



COUNTER RESEARCH

HAYCARB PLC

(HAYC.N)

SENFIN RESEARCH

07 OCTOBER 2026

Executive summary

Six findings an investor should weigh



Record scale

Sales jumped 55% to Rs 67.1bn in FY26, passing US\$200m for the first time. The latest quarter grew another 45%.



Profit lagging sales

Sales have grown 21% a year since FY21, but earnings per share only 3.5%. Gross margin fell from 30% to 20%.



Raw material is the swing factor

Coconut-shell charcoal is still hard to get. Management warns raw materials could cost Rs 5.5–8.3bn more in FY27.



Growth absorbed by working capital

Stock and unpaid customer bills tied up Rs 15.0bn in FY26. Free cash flow was –Rs 10.7bn and debt rose to Rs 18.2bn, 2.5× last year.



Mix tilting to gold & energy storage

Gold mining is now 35% of sales, up from 28%. Energy-storage capacity doubled, and a Philippines plant adds more from FY28.



Valuation has re-rated

At Rs 208, the shares trade at 14.7× yearly earnings, against a 6.4× average since FY21. The wider Colombo market is at 10.8×.

Company Snapshot

Market cap

Rs 61.8bn

Approx. US\$187m

Shares in issue

297.1m

Ordinary voting

Public float

30.9%

30-Jun-26

Hayleys PLC stake

67.7%

Parent company

P/E (TTM)

14.7×

TTM EPS Rs 14.14

P/BV

2.00×

NAVPS Rs 103.93

EV/EBITDA (TTM)

8.8×

EV Rs 82.2bn

Dividend yield

2.0%

FY26 DPS Rs 4.07

FY26 revenue

Rs 67.1bn

+55.3% YoY

FY26 profit after tax

Rs 4.34bn

+1.6% YoY

Return on equity

12.3%

FY25: 13.6%

Gearing

37.5%

Company basis

Business overview

A 53-year-old Hayleys subsidiary and a global leader in coconut-shell activated carbon

Haycarb turns coconut-shell charcoal into activated carbon, which cleans water, air and gas, helps recover gold and, more recently, stores energy in batteries. Its second business, Puritas, builds and runs water treatment plants in Sri Lanka and the Maldives.



1973

Founded; CSE-listed 1975



1,500+

Activated carbon products



58,500 MT

Capacity in 3 countries



50+

Countries served



2,084

Employees (FY26)



~16%

Global share (company estimates)

FY26 segment mix

Segment	Revenue	Share	Profit
Activated carbon	Rs 65.33bn	97.4%	PAT Rs 4.30bn
Environmental engineering	Rs 1.75bn	2.6%	PBT Rs 64m

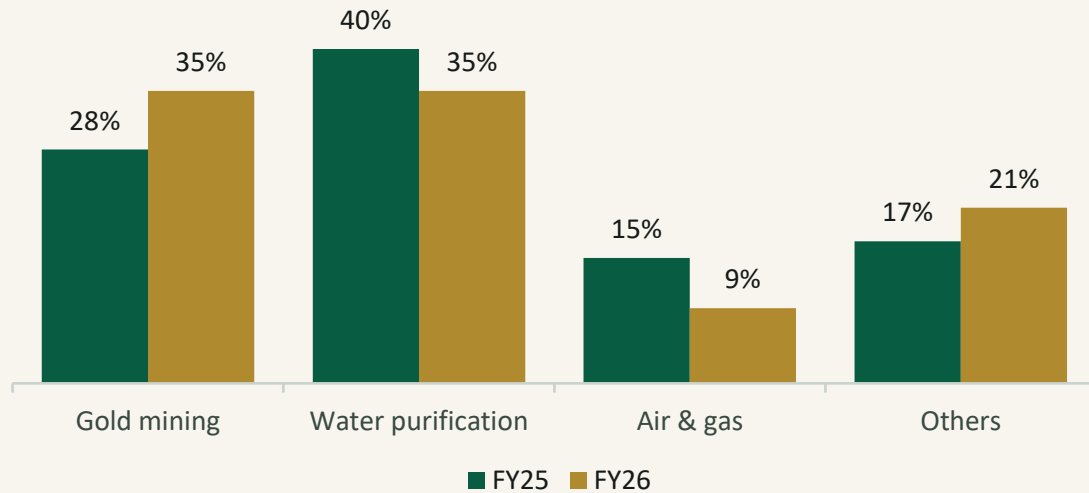
Manufacturing footprint

- **Sri Lanka:** Madampe, Badalgama; Recogen (green charcoal & power)
- **Thailand:** Carbokarn & Shisuka (50% owned, consolidated)
- **Indonesia:** Bitung (PT Mapalus, 100%) and Palu (JV)
- **Philippines:** greenfield plant under construction
- **Sales offices:** USA, UK, Australia, Asia

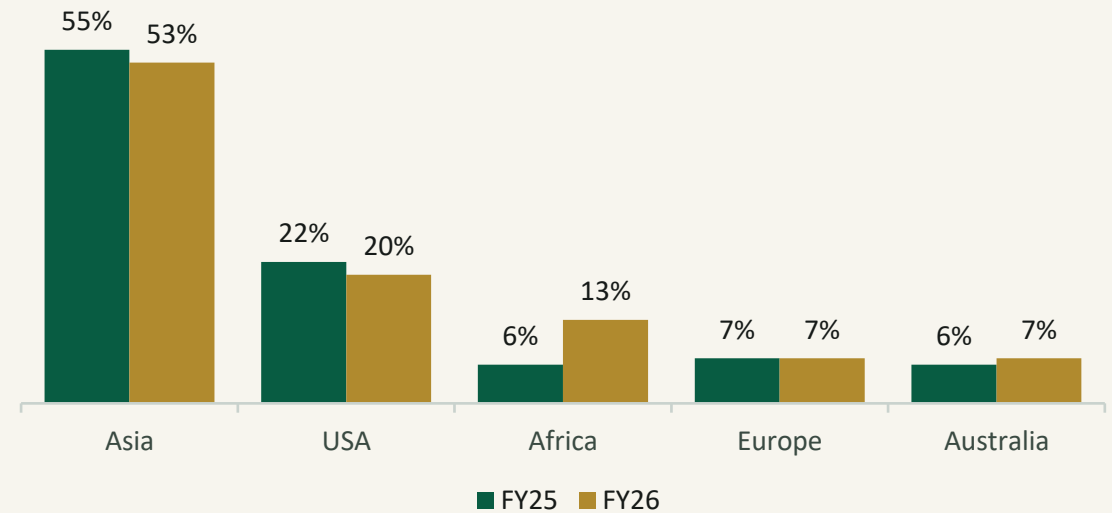
Revenue mix

In FY26, gold mining and Africa made up more of sales, while specialty carbons slipped to 21%

Revenue by application (% of revenue)



Revenue by region (% of revenue)



25% → 21%

Specialty carbons

Share of sales, FY25 to FY26

2% → 6%

Energy storage

Carbon for batteries: 6% of sales, up from 2%

97.7%

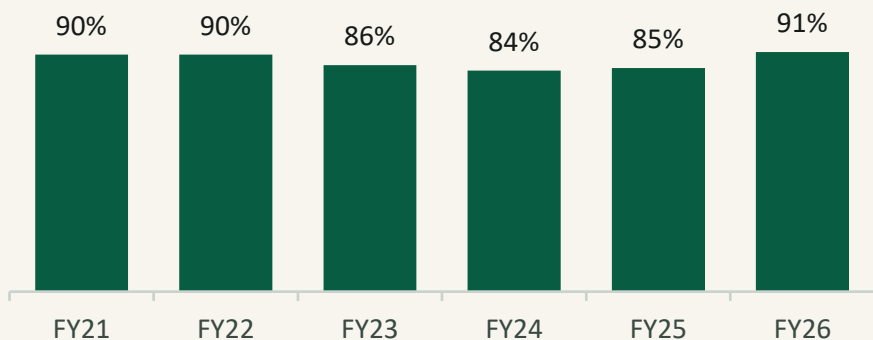
Overseas sales

Share of FY26 sales, Rs 65.5bn

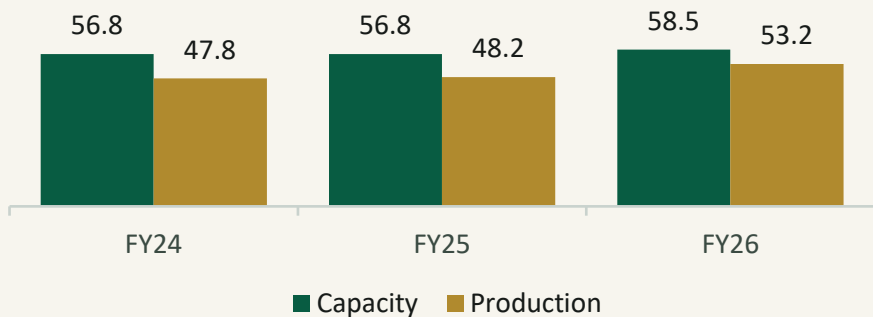
Capacity and the investment pipeline

Plants ran at 91% of capacity in FY26; record spending is going into energy storage and a Philippines plant

Capacity utilisation (%)



Capacity vs production ('000 MT)



Investment pipeline

Record spending: Rs 4.15bn, up from Rs 2.56bn

Rs 1.43bn doubled energy-storage capacity and Rs 1.26bn grew higher-value products, plus a new kiln in Thailand.

Still spending: Rs 1.90bn in the latest quarter

The same pace carries into FY27, per the interim cash-flow statement.

Sri Lanka expansion: US\$18.18m agreement

A deal with Sri Lanka's Board of Investment to build more energy-storage carbon capacity locally.

New Philippines plant adds 7,500 MT

About 13% more than today's capacity. It opens in phases from 2027/28, with a local charcoal network being built.

Goal: over 75% sustainable charcoal

61% of raw material came from green charcoaling in FY26, up from 40% in FY24.

Sri Lanka macro backdrop

Growth is still strong, but inflation and interest rates increased in 2026.

Real GDP 2025

5.0%

H1 2026: 4.7%

CCPI inflation

8.0%

Sep-26; core 5.4%

Policy rate (OPR)

8.75%

+100bp on 26-May-26

364-day T-bill

9.95%

1-Oct-26

US\$/Rs (TT buying)

330.7

1-Oct-26

Official reserves

US\$6.9bn

End Aug-26

ASPI

20,881

1-Oct-26

CSE market PER

10.8x

1-Oct-26

What it means for Haycarb

- Haycarb sells almost entirely abroad, so Sri Lanka's economy hardly affects demand, except for its water unit, Puritas.
- A weaker rupee helps, because dollar sales turn into more rupees. It also hurts, because loans in foreign currency cost more to repay.
- Higher interest rates make Haycarb's short-term borrowing more expensive, which eats into profit.
- US tariffs on Sri Lankan goods raise costs. Management says it passed these on to customers last year.
- Tension in the Middle East pushes up shipping and energy costs, and prices inside Sri Lanka.

Industry dynamics

Structural demand for activated carbon meets a finite, slow-to-expand coconut-shell feedstock

Demand drivers: four reasons customers need more carbon



Water & PFAS

Stricter rules, including PFAS removal, mean more filtering. Water is Haycarb's biggest market at 35% of sales.



Air & gas

Stricter emission and indoor air rules lift demand, but air and gas fell from 15% to 9% of Haycarb's sales.



Gold recovery

High gold prices push mines to buy more carbon. Gold rose from 28% to 35% of Haycarb's sales.



Energy storage

EV, AI data centre and grid-storage growth needs battery carbon. Now 6% of Haycarb's sales, up from 2%.

Supply constraint

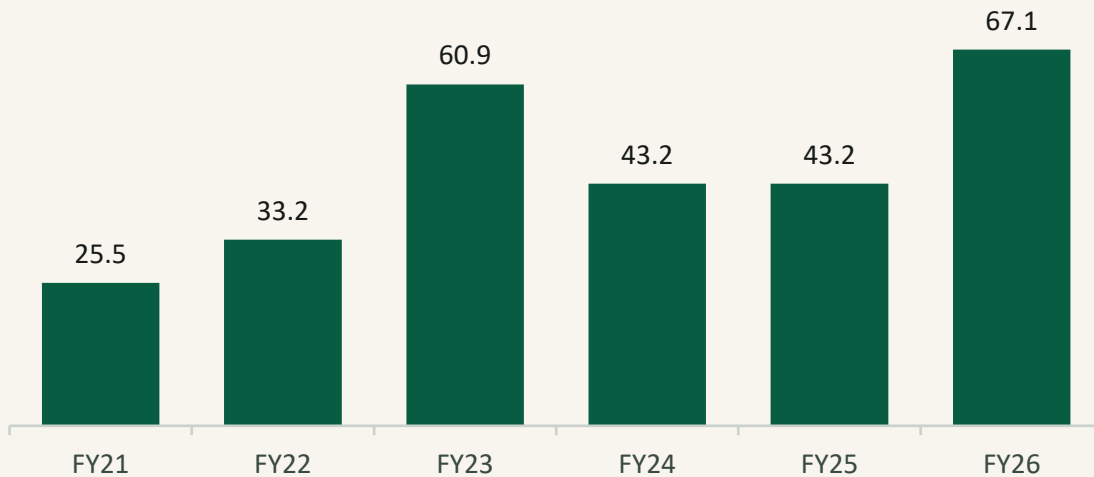
- Coconut trees take years to mature
- Weather shocks hit harvests
- Rising SE Asian charcoal and coconut exports
- Other uses compete for the same biomass

Management expects the pressure to last through the short to medium term.

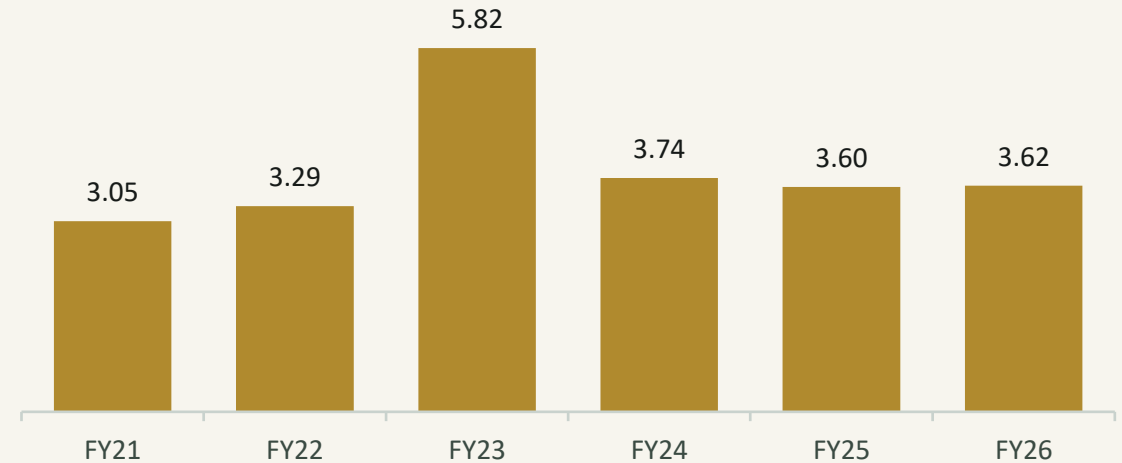
Six-year earnings record

Sales have grown 2.6 times since FY21, but profit for shareholders is only 19% higher

Revenue (Rs bn)



Profit attributable to shareholders (Rs bn)



21.4%

Yearly sales growth
In rupees, since FY21

10.4%

Yearly sales growth
In US dollars

3.5%

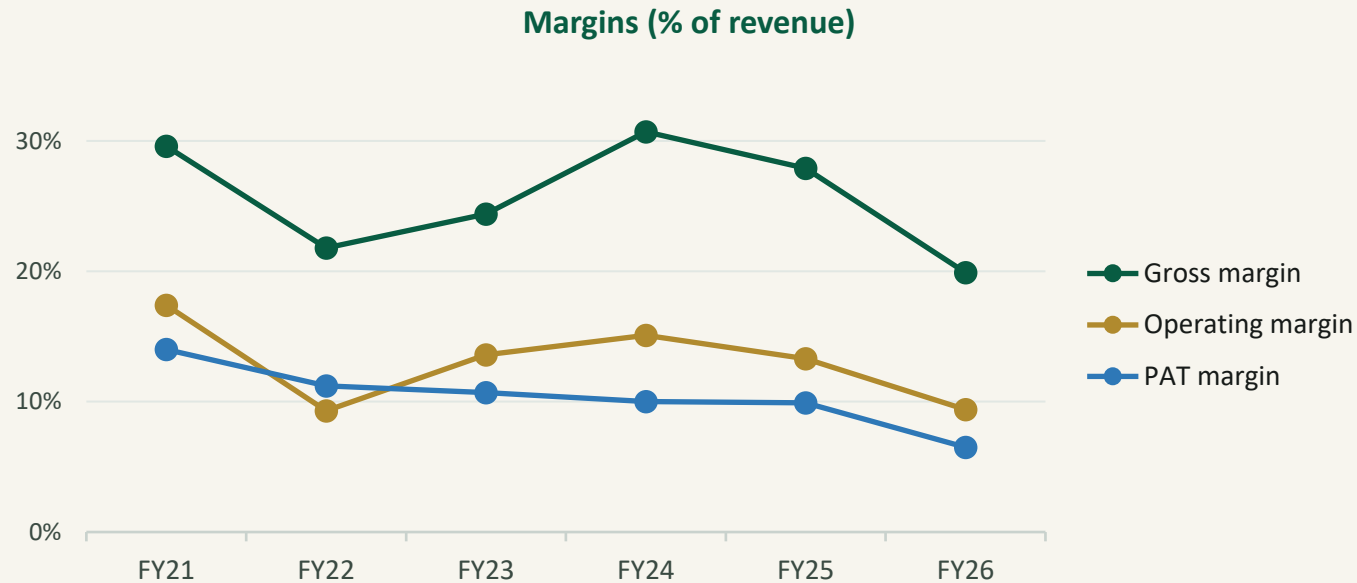
Yearly profit growth
Per share

17.3%

Yearly net worth growth
Per share

Margin compression

Gross profit grew in rupees, but costlier charcoal left Haycarb keeping the least of each sale in six years



Margin (%)	FY21	FY22	FY23	FY24	FY25	FY26
Gross	29.6	21.8	24.4	30.7	27.9	19.9
Operating	17.4	9.3	13.6	15.1	13.3	9.4
Profit after tax	14.0	11.2	10.7	10.0	9.9	6.5

What drove it

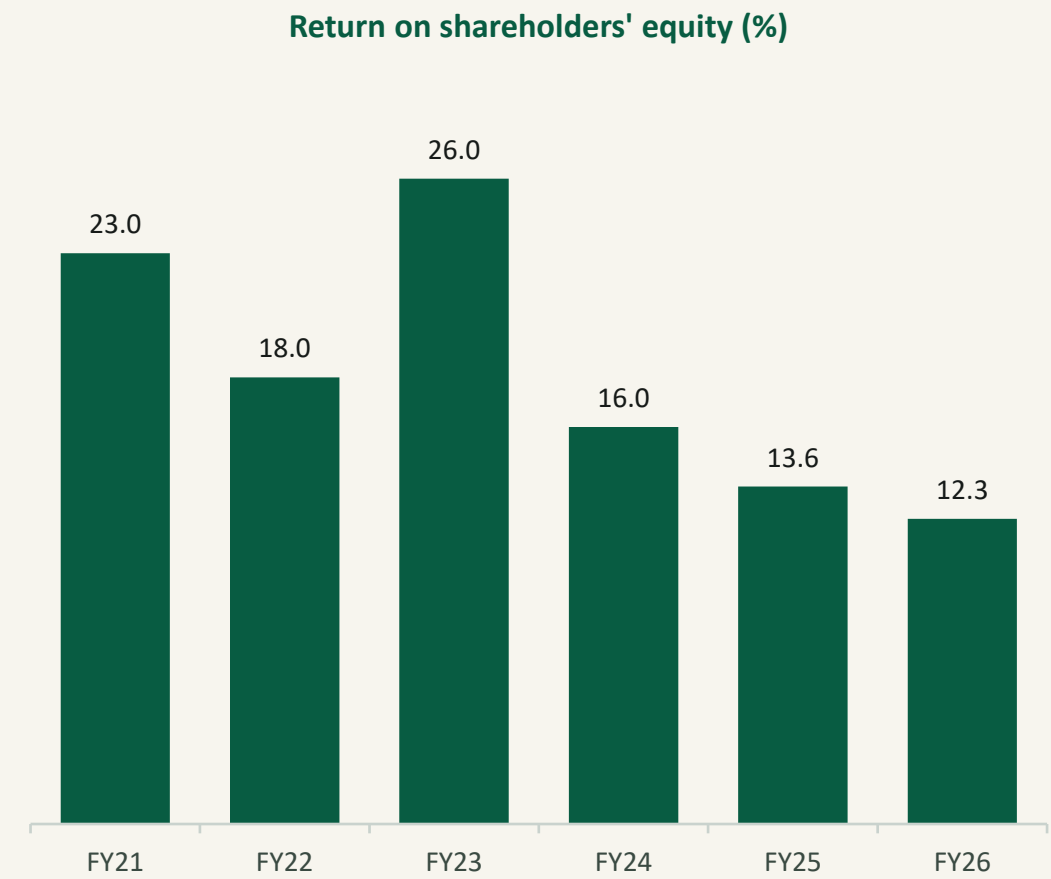
- Coconut-shell charcoal cost more, as supply is limited and buyers compete for it.
- Price rises, a better product mix and Rs 1,163m in cost savings softened the hit.
- Currency gains added Rs 597m to FY26 operating profit, versus a Rs 74m loss in FY25.

Reading the trend

Haycarb has passed rising costs on to customers, so gross profit in rupees rose 10.9%. But profit as a share of sales still fell. Part of the sales jump is higher prices, not just more volume (production rose 10%).

Returns on equity

Shareholders now earn about half the return they did in FY23, because Haycarb keeps less profit from each sale



What drives return on equity

Driver	FY25	FY26	Direction
Profit kept from each sale	8.3%	5.4%	Lower
Sales per rupee of assets	0.94×	1.05×	Higher
Borrowing leverage	1.73×	2.18×	Higher
Return on equity	13.6%	12.3%	Lower

13.4%

Profit on all money invested, FY26 (FY25: 15.5%)

≈ 8.2%

How fast it can grow without new money, FY26

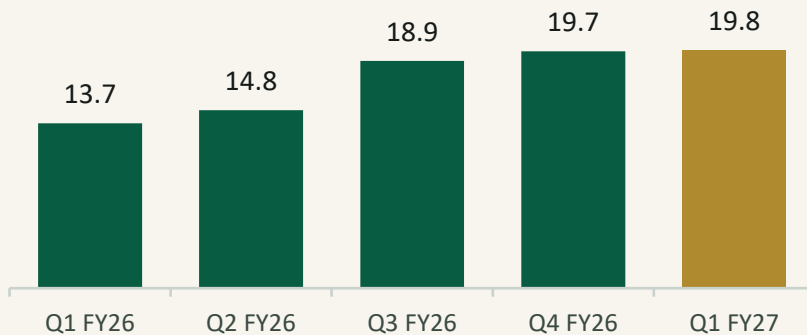
Profit earned on shareholders' money: about Rs 12 per Rs 100, down from Rs 26 in FY23.

Borrowing and asset use improved, but profit kept per sale fell from 8.3% to 5.4%, outweighing both.

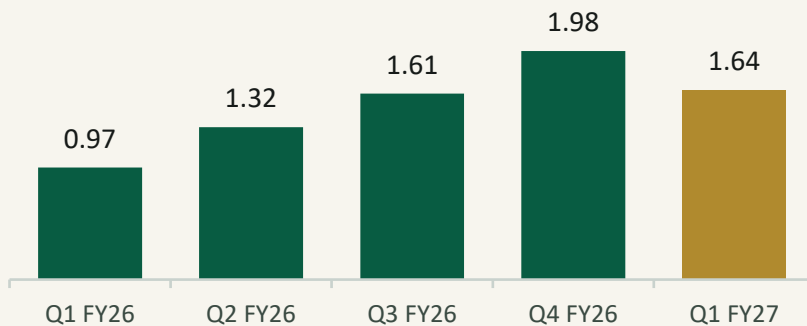
Quarterly momentum into FY27

Q1 FY27 profit after tax rose 83% on 45% higher revenue; gross margin held near 20%

Revenue by quarter (Rs bn)



Profit before tax by quarter (Rs bn)



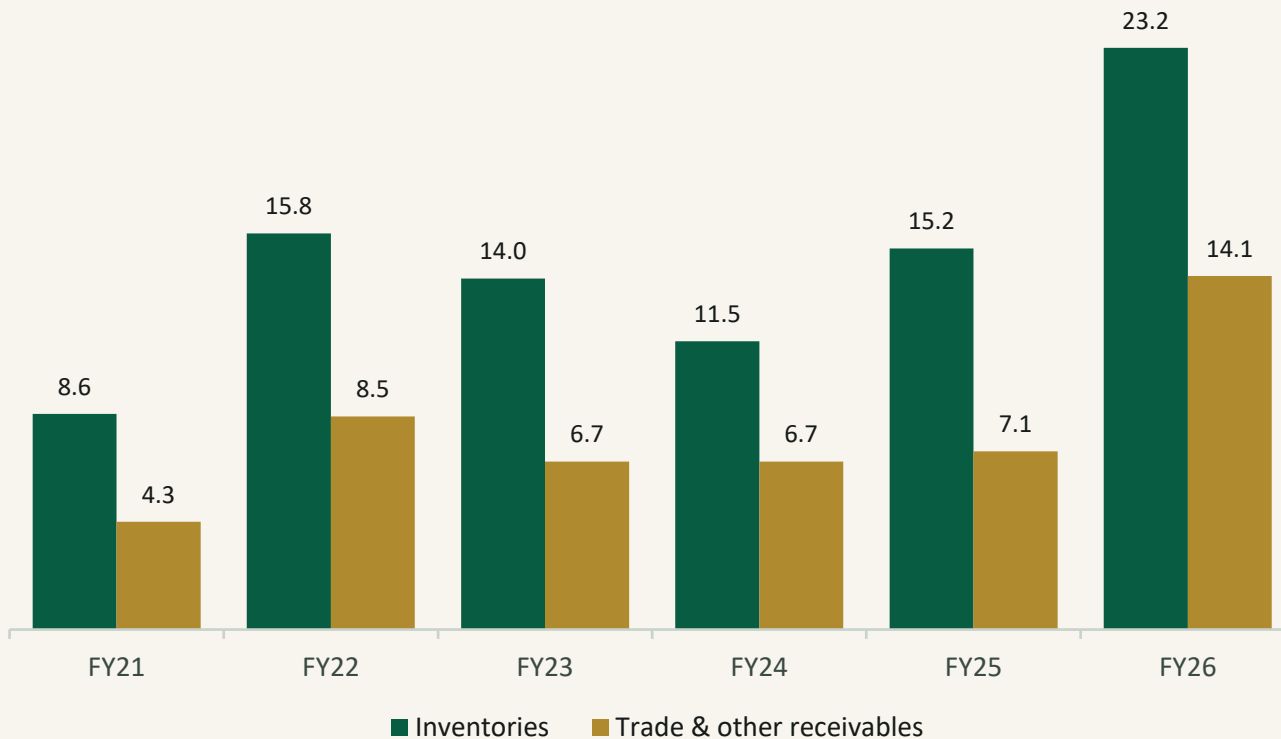
Rs million	Q1 FY26	Q1 FY27	Change
Revenue	13,682	19,796	+44.7%
Gross profit	2,668	3,913	+46.6%
Gross margin	19.5%	19.8%	+0.3pp
Operating profit*	1,107	2,278	+105.7%
Profit before tax	973	1,637	+68.2%
Profit after tax	677	1,239	+83.1%
Attributable to shareholders	518	1,099	+112.3%
EPS (Rs)	1.74	3.70	+112.6%
Net cash from operations	(17)	646	n.m.

In short: Sales rose 45% on last year, but profit after tax rose 83%, so Haycarb kept more of each sale. Gross margin barely moved, so the extra profit came from further down: operating profit more than doubled. Operations also swung from a Rs 17m cash outflow to a Rs 646m inflow.

Working capital

Inventory and receivables absorbed Rs 15.0bn in FY26 as charcoal buffer stocks were built at higher prices

Inventories and receivables at 31 March (Rs bn)



Days to sell stock

158

178 a year earlier

Days to collect bills

58

59 a year earlier

Days cash is tied up

195 days

223 days a year earlier

Tied-up cash vs sales

46%

28% in FY23

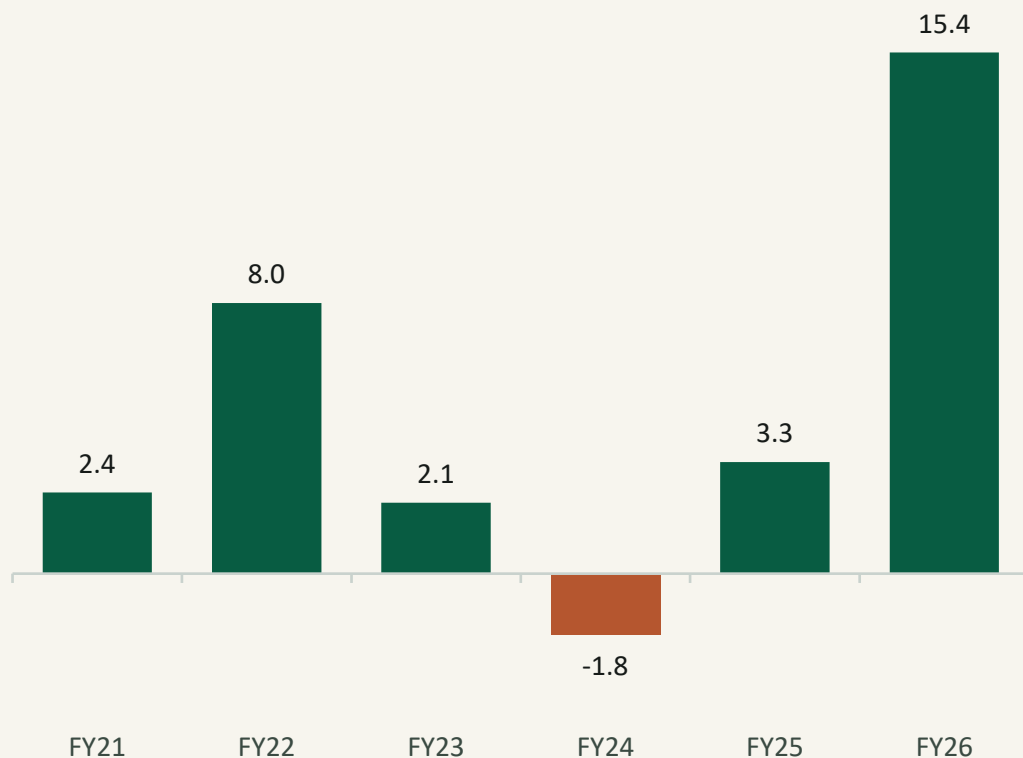
Why auditors looked closely

Stock is worth Rs 23.2bn, 36% of everything Haycarb owns. Auditors flagged it as a key risk because valuing it takes judgement, including adjusting for moisture.

Leverage and liquidity

Net debt rose to Rs 15.4bn in FY26, mostly short-term loans funding inventory and receivables

Net debt at 31 March (Rs bn)

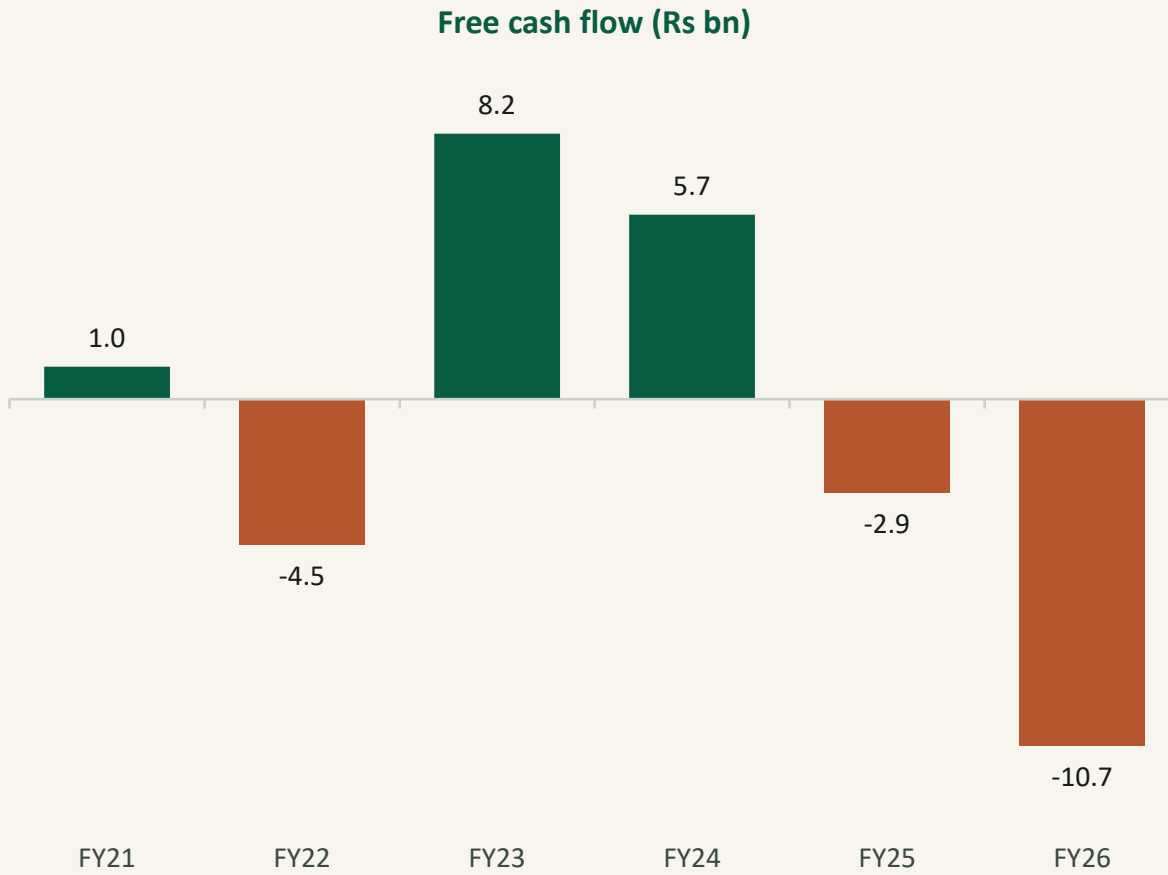


Metric	FY25	FY26	30-Jun-26
Gross borrowings (Rs bn)	7.40	18.23	19.14
Short-term loans + overdrafts (Rs bn)	3.93	13.47	n.d.
Cash net of overdrafts/ST loans (Rs bn)	0.16	(10.61)	n.d.
Net debt / EBITDA	0.5×	1.9×	n.d.
Interest cover (company)	11.8×	7.2×	6.2×
Current ratio	2.47×	1.74×	1.64×
Quick ratio	1.14×	0.80×	0.74×
Gearing (company basis)	23.4%	37.5%	n.d.

In short: Haycarb borrowed much more in FY26, mostly short-term loans, to pay for stock and unpaid customer bills. Debt is now 1.9× yearly earnings, up from 0.5×, and its ability to cover short-term bills has weakened.

Cash flow

Free cash flow was negative in three of six years; dividends have exceeded cumulative free cash flow



Cumulative FY21–FY26

Operating cash flow **Rs +10.37bn**

PPE capex **Rs –13.48bn**

Free cash flow **Rs –3.12bn**

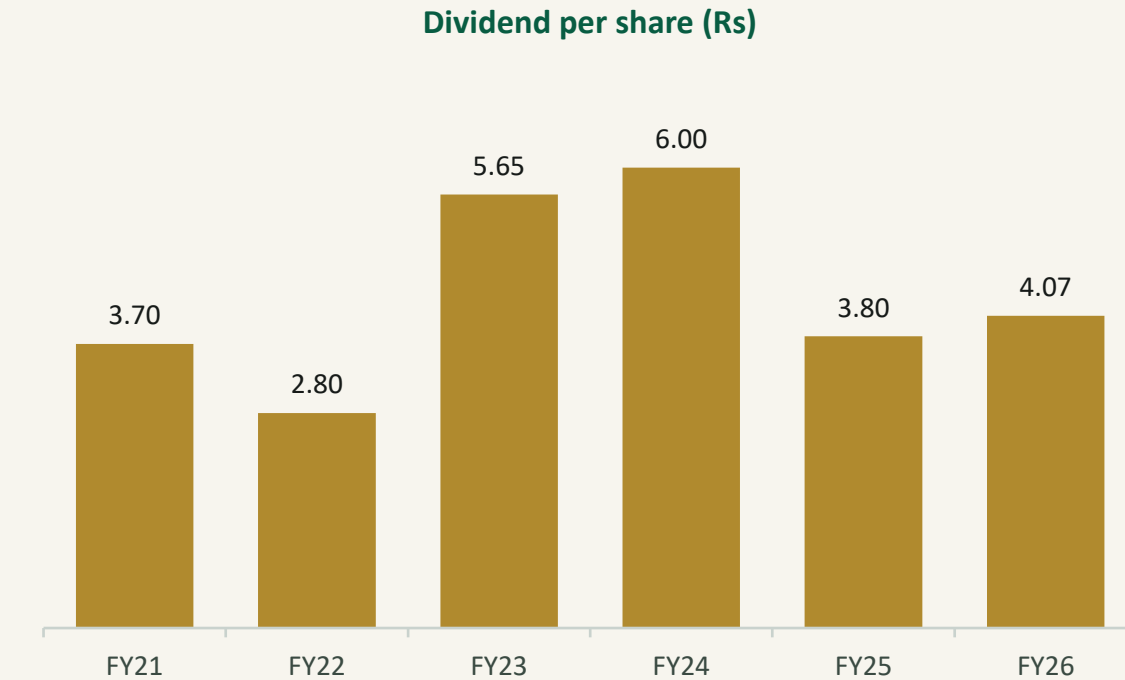
Dividends to shareholders **Rs –7.46bn**

Dividends to minorities **Rs –2.04bn**

Gap funded by debt & cash **Approx. Rs 12.6bn**

Dividends and shareholder return

Haycarb pays out about a third of its profit as dividends. The yield has shrunk because the share price doubled.



Payout	FY21	FY22	FY23	FY24	FY25	FY26
% of EPS	36%	25%	29%	48%	31%	33%

FY = year to 31 March. Yield at Rs 208.00.

38.3%

Total return to shareholders in FY26: share price gain plus dividends

Rs 0.75

First dividend of FY27, up from Rs 0.50 a year earlier

2.0%

Dividend yield at Rs 208 a share. A 1-year government bill pays 9.94%.

FY26 dividends came in four payments: Rs 0.50, 0.82, 1.05 and 1.70.

Growth opportunities

Six places where Haycarb could sell more, earn more per sale, or both



Energy-storage carbons

Battery carbon doubled its capacity in FY26 and is growing fast: now 6% of sales, up from 2%.



PFAS removal

New carbon for removing PFAS chemicals from water has launched as US and EU rules tighten. Its sales aren't yet reported.



Gold recovery

Gold is 35% of sales, and Africa's share doubled to 13%. High gold prices help, but they rise and fall.



Capacity & sourcing

A new Philippines plant adds about 13% more capacity from FY28, and Indonesian charcoal-making secures supply.



Environmental engineering

Puritas, the water unit, expects more work from Sri Lankan industry and Maldives tourism, plus new markets.



Pricing & currency

Customers have shared higher costs and US tariffs. Sales are nearly all exports, so a weaker rupee lifts earnings.

Management outlook and what to monitor

Management is positive on demand but expects pressure to persist

What management says

- Long-term activated-carbon outlook positive: AI, renewables and EVs, gold demand and stricter regulation.
- Coconut-shell charcoal supply pressure to persist short-to-medium term; cultivation benefits only in the medium-to-long term.
- Priorities: commission the Philippines plant, expand energy-storage capacity, lift value-added share, add suppliers in Vietnam, India and the Philippines.
- Environmental engineering to keep growing in FY27.
- Watch-outs: Middle East conflict, freight and energy costs, slower global growth, Sri Lankan inflation.

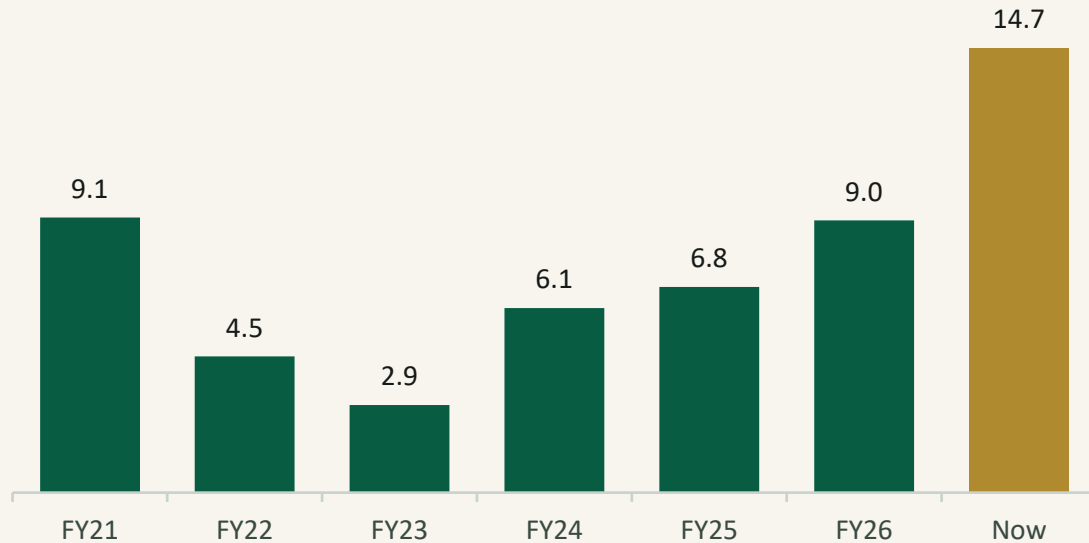
Monitorables checklist

- ✓ Gross margin each quarter: does it stay near 20%?
- ✓ Stock days and net debt (Rs 16.3bn without leases, Jun-26): are they falling?
- ✓ Coconut-shell charcoal: is it getting dearer or scarcer?
- ✓ Gold price and African demand: do they stay strong?
- ✓ Will Haycarb start reporting energy-storage and PFAS sales?
- ✓ Is the Philippines plant on schedule?
- ✓ Which way are the rupee and interest rates heading?
- ✓ When are the next results? Q2 FY27, due by mid-Nov-26

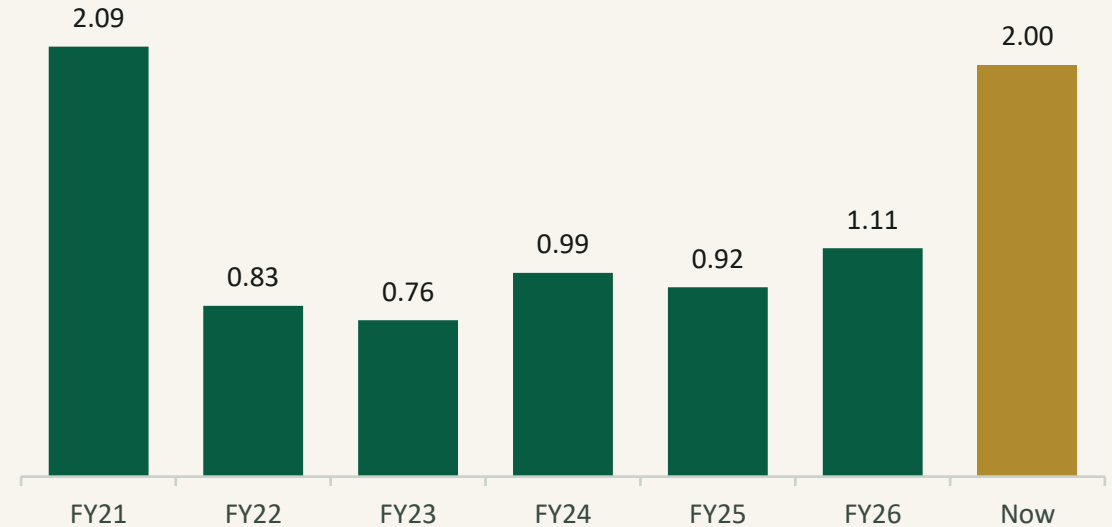
Valuation versus its own history

Current multiples sit at roughly twice the FY21–FY26 year-end averages

Price / earnings (avg FY21–FY26: 6.4×)



Price / book value (avg FY21–FY26: 1.1×)

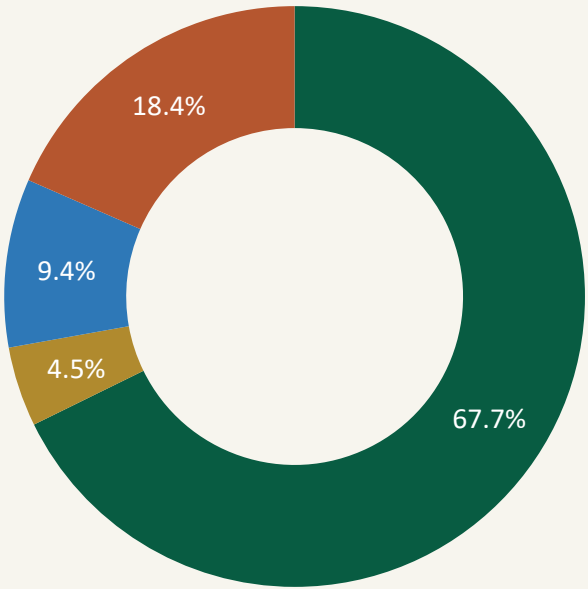


In short: Investors now pay about twice what they usually have for Haycarb. For every Rs 1 of yearly profit they pay Rs 14.7, against a Rs 6.4 average. For every Rs 1 of net assets they pay Rs 2.00, against Rs 1.1. The market may be betting on bigger sales, energy storage or a profit recovery.

Ownership, float and liquidity

Hayleys controls two-thirds of the shares; the public float is about 31%

Shareholding at 31-Mar-26 (%)



- Hayleys PLC
- Employees' Provident Fund
- Other top-20 holders
- All other shareholders

30.91%

Public holding (30-Jun-26); 8,671 public shareholders

3.77%

Held by non-residents; institutions hold 79.1% of shares

14.7%

Of issued shares traded in FY26 (43.6m shares, Rs 4.53bn), ≈47% of float

3.89m

Shares held by the MD (jointly), up from 3.18m in Mar-25

Control is concentrated with Hayleys; a modest float can amplify price moves in both directions.

ESG snapshot

07 · ESG

Renewable feedstock and energy are strengths; absolute emissions are rising with output



61%

Raw material from green charcoaling

FY25 44%, FY24 40%; target >75% by 2030



76.6%

Renewable share of energy use

FY25 74.5%; 1.09 MW floating solar in Thailand



49,785 t

GHG emissions (tCO₂e)

+9% YoY; FY24 27,941 (Scope 2 recalculated)



791 ML

Water consumption

+13% YoY; rainwater harvesting and reuse



Rs 261m

R&D investment

0.39% of revenue; 14 new products in FY26



2,084

Employees

29% of executive board positions held by women

Framework: ACTIVATE 2030 ESG roadmap; integrated report with GRI and SASB indices. CSR spend Rs 52.7m in FY26, including the Puritas Sath Diyawara clean-water programme.

Key risks

Raw-material supply tops the list; balance-sheet and valuation risks rose in FY26

Risk	What could go wrong	How Haycarb responds
Raw material High	Profit margins shrink if Haycarb can't raise prices to match.	Buys from several countries, makes charcoal in Indonesia and tests other materials.
Gold cycle High	If gold prices fall, orders and prices could drop.	Growing in energy storage, water and air.
Cash & borrowing High	Higher interest costs and reliance on lenders to renew loans.	Several bank lines and support from the Hayleys group treasury.
Interest rates Medium	Company estimate: 5 points higher rates would cut FY27 profit before tax by about 8%.	A mix of fixed and floating loans, plus some cheaper concessional funding.
Currency Medium	Profit can swing with currency moves.	Dollar sales offset dollar costs.
Trade & politics Medium	Company estimate: a severe event could cost 3–5% of profit before tax.	Sells in many regions and carries insurance.
Share price & structure Medium	The share price could fall if profit margins disappoint.	None stated.

Strengths and risks

Both sides of the case, for investors to form their own view



Supportive evidence

- A world leader, with about 16% of the market and few new competitors
- Record sales, and Q1 FY27 profit up 83% with margin holding near 20%
- Benefits from growing needs: PFAS removal, batteries and clean water
- Almost all sales are exports, which protects against a weak rupee
- Backed by a strong parent, steady dividends and share buying by the MD



Points of caution

- Margins are at six-year lows, so profit has lagged far behind sales
- Charcoal costs could rise Rs 5.5–8.3bn in FY27
- Debt is Rs 15.4bn and cash flow is negative, with cash tied up in stock
- 35% of sales depend on gold mining, which rises and falls
- The share price is about double its usual level and above the market's



Contact

RESEARCH TEAM

SALES TEAM

SOCIAL MEDIA



Bhashini Hewawitharana
+94 112 359 162 / +94 72 186 4893
bhashini.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



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



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



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



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



<https://tinyurl.com/cvwnvf4x>



<https://tinyurl.com/4r9nej6s>



<https://tinyurl.com/4rrfuh6n>



<https://tinyurl.com/yc2mu9cf>



<https://tinyurl.com/38smbn5f>



<https://rb.gy/sn4rmt>



Disclaimer

This is solely for SenFin Securities Limited (SSL) clients' information and is not construed as investment advice. It is also not intended as an offer or solicitation to purchase and sell any financial instruments. This report is prepared based on publicly available information, internally developed data, and other sources believed to be reliable. The information and opinions contained in this report are based upon information obtained from sources believed to be reliable and made in good faith. Such information has not been independently verified and no guarantee, representation, or warranty, express or implied is made as to their accuracy, completeness, or correctness. All such information and opinions are subject to change without notice. This report is for information purposes only, and the description of any company or its securities mentioned herein is not intended to be complete. This report is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments, and SenFin Securities Limited or its employees or associates cannot be held responsible for any losses or gains. The recipient of this report must make their own independent decision regarding any securities, investments, or financial instruments mentioned herein. SenFin Securities Limited (SSL) its directors, officers, consultants, employees, and associates, will not be responsible, for any claims of damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out of actions taken as a result of this report. The contents herein should not be construed as investment, legal, or tax advice. Investors should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements, and (c) any foreign exchange restrictions or exchange control requirements that may be encountered under the laws of the countries of citizenship, residence, or domicile. Past performance does not guarantee future returns; there can be no assurance that investments will achieve any targeted price levels or rate of return. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied, or distributed to any other party, without the prior express written permission of SSL.

Investment involves risk and securities, financial instruments and investment strategies mentioned may not be suitable for all investors. Please ensure that you fully understand the risks involved. As a general rule, you should only trade in financial products that you are familiar with and understand their risk. You should carefully consider your investment experience, financial situation, investment objective, and risk tolerance level and consult your independent financial adviser as to the suitability of your situation before making any investments.