



INDUSTRY INPUTS, POWER & ENERGY

Hayleys Aventura drives growth of Sri Lanka's industrial sector through providing access to a range of world-class industrial raw materials and engineering solutions. The Sector also drives the advancement of Sri Lanka's government healthcare sector through providing access to advanced health care technology and solutions. Through the Power & Energy cluster, Aventura contributes to the country's low- carbon transition through an installed capacity of 50MW of hydro, solar and wind power.

INDUSTRY INPUTS, POWER & ENERGY

Rs.4.56 bn
Payments to suppliers

Procurement
Importing a portfolio of industrial raw materials, healthcare equipment and engineering solutions from globally reputed suppliers

Economic Value
Rs. 1.87 bn tax contributions
USD 4.78 bn export revenue generated

Socio-economic value generation

Facilitating business growth
4500+ customers supported

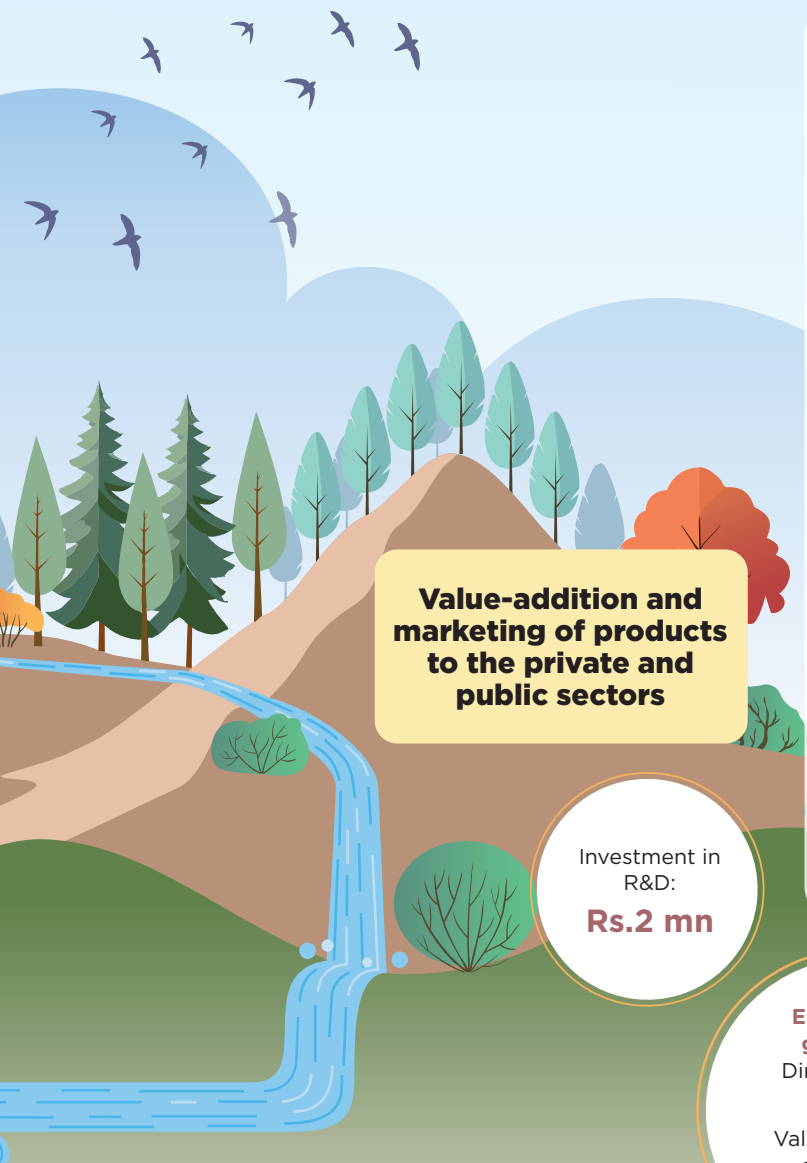
Contributing to Sri Lanka's low carbon transition
142 GWh generation of renewable energy



Rs. 4.63 bn
Economic value added



3%
Contribution to Group's value creation



Value-addition and marketing of products to the private and public sectors

Investment in R&D:
Rs.2 mn

Employment generation
Direct employees: 311
Value created to employees: Rs. 629 mn (+7%)








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Industrial Raw Materials
Supplies key raw materials to the F&B, cosmetics & detergents, pharmaceuticals, marine & protective coatings, rubber and Plastics industries
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Lifesciences
Provision of medical and analytical healthcare solutions
- 

Engineering Solutions
Provision of total engineering solutions including lifts and car parking, motors and control solutions, power generators, storage and material handling solutions, testing and measuring equipment among others
- 

Power & Energy
Generation of renewable energy

 Revenue Rs. 9.73 bn (+12%)	 Profit Before Tax Rs. 1.34 bn (+10%)	 Profit After Tax Rs. 1.05 bn (-13%)	 Assets Rs. 16.26 bn (+3%)	 Liabilities Rs. 6.65 bn (+5%)	 Employees 311 (+5%)	 Carbon footprint 803 tCO ₂ e (+68%)
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+ denotes y-o-y growth - denotes y-o-y decline

INDUSTRY INPUTS, POWER & ENERGY

SECTOR OVERVIEW

The Sector is represented by Hayleys Aventura, one of Sri Lanka's leading suppliers of industrial raw materials to domestic and export-oriented industries as well as medical and analytical equipment and engineering solutions. In Power & Energy, the Sector is a leading producer of renewable energy, with a collective installed capacity of 50MW in mini hydro, wind and solar power plants, contributing to the total renewable energy installed capacity in the renewable energy sector of Sri Lanka.

INDUSTRIAL RAW MATERIALS

Supplier of a range of input materials to manufacturing industries

Contribution to Sector

Revenue: 46%
PBT: 16%

Performance 2023/24

Revenue: 23% growth
PBT: 2% growth



LIFESCIENCES

Supplier of medical and analytical equipment

Contribution to Sector

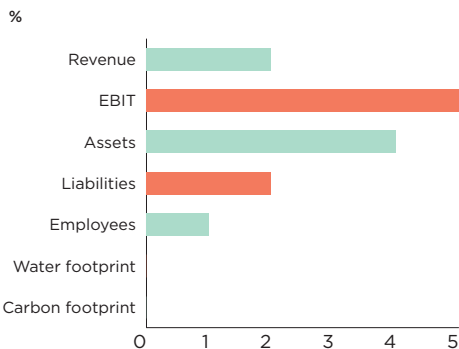
Revenue: 26%
PBT: 30%

Performance 2023/24

Revenue: 12% growth
PBT: 60% growth



CONTRIBUTION TO GROUP



ENGINEERING

Supplier of engineering solutions to industries

Contribution to Sector

Revenue: 16%
PBT: 10%

Performance 2023/24

Revenue: 23% decline
PBT: 2% growth



RENEWABLE ENERGY

Renewable energy generation through hydro, wind and solar sources

Contribution to Sector

Revenue: 12%
PBT: 43%

Performance 2023/24

Revenue: 1% decline
PBT: 6% growth



COMPETITIVE POSITION

Extensive footprint across key domestic industries in polymer, F&B cosmetics and detergents and healthcare among others. **Presence in regional markets** including Maldives, Bangladesh Indonesia, Seychelles and Pakistan

Long-standing partnerships with **148 principals**, including globally reputed suppliers

3 Wind power plants
3 Hydro power plants
1 Solar power plant

Array of solutions in **industrial raw materials, medical and analytical equipment and engineering solutions** including generators, lifts and car parking, energy savings solutions, storage and material handling equipment, testing and measuring equipment among others



-9%

Contraction in Industrial Sector



-21%

Contraction in Construction Sector



21%

Reliance on non-conventional renewable energy

OPERATING ENVIRONMENT

The operating landscape remained challenging during the review period, reflecting subdued demand from industries catering to the domestic market amidst a decline in consumer spending. While demand from export industries remained relatively stable, overall demand decelerated in view of the prevalent challenges in the domestic economy. Demand for Engineering Solutions was also lackluster during the year, reflecting contractions in the country's Industrial, Manufacturing and Construction sectors. The appreciation of the exchange rate had mixed effects on the Sector, which has exposure to both dollar receivables and payables. While liquidity constraints faced by the government sector continued to impede collections, conditions improved in comparison to the previous year supported by the influx of foreign funding for specific healthcare projects. Meanwhile, in line with the global energy transition and Sri Lanka's 2050 net zero aspirations, the Government is driving the widespread adoption of renewable energy sources, with a target of achieving 70% reliance on renewable energy by 2030, from the current levels of 50%.

Summary of external drivers

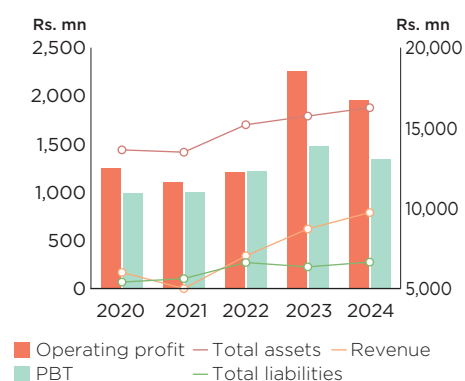
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Decline in consumer spending	H	- Subdued demand from industries such as Food and Beverage and Cosmetics
	Contraction in the industrial and construction sector	M	- Weak demand for Engineering Solutions given limited commencement of new projects
	Appreciation of the exchange rate	H	+ Leads to lower import costs and increased attractiveness of pricing to local customers
Industry context	Government impetus towards transitioning to a low carbon economy	M	+ Increased opportunities for renewable energy projects
	Talent migration	H	- Challenges in talent attraction and retention
Sustainability context	Increasing preference for sustainable solutions across industries	H	+ Opportunity to introduce sustainable innovations in partnership with our global partners
	Focus on energy efficiency across industries	H	+ Growth opportunities in catering to green and efficient energy solutions

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

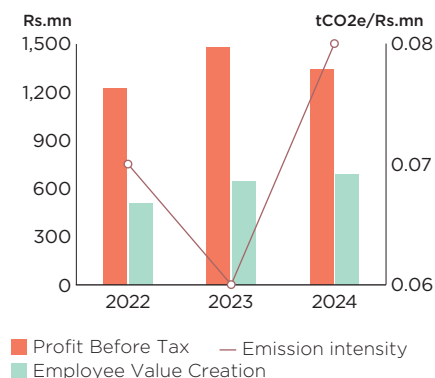
The Sector's performance during the year inevitably reflected the challenges stemming from the external environment. Revenue increased by 12% to Rs. 9.73 bn, driven by the Industry Inputs cluster, which delivered top line growth of 23% (and contributed 46% to the Sector) supported by good growth in regional markets. The Power & Energy cluster saw Profit Before Tax increasing by 6% respectively. Overall, however profitability was affected by the challenges in the Industry Inputs cluster resulting in the Sector's Profit Before Tax and Profit After Tax declining by a respective 10% and 13%.

SECTOR FINANCIAL PERFORMANCE



INDUSTRY INPUTS, POWER & ENERGY

INTEGRATED PERFORMANCE



Industrial Raw Materials

The sub-sector delivered a subdued performance, reflecting the decline in consumer spending which affected demand from key industries such as F&B, cosmetics and polymers. Meanwhile demand from export-oriented industries such as polymers, gloves and tiles were somewhat subdued during the year, reflecting global dynamics. The Sector continued to focus on widening its sustainability-linked product portfolio given increasing consciousness of environmental factors; for instance, having launched the biodegradable plastic additive, Eco One in the previous year the Sector focused on increasing penetration through acquisition of new customers.

Lifesciences

In this sub-sector, Aventura commands market leadership in the general x-ray segment and also has a presence in high-end segments such as radiology, oncology and cardiology. While domestic demand remained relatively unchanged, the sub-sector pursued strong growth in regional markets, pursuing new customer acquisition in the Maldives. Plans are currently in place to widen agency agreements to cover Maldives and Bangladesh in addition to Sri Lanka, thereby presenting significant regional opportunities. While domestic demand continued to be impeded by

liquidity constraints in the government healthcare sector, selected projects gained traction following the receipt of foreign funds for specific areas. The cluster demonstrated strong performance supported by regional expansion with 60% growth in profits.

Engineering Solutions

As Sri Lanka's demand dynamics remained unfavourable, reflecting the contraction in Sri Lanka's Industrial and Construction sectors the sub-sector commenced a rental fleet and engaged primarily in repair and maintenance activities. It also directed increased focus towards strengthening its position in regional markets. Accordingly, the sub-sector recorded a 2% growth in profits, driven by proactive marketing strategies and increased penetration in both Maldives and Bangladesh. Continued focus was also placed on expanding the portfolio of products and services offered and during the year, Aventura partnered with globally reputed Stamford Alternators, entering into a regional service partnership for alternators, parts and expert services. The cluster also successfully obtained the Agency for Avery Weigh-Tronix during the year.

Power & Energy

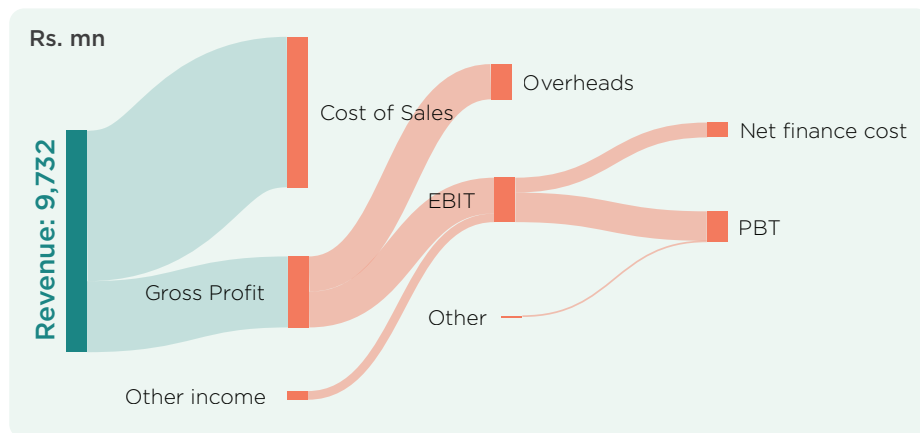
The cluster's Profit Before Tax increased by 10% during the year, reflecting stronger rainfall in generating regions. With the expected downward

revisions of tariffs rates on the 2nd tier of power plants, performance is expected to be subdued in 2024/25. Aventura sees tremendous potential for renewable energy in the medium-to-long term, given the government's thrust towards reducing dependence on fossil fuels and achieving net zero aspirations by 2050. The Sector also pursued aggressive regional growth in Bangladesh, which is expected to come to fruition in the medium term.

While employee retention remained a challenge, the Sector focused on strengthening capabilities through access to training and development and increasing employee satisfaction through numerous engagement interventions.

ESG in Action

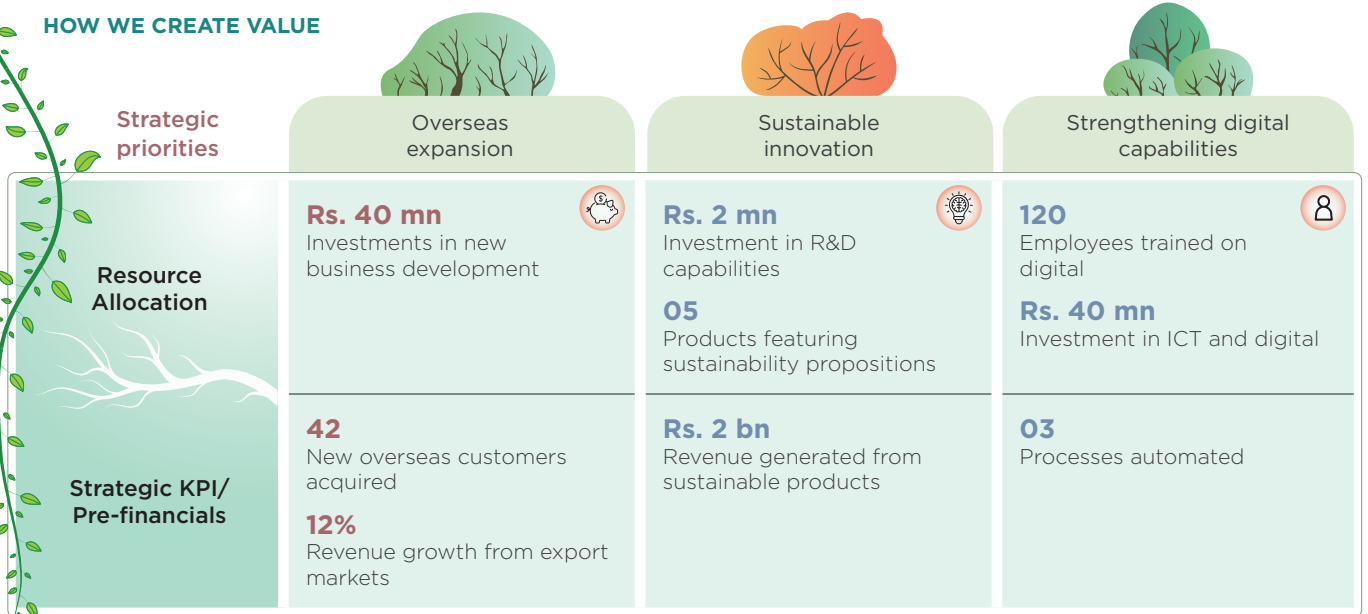
The Sector's ESG aspirations center on offering access to global innovations which drive positive social and environmental benefits to local industries. With increasing focus on sustainability considerations, these efforts are expected to accrue significant positive impacts and mitigate adverse environmental impacts of local industries. In line with the ESG integration agenda of Hayleys, the Sector also established an ESG Steering Committee to identify and respond to emerging ESG risks and opportunities. The Sector also obtained third-party assurance on its carbon footprint during the year.



HOW WE DEFINE VALUE



HOW WE CREATE VALUE

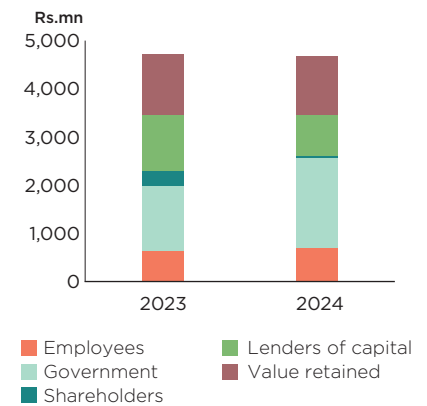


HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 5% in view of subdued demand
- Payments to employees increased by 7% during the year
- Value generated to Governments amounted to Rs. 1.87 bn an increase of 39% compared to the previous year
- Payments to lenders of capital decreased by 28%
- Value retained in the business for future investment amounted to Rs. 1.23 bn compared to Rs. 1.26 bn the previous year



VALUE DISTRIBUTION



INDUSTRY INPUTS, POWER & ENERGY

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	9,732	8,718	12	7,041
Earnings Before Interest and Tax	1,953	2,255	(13)	1,204
Net finance income/(cost)	(655)	(917)	(29)	(175)
Profit Before Tax	1,339	1,481	(10)	1,220
Profit After Tax	1,050	1,207	(13)	1,048
Assets	16,262	15,741	3	15,201
Liabilities	6,652	6,356	5	6,627
Operating Cash Flow	1,375	368	274	(19)
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>12%	21%		
Gearing	35%-45%	23%		
OPERATIONAL HIGHLIGHTS				
	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	0.67	0.13	415	169
Water Intensity (Litres/Revenue Rs.mn)	334	36	9-fold	33
Carbon Intensity (tCO ₂ e/Revenue Rs.mn)	0.08	0.06	50	80
No. of Employee	311	296	5	296
Revenue per Employee (Rs.mn)	31	29	7	24
Remuneration per Employee (Rs.mn)	2	2	-	2

ESG HIGHLIGHTS



CLIMATE ACTION

- As one of Sri Lanka's largest renewable energy operators, the Sector generated 142 GWh of solar, wind and hydro energy during the year, offsetting 105,136 of the Group's carbon footprint
- Rooftop solar installation in the Sector's Industrial Raw Materials manufacturing facility (Haycolour)

	2024	2023	Y-o-y
Renewable energy generation (GWh)	142	143	-
Carbon footprint offset (tCO ₂ e)	105,136	105,943	(1)
Sector energy consumption (Gj)	6,487	1,161	459
Carbon footprint (tCO ₂ e)	803	480	68

INDUSTRIAL SOLUTIONS THAT SHAPE A BETTER FUTURE

EcoOne		<ul style="list-style-type: none"> Accelerate rate of degradation to 18-24 months Support recyclability Certified by third-party local and global testing include Bureau Veritas
Recovered carbon black		<ul style="list-style-type: none"> Contributes towards a circular economy by reusing carbon black from the tyre industry
Illumina Next Generation Sequencing		<ul style="list-style-type: none"> Enabled targeted precision treatment of medical conditions

EMPLOYEE VALUE CREATION

During the year focus was placed on building leadership skills and ensuring succession planning



	2024	2023
No. of employees	312	296
Training investment (Rs.mn)	14	8
Payments to employees (Rs.bn)	686	641

INDUSTRY COLLABORATION

Inaugural Congress for Sustainable Materials- 'The Future of Plastics and Packaging'

The Sector provided leadership to a much-needed industry dialogue on the issue of non-biodegradable waste in Sri Lanka, inadequate waste management systems and potential solutions to ensure responsible use and disposal of plastic

PROSPECTS AND PLANS

Despite short-term volatilities stemming from the country’s still recovering industrial activity, the medium-to-long term prospects for the Industry Inputs cluster remains promising. As macro-economic conditions record gradual stability, industrial activity is expected to strengthen along with improved customer sentiments. Meanwhile, in the Power & Energy cluster, the Government’s aspirations of reaching 70% renewable energy generation by 2030 presents significant opportunities for growth. The short, medium and long-term opportunities and risks shaping industry dynamics are listed below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

+ Gradual recovery of the Industrial Sector

The gradual recovery of industrial activity in line with more favourable macro-economic fundamentals is expected to augur well for the Sector in the medium-term, driving increased demand from both domestic and export-oriented businesses

Response

Aggressive market activations and customer engagement across industries

+ Technology

Technology and AI is pushing boundaries in engineering and healthcare (among others) offering significant opportunities for innovation. Technology is also redefining the modern workplace through automation, productivity and collaboration among others

Response

Ongoing engagement with global partners in accessing the latest developments in engineering and healthcare technology

+ Opportunities for regional expansion

Significant opportunities in leveraging partnerships with global principals to drive increased regional penetration, particularly in Maldives and Bangladesh

Response

Acquisition of new customers and deeper engagement with existing customers

- Government’s liquidity constraints

With over 80% of the Lifesciences sub-sector relying on government contracts, liquidity constraints can lead to longer debtor days and higher finance cost

Response

Ongoing debtor engagement and diversification of customer base

Sustainability related risks and opportunities (SRRO)

Sri Lanka’s net zero ambitions and push to renewable energy

In line with Sri Lanka’s Net Zero Roadmap the country is gearing up renewable energy projects as it aims to tackle emissions and transition to a low-carbon economy

< 1 year	Increased interest in renewable energy given escalation in fossil fuel-based energy costs
1-5 years	Significant growth potential with the Government aiming for 70% renewable energy by 2030
>5 years	With the government committing to zero new coal fired plant, RE will be positioned as the key solution to bringing s to bridge the country’s energy requirements
Response	Aggressive pursuit of new projects

Increasing demand for sustainable materials

As the world shifts to a low-carbon economy and environmental regulations become increasingly stringent, demand for sustainable materials are expected to increase

< 1 year	Interest from export-oriented businesses which are subject to regulations from EU
1-5 years	Anticipated increase in demand from both export-oriented businesses and domestic businesses
>5 years	Use of sustainable materials become widespread, providing significant upside potential for suppliers of industrial materials
Response	Exploring opportunities to partner with our global principals on innovative sustainable materials



INDUSTRY INPUTS, POWER & ENERGY

Against the backdrop, the Sector will place strategic emphasis on both product and market development, directing focus on expanding the regional presence and supporting export-oriented industries.

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> • Capacity expansion in Industrial Raw Materials • Expand bio-degradable product portfolio to regional markets • Product diversification • Penetration into high-end applications in the Lifesciences sub-sector • Market development through expansion to new regions in Lifesciences • Investments in new renewable energy projects. 	<ul style="list-style-type: none"> • Develop new brands catering to diverse industry applications • Product development focused on surgical and critical care segments in Lifesciences • Offer generation solutions in regional markets including Maldives, Seychelles and Bangladesh
<p>Short-term goals ROEC>10% Gearing<55%</p>	<p>Medium-to-long term goals ROCE>10% Gearing< 45%</p>