
▼
BUT new solar adds dry-season output
▼
Net: hydro-led hit, easing as solar scales

RISKS

- Drought cuts Erathna hydro generation
- Historically hydro-concentrated earnings
- Rainfall-driven revenue volatility

OPPORTUNITIES

- Utility-scale solar diversifies weather risk
- Record revenue shows execution momentum
- Vallibel group backing for expansion

Net read: still hydro-led and rainfall-exposed, but the move into utility-scale solar is beginning to hedge Erathna's drought sensitivity.

LISTED COMPANY IN FOCUS ·

WINDFORCE PLC

Sri Lanka's largest renewable IPP — wind solar & hydro; 243 MW portfolio, 18% market share, global footprint.

243 MW wind + solar + hydro portfolio

18% market share — largest renewable IPP

3 techs + global footprint — diversified

EXPOSURE — SEGMENTS & GEOGRAPHY

Wind (Puttalam / Mannar corridor) · Moderate
Solar · Low (dry-season upside)
Hydro · High (rainfall-linked)

Assets span the Puttalam / Mannar wind belt, solar sites and hydro; ~40% of capacity is overseas (Pakistan, Africa). Technology and geographic diversity dilute any single weather driver.

HOW EL NIÑO TRANSMITS

El Niño weather
▼
Hydro generation ↓ in drought
▼
Wind may soften with a weak SW monsoon
▼
BUT solar output rises in clear dry skies
▼
Overseas assets unaffected by local weather
▼
Net: well-diversified — impact muted

RISKS

- Drought cuts the hydro slice of the portfolio
- Weaker monsoon can lower wind yields
- Grid curtailment / tariff & FX on overseas

OPPORTUNITIES

- Solar upside in dry, clear conditions
- Wind + solar + hydro mix self-hedges
- Global footprint diversifies weather risk

Net read: the most diversified renewable here — three technologies plus a global footprint mean El Niño nudges the mix rather than moving group earnings.

SECTOR IN FOCUS ·

PLANTATIONS SECTOR

Agalawatte · Mahaweli Coconut · Watawala · Kegalle · Elpitiya · Kelani Valley · Agarapatana · Bogawantalawa · Udapussellawa · Maskeliya · Balangoda.

11 RPCs tea · rubber · oil palm · coconut · dairy · cinnamon · timber

Yield-led El Niño cuts crop volumes directly

9–12 mth coconut lag; tea & rubber react within season

COMPANIES & CROP MIX

Agalawatte — rubber · oil palm · tea
Mahaweli Coconut — coconut (dry zone)
Watawala — oil palm · dairy · tea
Kegalle — tea · rubber · oil palm
Elpitiya — tea · rubber · palm · cinnamon
Kelani Valley — tea · rubber (Hayleys)
Agarapatana — tea (high-grown)
Bogawantalawa — tea · oil palm
Udapussellawa — tea · rubber · coconut
Maskeliya — tea · rubber · coconut · timber
Balangoda — tea · rubber

Estates span the wet, intermediate & dry zones — land, not factories, carries the El Niño risk across all plantations.

HOW EL NIÑO TRANSMITS

El Niño drought & erratic rain
▼
Tea flush, latex flow & FFB yields fall
▼
Coconut output drops (9 - 12 month lag)
▼
Crop volumes ↓ while wage & energy costs stay fixed
▼
High operating leverage magnifies the hit
▼
Net: earnings fall hard in drought years

RISKS

- Tea, rubber, oil palm & coconut yields all fall
- Fixed wage / energy costs → operating deleverage
- Wildfire, pest & replanting setbacks

OPPORTUNITIES

- Higher crop prices as supply tightens
- Crop & regional diversification within RPCs
- Oil palm & cinnamon more drought-tolerant

Net read: the most directly El Niño-exposed sector here — drought cuts tea, rubber, oil-palm and coconut yields at once, and high operating leverage (fixed wages) turns volume drops into sharp earnings declines; coconut names lag 9–12 months, tea & rubber react within the season.

Strong El Niño Likely, but Sri Lanka’s Impact Expected to be Limited

Monday, July 20

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Breaking News · Local

EL-NIÑO IMPACT ON SRI LANKA MINIMAL – EXPERT

June 15, 2026 1:30 am

Could occur after next February

Most likely will occur during the Northeast Monsoon season

Meteorologists have predicted that the impact of rising environmental temperatures due to the global El-Niño condition caused by the warming of the equatorial Pacific Ocean could occur after next February, but the probability of Sri Lanka facing a severe impact from it is minimal, an expert on Climate Change said yesterday.

Environment Ministry's Climate Change Secretariat Director Leel Randeni said that this is currently the period when Sri Lanka receives its Southwest Monsoon rains, which will last until September.

El Niño puts Sri Lanka on alert, but severe impact unlikely

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Mirror AI Summary – Quick Read

Generated by Mirror AI

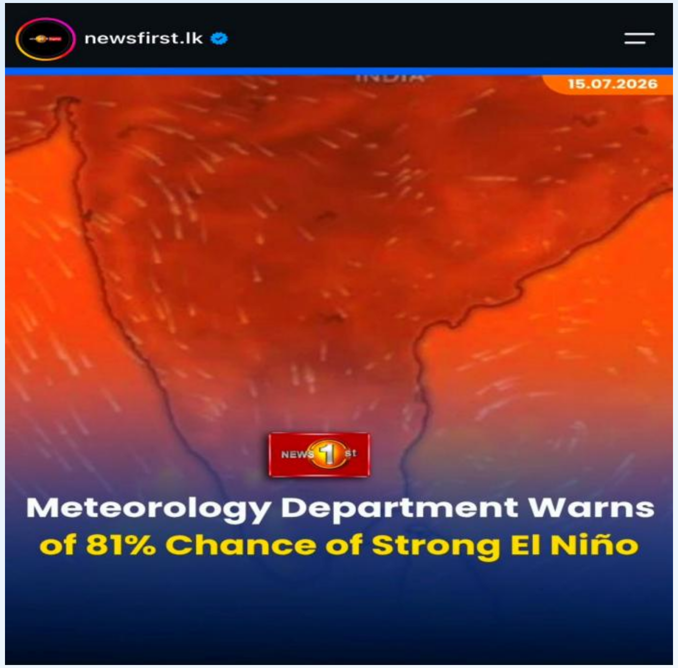
Colombo, June 15 (Daily Mirror) - Sri Lanka is unlikely to experience severe impacts from the developing El Niño weather phenomenon, although hotter and drier conditions are expected in the coming months, climate experts and meteorological officials said.

According to Director of the Climate Change Secretariat, Leel Randeniya, any significant effects of El Niño are likely to emerge only after February next year.

He noted that Sri Lanka's location in the Indian Ocean and its central highlands help maintain moisture levels, reducing the risk of severe impacts.

However, Acting Director General of Meteorology Ajith Wijemannage warned that temperatures are expected to remain above normal during July and August, while rainfall could be lower than usual as El Niño conditions strengthen.

The issue was discussed at a high-level meeting chaired by President Anura Kumara Dissanayake at the Presidential Secretariat, where officials reviewed potential impacts on food security, water supplies, agriculture and power generation.



Climate experts noted that Sri Lanka is unlikely to experience severe impacts from the developing El Niño phenomenon, despite the Department of Meteorology indicating an **81% probability** of a **strong El Niño** event developing. While global temperatures are expected to rise as El Niño strengthens, any impacts on Sri Lanka are likely to be limited and, if they materialize, are expected to be felt mainly after **February 2027**, particularly during the **Northeast Monsoon** season. Sri Lanka's island geography, central highlands, and the influence of the **Indian Ocean Dipole** are expected to help moderate rainfall variability and reduce the risk of prolonged drought. Nevertheless, authorities have emphasized the importance of preparedness through efficient water management, safeguarding food security, and closely monitoring potential impacts on agriculture and water resources.

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