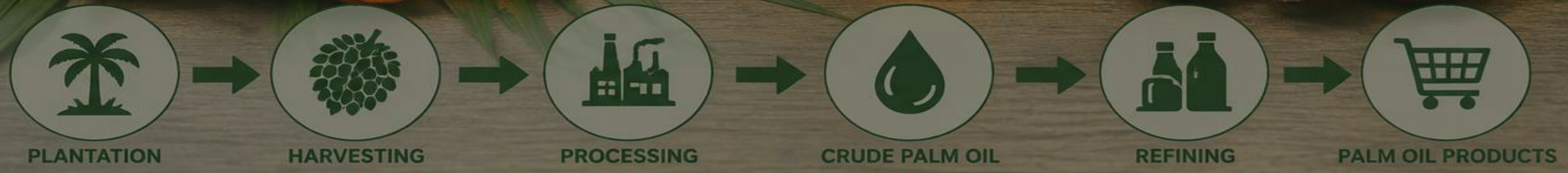
SECTOR INITIATION

# The Palm Oil Industry in Sri Lanka

PLANTATIONS & AGRI-COMMODITIES

*Published on 14 August 2026*



**01 *EXECUTIVE SUMMARY***

# The only country that bans the crop but not the oil

**Sri Lanka has banned the growing of oil palm since April 2021, but it still buys from abroad about seven to eight times more palm oil than it makes at home. That gap is the whole investment story: a small, capped and highly profitable local industry sitting next to a large and growing import bill paid in foreign currency.**

**12%**

Share of palm oil supplied from within Sri Lanka, 2025

**285.7**

Thousand tonnes of palm oil bought from abroad, 2025

**38.2**

Thousand tonnes of palm oil produced inside Sri Lanka, 2025

**35**

Million US dollars lost each year  over 175 million since the 2021 ban

**2.5**

Tonnes of oil per hectare here, against 3.6 in Malaysia

**8**

Plantation companies grow it  four hold about 85% of the land

## THE CALL

**Neutral → Positive.**

As long as the ban stands, growth cannot come from planting more land. Two routes remain open:

1. **If the ban is lifted** Idle oil-palm land and replanting rights become valuable again. Eleven plantation companies have already asked to plant 10,600 more hectares.
2. **Better yields and processing** Raise output from 2.5 to 3.5 tonnes of oil per hectare and move into refining and speciality fats, all on the land they already hold.

*Best placed to benefit: Watawala first, then Namunukula, followed by Elpitiya and Agalawatte.*

# From a Galle estate in 1968 to a banned crop

**1968**

First oil palm planted at Nakiyadeniya, Galle; it never really took off.

**2000s–09**

Plantation companies turn to palm as rubber loses money; tax breaks for hybrid seed in 2009.

**2016**

Government backs 20,000 hectares, limited to marginal and worn-out land.

**Apr 2021**

Planting banned after a 2018 environment review; estates told to remove 10% of trees a year.

**2026**

Government reported to be moving towards lifting the ban, with safeguards attached.

## The 'palm-oil triangle'

**Oil palm needs low ground, heavy rain and no long dry spell, so planting here is confined to the Low Country Wet Zone below roughly 300 m: Galle, Kalutara, Ratnapura and Kegalle, districts that get 2,200–3,200 mm of rain a year. The estates bear this out — all three of Watawala's palm estates (Homadola, Talangaha, Nakiyadeniya) sit in Galle District, and Namunukula's low-country estates at Matugama and Baddegama stand barely 30 m above sea level. The up-country tea belt was never an option, which is why the planted area cannot be spread thinly across the island. The same rainfall that makes the crop grow well also places it next to protected rainforests such as Kanneliya and Yagirala which is the root of the environmental objection behind the ban.**

### Global context

- Indonesia (Approx. 57%) and Malaysia (Approx. 27%) together grow about 84% of the world's palm oil.
- Sri Lanka grows too little to matter globally but buys enough to matter at home.
- Each hectare yields 2.5 tonnes of oil here, against 3.6 in Malaysia and 3.2 in Indonesia.

*Sources: IPS (2023); Presidential Secretariat (2021); Planters' Association of Ceylon (2025–26); Centre for Environmental Justice (2026); Asian Palm Oil Alliance (2026); Daily Mirror / The Morning (2026); FAO.*

# Two streams converge at the refinery gate

**Palm oil reaches shelves here by two paths: a small home-grown stream of estates, milling and refining, and a much larger stream of oil bought abroad and refined locally. Owning land is a very different business from refining imported oil.**

### GROWN HERE · 6% OF DEMAND

**Oil-palm estates**
10,330 ha · 8 companies

→

**Milling the fruit**
Fruit pressed into crude oil

→

**Refining**
Split into liquid and hard fats

### IMPORTED · 74% OF DEMAND

**Indonesia, Malaysia**
85–90% of world supply

→

**Importers**
202,270 tonnes a year

*(Imported oil is refined at the same gate, so refiners earn either way.)*

→

**Liquid and hard fats**
Cooking oil, margarine

→

**Food and consumer goods**
Bakeries, soap, hotels

**Where the value is:**
(1) Land with replanting rights worth far more if the ban is lifted; eleven companies have already asked to plant 10,600 more hectares.
(2) Owning both a mill and a refinery: only two milling complexes exist, so other growers must sell their fruit on. Firms that only import and refine are more numerous, earn thinner margins and live or die by import taxes.

*Source: adapted from IPS (2023) value-chain map. Refiners: Pyramid Wilmar, Sena Mills, NMK/Narada Agro, Unilever.*

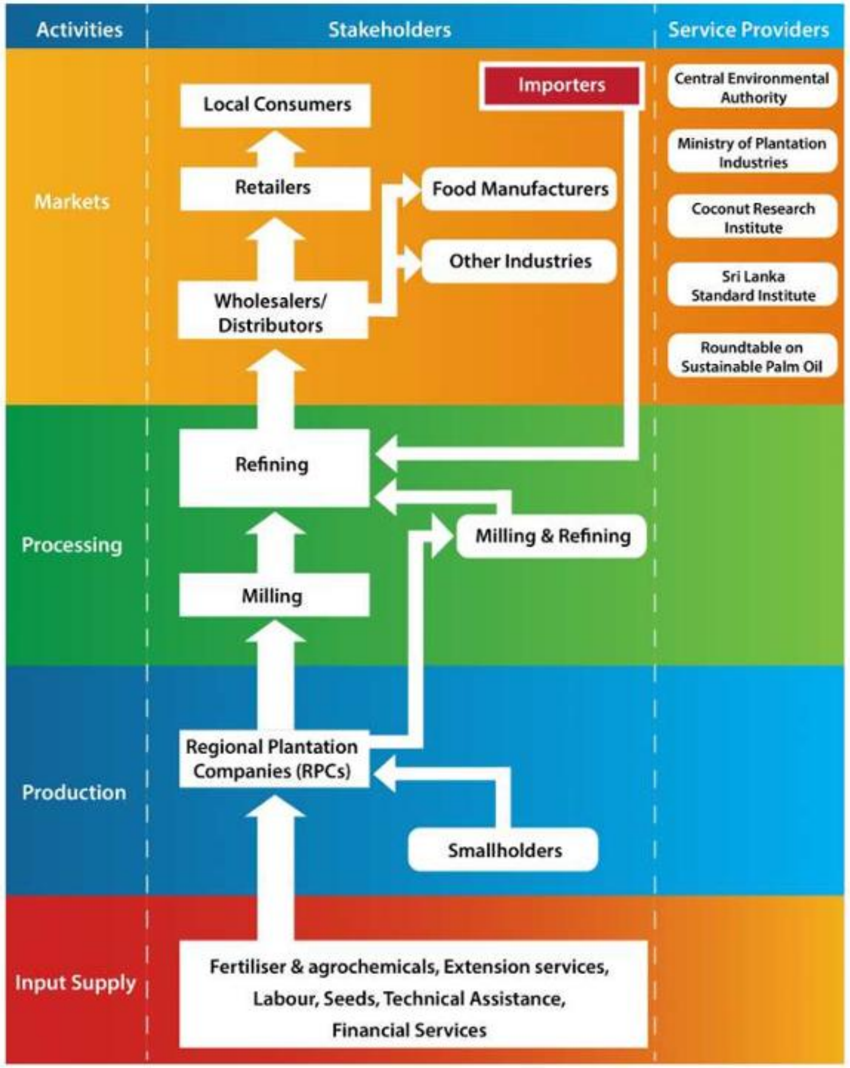
# Who touches the oil, and who regulates them

**Five layers, bottom to top. Input supply fertilizer, seed, labour and finance. Production the plantation companies plus smallholders. Processing milling, then refining. Markets wholesalers, retailers, food manufacturers and consumers.**

**The red box on the right of the chart is the one that matters: importers feed straight into refining, bypassing every Sri Lankan grower below it. That is the 88% of supply the deck keeps returning to.**

**The right-hand column lists who governs the chain the Central Environmental Authority, the Ministry of Plantation Industries, the Coconut Research Institute, the Sri Lanka Standards Institute and the Roundtable on Sustainable Palm Oil. Any lifting of the ban runs through these bodies.**

Figure 6.1: Value Chain Map of the Palm Oil Industry in Sri Lanka




***Source: Palm Oil Industry in Sri Lanka — An Economic Analysis (2021), Figure 6.1.***

# Little room to add land; real room to lift yield

| Driver | Direction | Type of issue | Comment |
|---|---|---|---|
| Ban on planting / limit on land | Negative | Long-term | Planted area frozen at 10,330 hectares since April 2021. The original 20,000-hectare allowance and all replanting are blocked. |
| Rainfall and dry spells | Mixed | Comes and goes | Rainfall and the length of dry spells decide how much fruit each hectare gives. Wet-zone estates cope; drier land is marginal and none of it is irrigated. |
| Ageing trees, no replanting allowed | Negative | Long-term | Palms age out but cannot be replaced while the ban holds, so the average tree gets older and yields drift down every year. |
| Lower yield than other countries | Upside | Long-term | 2.5 tonnes of oil per hectare here against 3.6 in Malaysia and 3.2 in Indonesia — better seedlings and farming practice could close most of that gap. |
| Fertiliser and input costs (paid in dollars) | Negative | Comes and goes | Fertiliser, fuel and planting material are all imported, so costs follow the rupee. Prices are easing after the crisis but remain high. |
| Public and environmental concerns | Negative | Long-term | Near sensitive water catchments; campaigners cite heavy water use (150–300 l/tree daily) and self-seeded palms. |

**Analysis:** Closing even half the yield gap (2.5 → 3.0 tonnes per hectare) would lift output by about 20% without a single new hectare the cheapest and least controversial lever, and the very one the ban discourages.

**Why age matters:** fruit is cut every 7–10 days all year (Namunukula: three rounds a month), so revenue is continuous, but the asset wears out palms peak in years 8–18 and are written off over 30 years. Watawala added no immature oil palm in FY2024/25 or FY2025/26, so all 3,394 ha is mature.

*Sources: IPS (2023); Centre for Environmental Justice (2026); author analysis.*

# Prices are set abroad: Approx 88% is imported

**Indonesia (approx. 57%)**

World's biggest grower. Output up 11% (39.6 Mt), but more is burned as home-made diesel (B40→B50), leaving less to export.

**Malaysia (approx. 27%)**

Stuck long term: no new land, ageing trees yield less, too few workers. Jul-26 output 1.79 Mt; stocks a thin 2.63 Mt.

**Crude oil & biodiesel**

Oil at approx. US$96/barrel makes turning palm oil into fuel profitable, so fuel makers bid against food buyers and prices firm.

**Weather / EUDR**

Drought (El Niño) can cut yields. The EU's anti-deforestation rules start Dec-2026 — no bite yet, but a shock ahead.

**India / China demand**

The two biggest buyers set the price floor. India discourages palm on health grounds yet has grown its own planted area 45% in five years.

**FX & tariffs**

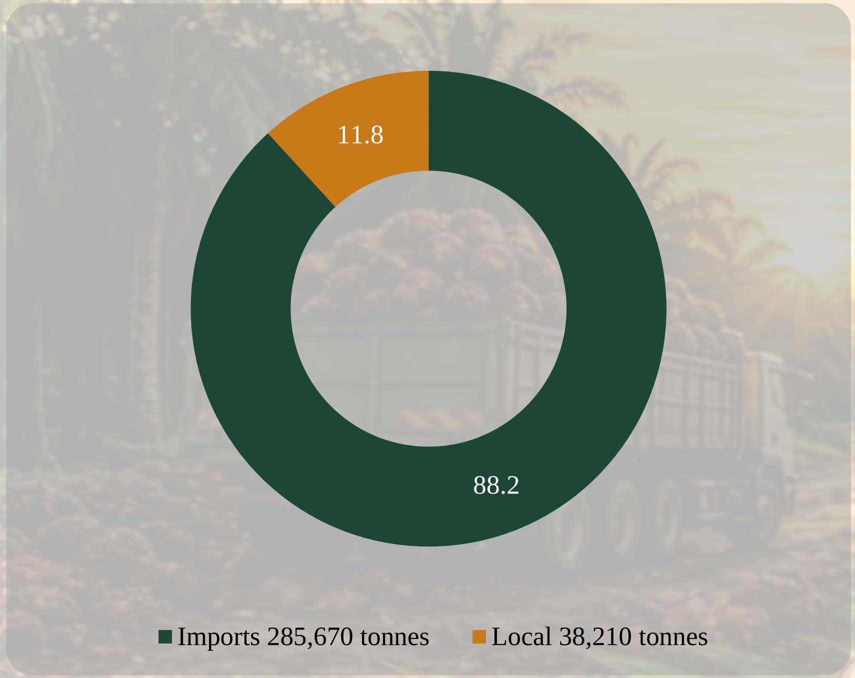
The rupee's exchange rate, import duty and access to dollars decide what Sri Lanka actually pays, whatever the world price.

**What this means:** The world is slightly short of palm oil, so prices should stay high Malaysia's stagnation and Indonesia's biodiesel use outweigh Indonesia's extra output. For Sri Lanka this cuts both ways: a costlier import bill drains scarce foreign currency, but expensive imports make growing palm oil at home worthwhile and strengthen the case for lifting the ban.

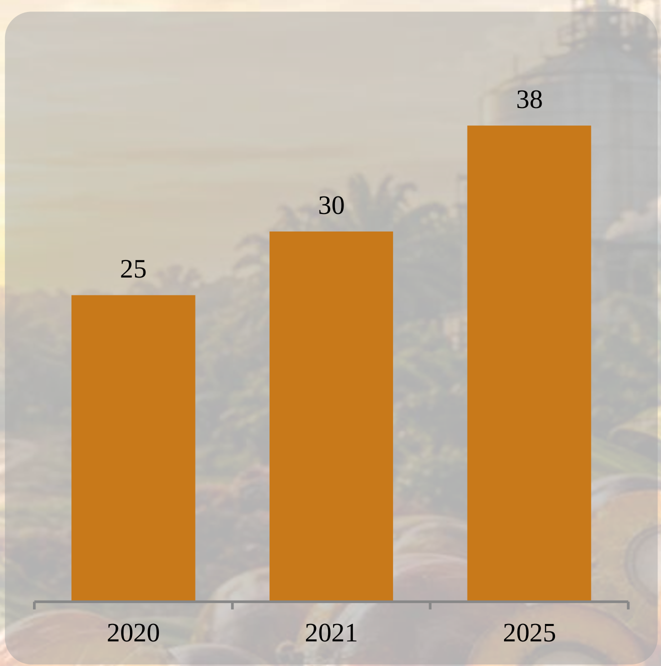
***Sources: MPOB, Bursa Malaysia, GAPKI / Fastmarkets, Trading Economics (2025–26).***

# Two shares that must not be confused

### Where Sri Lanka's palm oil came from, 2025




### Grown locally (000’ tonnes)




### Two different shares

**11.8%**
of the palm oil Sri Lanka uses is grown here (38,210 of 323,880 tonnes)

**6%**
of all cooking oil Sri Lankans use comes from locally grown palm oil (IPS)

*Even the biggest local producer supplies only a few % of the cooking oil used here so local firms must accept the world price.*

**Who grows the local crop (share of home-grown output, not the whole oil market): Watawala 33% · Namunukula 24% · Elpitiya 16% · Agalawatte 12%; the rest split among Kotagala, Horana, Lalan & Bogawantalawa**.

*Sources: officials via Daily Mirror (2026); CDA; IPS (2023). Calc shown. [e] coconut oil is not a perfect substitute.*

# Why manufacturers keep choosing palm

## Demand inside Sri Lanka

- Each person uses 2.6% more cooking oil every year (367 ml in 2006 to 492 ml in 2019).
- Factories, not households, are the bigger and faster-growing buyer: about 4,300 food manufacturers employing roughly 361,000 people.
- They make bread and cakes, biscuits (CBL, Maliban), sweets, margarine, instant and packaged food, hotel and restaurant meals, soap and cosmetics.

## Demand from the rest of the world

- The world uses about 209 million tonnes of vegetable oil a year, growing approximately 0.9% per person, led by Asia.
- India and China buy more of it than anyone else.
- Indonesia is burning more palm oil as diesel (moving from a 40% to a 50% blend), leaving less for export; chemical and soap makers add steady non-food demand.

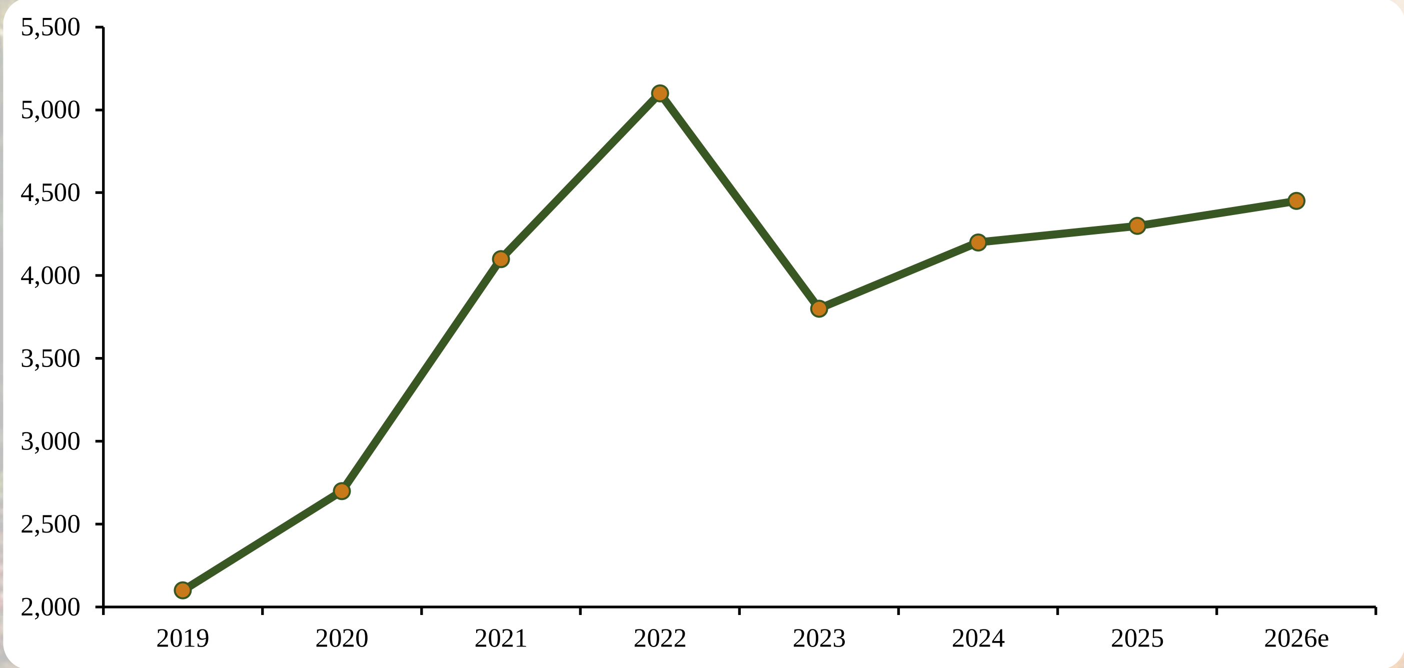
**Why palm wins:** it is the cheapest vegetable oil, it is always available, and it behaves better in food. It stays semi-solid at room temperature (melts at 32–40°C), does not spoil quickly, lasts longer in a fryer, and is firm without the artificial hardening that creates trans fats. It can also be split into different grades for frying, baking, margarine and cocoa-butter substitutes.

**Substitution:** Palm competes with soybean, sunflower, rapeseed/canola and, locally, coconut. Coconut simply cannot match palm on price or on what it can do in a factory, at the volumes needed which is why replacing imports is limited by the properties of the oil itself, not only by government policy. One headwind in 2025–26: India is discouraging palm oil on health grounds.

***Sources: DCS/HIES; IPS (2023); OECD/FAO; The Morning (2026).***

# Prices stay firm; the import tax makes the profit

### World palm oil price, yearly average (Malaysian ringgit per tonne)




***The 2022 spike followed the war in Ukraine, which cut off sunflower oil supplies and pushed palm above RM5,000. Since 2024 the price has settled at RM4,000–4,700, roughly US$1,050–1,130 per tonne.***

### Tax Sri Lanka charges on imported oil (mid-2026)

| Special Commodity Levy — flat tax, extended in 2026 but due to be removed | |
|---|---|
| Raw, unrefined palm oil | **LKR 250/kg** |
| Refined palm oil (ready to use) | **LKR 275/kg** |
| Coconut oil (imported) | **LKR 150/kg** |

**The import tax is what drives profits.**

The tax is a fixed amount per kilo, so when world prices are low it still makes imported oil expensive which protects local palm and coconut producers. The 2026 Budget schedules its removal on edible oils, replacing it with 18% VAT plus customs duty, CESS and SSCL. Once that happens the protection falls away and cheap imports pass straight through to the market.

***Sources: MPOB (Aug-26 ref RM4,412; futures approx. RM4,720); Gazette / Budget 2026 revenue proposals; Sunday Times / LBO / KPMG (2025–26).***

# A protected few growers, but no power over the price

| | | |
|---|---|---|
| **Can new competitors enter?** | **LOW–MED** | **No. The ban and land and environment rules block anyone new from planting.** |
| **How much power do suppliers have?** | **MEDIUM** | **Fairly high: seed, fertilizer and chemicals are all imported, and skilled estate labor is scarce and unionized.** |
| **How much power do buyers have?** | **HIGH** | **High: refiners and big food companies buy in bulk and can always switch to imported oil, which is identical.** |
| **Can buyers switch to another oil?** | **MEDIUM** | **Partly: coconut, soya and sunflower exist, but palm is cheaper and works better, so switching is limited.** |
| **How fierce is competition here?** | **LOW–MED** | **Mild: 8 growers, 2 mills and 1 shared refinery, and policy caps how much anyone can produce.** |

**Interpretation:** a small group of growers protected by government policy, but with little say over the price they get. The money is made from the import tax and from the scarcity of land, not from out-competing rivals. In practice this behaves like a regulated utility: its value depends on whether policy stays stable, and its real competitor is imported oil, not the other plantation companies.

***Author assessment based on IPS (2023) and company disclosures.***

*08 PORTER'S FIVE FORCES - SCORED*

# The shape of the problem: strong buyers, weak everything else

**Strength of each force (1 = weak, 5 = strong)**


**Read it as a shape, not a score. Only one axis stretches out: buyer power. Refiners and large food manufacturers buy in bulk and can switch to imported oil at any time, because the product is identical.**

**Every short axis is the same fact from a different angle. New entrants score low because the ban blocks planting, not because incumbents are strong. Rivalry is low because only eight growers exist and policy caps output.**

**How companies escape it by adding value rather than bargaining. Watawala mills its own fruit at 18 tonnes an hour into crude oil, kernel oil and kernel cake, sells RSPO credits and is building biogas from mill waste, reporting LKR 5.7bn of value added in 2025/26. Namunukula, Elpitiya and Agalawatte each own a third of the AEN mill, which turned over LKR 11bn and more than doubled its profit in 2025 capturing the refining margin they cannot negotiate. Horana is the first plantation company certified under the EU deforestation rules.**

**Each of those moves shifts income away from selling raw fruit to a buyer who sets the price.**

*Author assessment based on IPS (2023), company annual reports 2024/25–2025/26 and company disclosures. Scored 1 (weak force) to 5 (strong force).*

# Four of six forces come down to politics and opinion

### Political
NEG→POS HIGH

The 2021 ban, a possible reversal in 2026, and a habit of sudden policy changes.

### Economic
MIXED MED

The economy is recovering (5% growth in 2024), an IMF programme is running, but the rupee is weak and dollars are scarce.

### Social
NEGATIVE MED

Communities near the estates dislike the crop, and many people believe palm oil is unhealthy.

### Technological
POSITIVE MED

Yields here lag other countries, so better machinery and more efficient mills leave clear room to improve.

### Environmental
NEGATIVE HIGH

Campaigners cite 150–300 litres of water per tree per day, groundwater and soil erosion, and self-seeded palms near the Kalu Ganga; against that sit RSPO certification and the EU deforestation rules.

### Legal and tax
MIXED HIGH

Whether the flat import tax stays or becomes a percentage of value, licensing, the Plantation Management Act and the conditions attached to the EU's GSP+ trade concessions.

***Politics, the environment, the law and public opinion are all holding the industry back today; technology is a clear positive and the economy is improving. Unusually, the industry's future rests almost entirely with the government so this is a bet on policy becoming more sensible, and it will swing sharply either way.***

# Risk map — the red boxes are the ones that matter most

| | Small effect | Moderate effect | Large effect |
|---|---|---|---|
| Likely to happen | Monthly swings in the harvest with the weather | World palm oil price swings | Flat import levy replaced by 18% VAT |
| Possible | Costs of imported inputs and a weaker rupee | Weather and labour shortages | Cheaper imports once VAT replaces the flat levy |
| Unlikely | A mill breaking down | Disease or pests | Order to uproot every tree |

**Watch:** whether the flat levy is really removed and 18% VAT applied to edible oils; Malaysian stock levels and futures prices; the gap between the cost of imported oil and the local price; and the Cabinet's decision on the ban.

*Colour = overall risk rating (probability × impact).*

# Strengths, weaknesses, opportunities and threats

## Strengths

- The highest-yielding oil crop there is. Reported segment margins are wide: 77% gross at Namunukula, and a 74% return on shareholders' money at Watawala in 2025/26.
- Every tonne grown here is a tonne not bought with scarce dollars.
- Protected by the flat import levy but the 2026 Budget schedules its removal on edible oils.
- Watawala is the only RSPO-certified producer in the country, and Horana is the first plantation company certified under the EU deforestation rules.

## Weaknesses

- Low yield: 2.5 tonnes of oil per hectare against 3.6 in Malaysia, and the trees are ageing with no replanting allowed.
- Very small: about 12% of the palm oil used and roughly 6% of all cooking oil.
- Growers have to accept the world price; they cannot set their own.
- Rs. 550m of seedlings already written off and roughly Rs. 23b of investment stranded, with no compensation.

## Opportunities

- If the ban is lifted, replanting restarts Kotagala alone wants to go from 526 to 2,000 hectares, and 10,600 hectares are already proposed sector-wide.
- Yields could rise to 3.0–3.5 tonnes per hectare without a single new hectare.
- More money is already being made further down the chain: the AEN mill owned a third each by Namunukula, Elpitiya and Agalawatte grew revenue to LKR 11bn and more than doubled its profit in 2025.
- Growing here instead of importing would save over US$35m a year and restore 5,000 jobs and 21,000 dependent livelihoods.

## Threats

- Replacing the flat levy with 18% VAT plus duty, CESS and SSCL would remove the profit cushion.
- Cheap imported oil, plus health campaigns against palm of the kind India is running.
- Another policy reversal, or an order to uproot the trees.
- Climate shocks, EU deforestation rules and GSP+ conditions, plus objections over water use and self-seeded spread.

***Sources: Planters' Association of Ceylon (2025–26); Centre for Environmental Justice (2026); company reports; author analysis.***

# Few listed companies to invest in, but good ones

| | | |
|---|---|---|
| **Watawala**<br>WATA | ALL PALM | Sri Lanka's largest grower and only RSPO-certified producer: 3,393.75 ha across Homadola, Talangaha and Nakiyadeniya, all mature. Palm is 88% of group revenue (LKR 8,355m of LKR 9,442m in 2025/26). Its 18 tonne-per-hour mill turned 55,774 t of fruit into 15,207 t of crude palm oil, with the extraction rate up 2.9%. Yield 16,435 kg per hectare, against a 16,817 record. Return on equity 74%. |
| **Namunukula**<br>NAMU | MOSTLY PALM | The second-largest grower. Extent rose to 2,359.82 ha, yet the crop fell 7.5% to 29.03m kg under 7,200 mm of rain — yield down from 13,844 to 12,304 kg per hectare. Cost per kg rose 26% to LKR 20.12 against LKR 85.77 realised from AEN, so palm still returned LKR 1,906m of gross profit, a 77% margin but 8% lower, on 59% of revenue. Holds a third of AEN. |
| **Elpitiya**<br>ELPL | SOME PALM | 1,709.25 hectares of oil palm 31% of group revenue (LKR 2,784m). The best yield of the group at 17,087 kg of fruit per hectare, up from 15,577 — a stand sitting in the years 8–18 peak, so the gain came from age, not area. Also holds a third of AEN, worth LKR 247.3m of profit share in 2025/26 and supplied AEN about LKR 3bn of fruit. |
| **Agalawatte**<br>AGAL | SOME PALM | FY2025: 1,324 hectares, all but one mature. Fruit up 9.8% to 14,138 t at Rs. 101/kg against a Rs. 33/kg cost — 10.7 t/ha, the weakest of the four despite a fully mature stand. Palm revenue LKR 1,431m, 29% of the company, on a 63% margin. |

***Not shown: Horana (production +14%, revenue +38%, 14,078 kg/ha, first plantation company certified under the EU deforestation rules) and Kotagala (525.88 ha, seeking 2,000 if the ban is lifted). The AEN mill is owned a third each by Namunukula, Elpitiya and Agalawatte.***

***Sources: Watawala AR 2025/26; Elpitiya AR 2025/26; Horana AR 2025/26; Agalawatte AR 2025; Namunukula AR 2024/25; Kotagala AR 2024/25.***

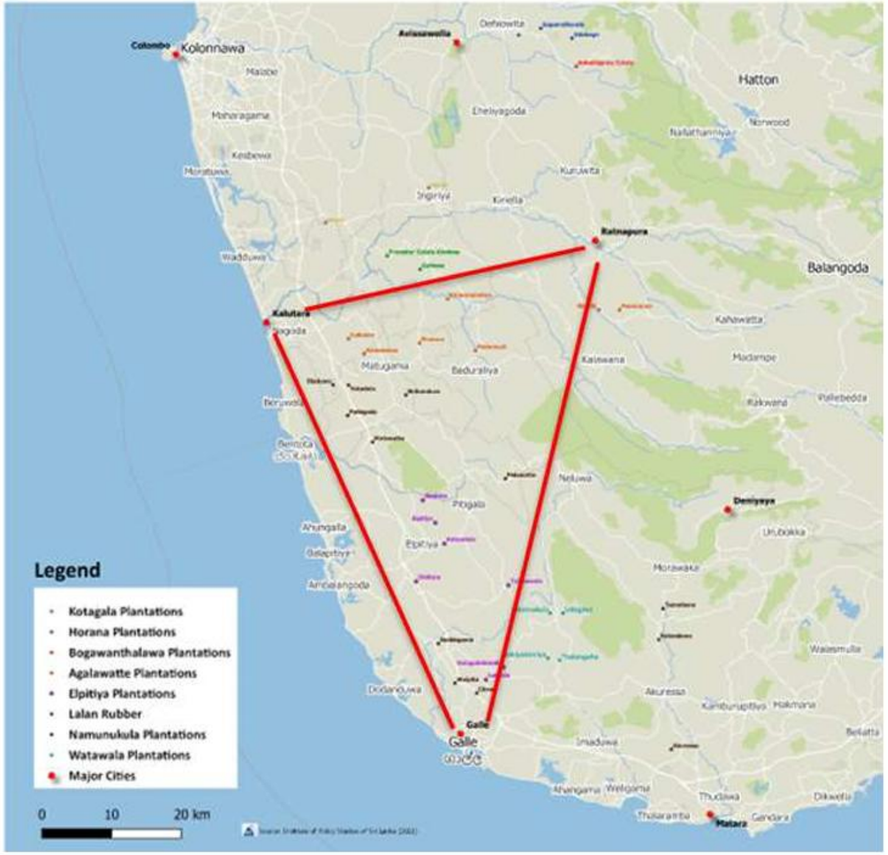
# What each estate grows, what it costs, and where it sits

**The table is the 2021 industry survey. Company reports since then show the same pattern but bigger numbers: Watawala 3,394 ha and 55,775 t of fruit, Namunukula 2,360 ha, Elpitiya 1,709 ha at 17.1 t/ha. The map shows why the estates cluster in the wet south-west.**

| RPC | Cultivated Area (Ha) | Annual FFB*** Production (Mt) | FFB Productivity (Mt/ha) | COP LKR/kg | Average Sales Price LKR/kg | Profit/ha LKR | Seeds |
|---|---|---|---|---|---|---|---|
| Agalawatta | 1,262.6 | 8,953 | 7.09 | 25.13 | 53.14 | 198,617 | Malaysia |
| Bogawanthalawa | 206.59 | 399 | 1.93 | 71.03 | 51.04 | -38,608 | Thailand |
| Elpitiya | 1,616.33 | 16,555 | 10.24 | 33.27 | 57.39 | 247,045 | Malaysia & PNG |
| Horana | 358.45 | 1,174 | 3.28 | 9.21 | 46.77 | 123,017 | Malaysia |
| Lalan* | 446.31 | 952 | 4.88 | 52.00 | 59 | 34,127 | Thailand |
| Watawala | 3,396.06 | 46,408 | 13.67 | 21.00 | 282**** | | Malaysia, Thailand |
| Kotagala | 525.88 | 2,482 | 4.72 | 35.00 | 46 | 51,917 | Indonesia / Malaysia / PNG/ Thailand |
| Namunukula | 2,498.1 | 21,387 | 8.56 | 19.69 | 57.52 | 323,874 | Malaysia & PNG |
| **Total** | **10,310.32** | **98,310** | **9.77** | **33.29** | **52.98**** | **192,371** | |

Notes: *Mature extent (195.27 ha) was used to calculate the productivity ** Excluding Watawala Plantations PLC ***Fresh fruit bunch (FFB) **** Price of crude palm oil

Source: From the survey of RPCs, Palm Oil Industry Association (POIA), 2021.




*Source: Pathiraja et al. (2023), Palm Oil Industry in Sri Lanka: An Economic Analysis, IPS Research Series No. 12 — Table 6.1 (p. 24), Figure 7.1 (p. 30).*

# Coconut oil is the only real rival — and it cannot fill the gap

## Coconut oil

MAIN RIVAL

GROWN HERE · 43,038 TONNES

Palm's closest local rival. Coconut yields 1 tonne of oil per hectare against 2.5 for oil palm, and 9,250 nuts make one tonne. Wholesale price hit LKR 480,000 per tonne in 2022 — far above local crude palm oil at LKR 282,000.

## Imported palm oil

SETS THE PRICE

IMPORTED · 74% OF USE

Imported fats and oils met 74% of all demand in 2021 and cost LKR 56.7 billion, up from LKR 37.4 billion in 2020. Prices are set in Indonesia and Malaysia, which grow 85–90% of the world's palm oil.

## Soybean oil

WORLD RIVALS

WORLD · 28% SHARE

Soybean is the world's second oil at 28% of output against palm's 36%, with Argentina supplying about 55% of it. Both reach Sri Lanka only as imports, and neither undercuts palm on price.

## The limit on local supply

LONG-TERM

SHORTFALL · 166,931 TONNES

Even if every coconut sent for processing were crushed for oil, output would stop at 108,108 tonnes — leaving 166,931 tonnes of demand unmet. Filling that gap with palm oil would need 52,888 more hectares of land.

***Local oils are not perfect substitutes for imported ones: coconut oil cannot match palm on price, volume or the properties food factories need, and crushing more nuts would come at the cost of a coconut export trade worth LKR 166 billion in 2021.***

***Source: Institute of Policy Studies, Palm Oil Industry in Sri Lanka: An Economic Analysis (Industrialisation Research Series No. 12); Coconut Development Authority and FAO data, 2021–2022.***

# High returns, protected by the import tax

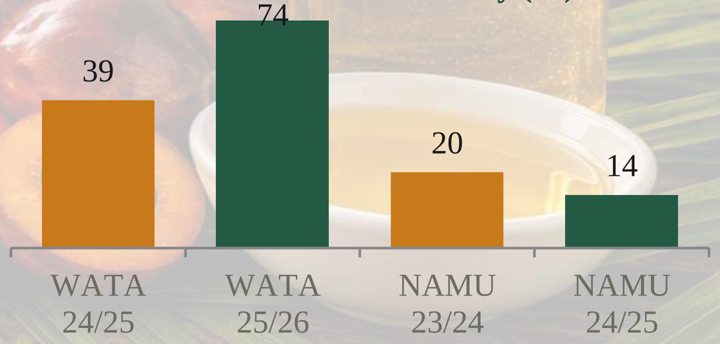
| Measure | WATA 24/25 | WATA 25/26 | NAMU 23/24 | NAMU 24/25 |
|---|---|---|---|---|
| Group sales (LKR millions) | 7,800 | 9,442 | 4,517 | 4,190 |
| Share of sales from palm oil | 85% | 88% | about 55% | 59% |
| Operating profit margin | 37% | 40% | 33% | 38% |
| Profit after tax (LKR millions) | 1,885 | 2,330 | 33% | 1,526 |
| Profit as % of sales | 24% | 25% | 43% | 1,526 |
| Return on shareholders' money | 39% | 74% | 20% | 1,526 |
| Hectares of oil palm | 3,394 | 3,394 | 2,266 | 2,360 |
| Dividend as % of share price | 16% | 7% | 3.70% | 3.90% |

***All figures now taken from the two annual reports. Watawala is the purer palm play: 88% of revenue, a 57.5% palm segment gross margin and a 74% return on shareholders' money, though its dividend yield fell to 7%. Namunukula is more diversified — palm is 59% of a revenue base that shrank 7%, and its return halved to 14%.***

***The six numbers that drive earnings: hectares × yield per hectare (YPH) × oil extraction rate (OER) × CPO price, less cost per tonne — with the age profile deciding which way YPH is heading. Watawala leads on both (16,435 kg/ha, extraction up 2.9%); Namunukula is going the other way (12,304 kg/ha, down from 13,844, on a cost per kg up 26% to LKR 20.12).***

*Sources: Watawala Plantations PLC AR 2025/26; Namunukula Plantations PLC AR 2024/25 (segment notes).*

**Return on shareholders' money (%)**



# More to gain than to lose — and the government decides

## BEST CASE

**Shares re-valued upwards**

### What has to happen

Ban lifted with sustainability conditions and 10,600 hectares approved — the Government is reported to be moving this way; the flat import levy survives or VAT is offset; world prices hold at RM 4,300–4,700; yields rise to 3.0 tonnes per hectare.

### What follows

Idle land becomes valuable again, output grows, and Watawala and Namunukula are re-rated on both higher profits and a higher multiple.

## MOST LIKELY

**Muddling through**

### What has to happen

The ban stays on paper or is lifted so slowly that little changes; the tax switch is delayed or phased; world prices move sideways; small yield gains on existing land.

### What follows

Existing producers keep high margins and dividends on a fixed amount of land; the shares behave like protected income stocks.

## WORST CASE

**The tax protection disappears**

### What has to happen

The flat levy is removed on schedule and 18% VAT plus duty, CESS and SSCL apply while world prices are low; cheap imports flood in; palm prices fall; or uprooting restarts.

### What follows

Local margins are squeezed as protection unwinds; palm-focused companies are marked down, while diversified plantations are shielded.

**Why the odds favour the upside:** the best case is a genuine re-rating, the most likely case still pays high dividends, and the worst case is a policy own-goal that would also hurt the politically powerful coconut lobby. which makes it hard to sustain. That imbalance is why the view is Neutral moving to Positive.

# Disclaimer

# Contact

## RESEARCH TEAM


**Bhashini Hewawitharana**
+94 112 359 162 / +94 72 186 4893
bashini.hewawitharana@senfinsecurities.com

**Mayakrishnan Jagatheeswar**
+94 112 359 104 / +94 72 949 9419
jagatheeswar@senfinsecurities.com

**Dulani Jayarathna**
+94 112 359 103 / +94 72 949 9422
dulani@senfinsecurities.com

**Himaya Wanigasuriya**
+94 112 359 142 / +94 72 949 9421
himaya@senfinsecurities.com

**Vindya Gunathilake**
+94 74 064 6457
vindya@senfinsecurities.com

**Thathsarani Bandara**
+94 76 612 7910
thathsarani@senfinsecurities.com

**Dinuvi Samintha**
+94 74 193 5582
Dinuvi@senfinsecurities.com

**Suraj Perera**
+94 76 355 7422
Suraj@senfinsecurities.com


## SALES TEAM


**Maniesh Rodrigo**
Senior Vice President – Equities
+94 112 359 173/ +94 729 499 325
maniesh@senfinsecurities.com

**Eranga Z. Siriwardhana**
Vice President - Equities
+94 729 499 480
eranga.siriwardhana@senfinsecurities.com

**Sudam Hasantha**
Associate Vice President - Equities
+94 112 359 171/ +94 729 499 222
sudam@senfinsecurities.com

**Janak Kulananda**
Associate Vice President – Equities
+94 714909656
Janak@senfinsecurities.com

**Bandula Lansakara**
Senior Manager - Equities
+94 704 724 932
bandula.lansakara@senfinsecurities.com

**Himash Fernando**
Investment Advisor
+94 76 542 5203
himash@senfinsecurities.com

**Kavishka Aththanayaka**
Investment Advisor
+94 72 153 1022
kavishka@senfinsecurities.com

**Bishen Mendis**
Vice President- Equities
+94 112 359 121/ +94 729 499 477
bishen.mendis@senfinsecurities.com

**Madawalage Damayanthi**
Assistant Vice President – Equities
+94 112 269 519/ +94 729 499 114
damayanthi.madawalage@senfinsecurities.com

**Tharindu Priyankara**
Associate Vice President – Equities
+94 112 359 123/ +94 729 499 366
tharindu.priyankara@senfinsecurities.com

**Ajith Kumarasinghe**
Associate Vice President-Equities
+94 773252333
Ajith@senfinsecurities.com

**Mohammedu Illiyas Zahir sha**
Senior Investment Advisor - Equities
+94729374678/+94729499433
email-zahir.shah@senfinsecurities.com

**Oshada Waduge**
Investment Advisor
+94 76 251 2766
Oshada@senfinsecurities.com


## SOCIAL MEDIA

*https://tinyurl.com/cvwvnf4x*

*https://tinyurl.com/4r9nej6s*

*https://tinyurl.com/4rrfuh6n*

*https://tinyurl.com/yc2mu9cf*

*https://tinyurl.com/38smbn5f*

*https://rb.gy/sn4rmt*