

# Tokyo Cement's FY25/26 Q3 Financial Results Position Group for Industry Upswing

## Quarterly Financial Review

Tokyo Cement Group (Tokyo Cement) reported a turnover of Rs. 14,523 million compared to Rs. 11,639 million over the same period of the previous year, and a profit after tax of Rs. 332 million compared to Rs. 1,006 million over the same period of the previous year, for the 3<sup>rd</sup> Quarter ending 31st December, 2025.

This 25% growth in turnover stems from significant volume growth which outpaced the industry and validated the positive outlook forecasted for the year.

The decline in profitability can be attributed to multiple factors, that included a reduction in selling price, increases in raw material costs, compounded by currency depreciation, the impact of the capitalisation (depreciation and interest) of expansion projects in Trincomalee, and the acquisition of a vessel to facilitate coastal shipments. These strategic investments will enhance operational efficiency and support long-term profitability as they are utilised.

## The Economic Environment

Construction activity demonstrated a strong momentum during the quarter as reflected in the Sri Lanka Purchasing Managers' Index (PMI – Construction), which peaked in September and remained elevated through October 2025. The stable pricing environment facilitated the consistent increase in construction activity, resulting in continued volume growth. Hospitality, housing, large- and medium-scale condominium projects were the key demand drivers, whilst regional infrastructure development projects allowed the expansion of industry activity.

However, this positive trajectory was disrupted by Cyclone Ditwah, which caused widespread flooding and landslides resulting in significant loss of life and assets. The direct physical damage to buildings, agriculture, and critical infrastructure caused by the cyclone was estimated at USD 4.1 billion, according to the Global Rapid Post-Disaster Damage Estimation (GRADE) report published by the World Bank.

The industry slowdown, in the immediate aftermath of the cyclone in the last week of November, continued through December due to cyclone-related disruptions and the holidays. The Government, supported by local and international partners, initiated a comprehensive reconstruction and compensation programme expected to be rolled out in the upcoming months. This includes a Rapid Financing Instrument (RFI) facility from the International Monetary Fund (IMF) and the World Bank as emergency funding towards the post-Ditwah recovery efforts.

Despite the Rupee depreciating by around 6% against the Dollar, fiscal performance remained resilient, aided by improved revenue collection and strong inflows from tourism and workers' remittances. Export earnings reached USD 12.99 billion from January to September 2025, representing a 7% year-on-year growth, while remittances increased by 20.7% year-on-year to USD 7.19 billion for the period January to November. The twin surpluses recorded in the primary fiscal balance and the external current account continued a steady path, demonstrating continued macroeconomic stability despite the impact of Cyclone Ditwah.

## Outlook

Several multilateral lending agencies and local investment analysts have highlighted the robust performance of key fiscal indicators, supported by the strong performance of the twin surpluses. The persistence of low interest rates, a stable currency, and subdued inflation over the medium- to long-term is expected to provide a supportive backdrop for sustained economic growth.

Historically, the industry records its strongest performance in the construction cycle in the January to March period (4<sup>th</sup> Quarter). Current industry statistics project a positive outlook for the next three months, supported by the commencement of several new development projects in the new year, and encouraged further by post-cyclone reconstruction efforts.

The government has allocated LKR 1.38 trillion for capital expenditure through the 2026 Budget, encompassing major infrastructure investments such as highways, road networks, irrigation, energy, and local infrastructure. Key state-sector development projects included therein, such as the World Bank-funded Kandy Multimodal Transport Terminal (KMTT) Development Project and the Japanese-funded Kadawatha-Meerigama section of the Central Expressway, are expected to boost the industry momentum.

Additionally, awarding of the BIA Airport Development Project Phase II contract, funded by the Japan International Cooperation Agency (JICA), is anticipated to drive a significant demand increase within the year. In addition, a significant portion of the LKR 500 billion supplementary allocation for post-cyclone rebuilding is expected to be directed towards the reconstruction of housing, transport networks, schools, and other critical infrastructure, providing an additional stimulus to construction activity and demand for cement and concrete.

Tokyo Cement maintains an optimistic short- to medium-term outlook and remains confident in the country's economic fundamentals. The Group's investments in capacity enhancements positions it to capture the anticipated growth in demand arising from renewed development activity. Continuing its disciplined cost management approach, Tokyo Cement Group remains committed to safeguarding stakeholder value and playing an active role in supporting the nation's economic resurgence.

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