

Ruani Goonetilleke  
Authorized Signatory

## RATING ACTION COMMENTARY

# Fitch Publishes 'AAA(Ika)' Rating on Hayleys' Proposed Debentures

Fri 27 Feb, 2026 - 6:32 AM ET

Fitch Ratings - Colombo/Singapore - 27 Feb 2026: Fitch Ratings has published the National Long-Term Rating of 'AAA(Ika)' assigned to Hayleys PLC's proposed unsecured senior redeemable debentures of up to LKR7 billion.

The debentures are rated in line with Hayleys' National Long-Term Rating and existing unsecured notes. This is because subordination risk to debenture holders from debt at subsidiaries is limited, provided the ratio of subsidiary debt to consolidated EBITDA remains no higher than 2.5x. The ratio rose to 2.9x in 3QFY26 (financial year ending March), in part to fund seasonal demand in the consumer and retail sector, as well as a working capital increase in the purification sector due to expanding production capacity.

However, Fitch expects the ratio to moderate gradually towards 2.5x in FY27 and thereafter, driven by EBITDA growth from a recovering domestic business environment and new-capacity additions. An inability to achieve this could lead to the unsecured debentures being rated one notch lower than Hayleys' National Long-Term Rating of 'AAA(Ika)'.

## KEY RATING DRIVERS

**Rising Operating Cash Flow Growth:** We expect revenue to rise by 19% in FY26, driven by the consumer and retail, hand protection, purification and transportation and logistics segments. Consumer and retail business is benefiting from recovering demand in Sri Lanka, while hand protection and purification should gain from capacity expansion and new product lines. We also expect the transportation & logistics segment to benefit from rising transshipment volume in Asia. This growth should counterbalance weaker performance in textiles on softening demand in key export markets.

We expect the EBITDA margin to moderate to around 10% in FY26 from 11% in FY25, driven by the textiles segment, where softening volumes due to increased US tariffs have led to pricing pressure, while the construction segment is facing high operating leverage due to underutilised capacity. The EBITDA margin should recover to around 11% in FY27, once the full impact of price adjustments and improving capacity utilisation in these segments is realised. We also expect full-year cash flow from capacity expansion in hand protection and purification to materialise during FY27.

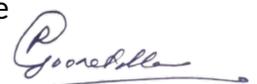
**Geographic and Business Diversification:** Eight businesses generate over 80% of Hayleys' group EBIT, while direct and indirect exports accounted for 53% of revenue in FY25. Around 15% of revenue stems from Europe and the US, indicating low exposure to slower-growth developed markets.

Hayleys has also diversified its manufacturing operations beyond Sri Lanka. Only 55% of its purification segment capacity is local, with the rest located in Thailand and Indonesia. The hand protection segment, which produces rubber gloves, operates in Thailand, the world's largest source of natural rubber.

**Strong Market Presence:** Hayleys is a leading supplier in Sri Lanka's logistics, consumer-durable retail and tea export industries. It also has a prominent share of the fragmented global hand protection and coconut shell-based activated carbon purification markets. Strong customer relationships underpin its position. Some units face significant customer concentration, but the risk is mitigated by high switching costs and established ties. Hayleys' vertical integration, which enables it to capture more profits along the value chain, and strong relationships with suppliers strengthen its competitive position.

**Steady Leverage:** We expect EBITDAR net leverage to stay at around 3.0x-3.5x in FY26-FY28, excluding Hayleys' step-down subsidiary, Singer Finance (Lanka) PLC (SFP, BBB+(lka)/Stable). We exclude SFP's net debt and EBITDAR to assess Hayleys' credit profile, as the subsidiary does not materially fund Hayleys' product sales or share a common brand. We expect Hayleys to spend around LKR20 billion in annual capex on capacity expansion across its business segments, which should boost revenue growth but will keep free cash flow (FCF) negative.

**Adequate Holding-Company Financial Profile:** Hayleys strong ownership and control of its operating subsidiaries allow it to extract subsidiaries' operating cash flow to service its obligations. We expect holding-company interest coverage - calculated as cash flow from operations net of interest paid/interest paid - to remain comfortably above 1.0x over the



medium term. This supports our view of limited cash flow subordination at the holding company.

## **PEER ANALYSIS**

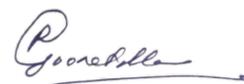
We rate Hayleys at the same level as Lion Brewery (Ceylon) PLC (AAA(Ika)/Stable), a domestic beer manufacturer that benefits from more defensive cash flow. Lion is the clear market leader in Sri Lanka's beer industry. Lion is also protected by high entry barriers stemming from licensing requirements, a ban on advertising, a strong brand presence, and an extensive retail and distribution network. Hayleys is more diversified, while Lion is exposed to a single product category, but Lion has a stronger financial profile given the modest requirements for investing in product expansion.

We also rate domestic conglomerate Melstacorp PLC (AAA(Ika)/Stable) at the same level as Hayleys. Melstacorp benefits from more defensive cash flow and a stronger FCF profile due to its market leadership in the protected domestic spirits market. In contrast, Hayleys is exposed to more cyclical end-markets in some of its business segments, which are also more fragmented. However, Hayleys' greater geographical and end-market diversity mitigates some of these risks, whereas Melstacorp's operations are largely concentrated in Sri Lanka.

We rate Hemas Holdings PLC (AAA(Ika)/Stable) at the same level as Hayleys. Hemas's rating is driven by its defensive businesses, including imports, manufacturing, and retailing of pharmaceuticals, personal and homecare consumer products. Hemas also has significantly stronger FCF, a record of measured expansion and strong liquidity. These strengths offset its smaller scale and limited geographical diversification compared with Hayleys.

Sunshine Holdings PLC (AA+(Ika)/Stable) is rated one notch below Hayleys to reflect a significantly smaller operating scale, limited geographical diversification and the regulatory risks in some of its businesses. These risks are mitigated by Sunshine's better financial profile with lower leverage. Sunshine has been more conservative with its expansion than Hayleys, growing only within its core businesses without significantly pressuring its balance sheet. In contrast, Hayleys has a history of debt-funded growth, resulting in higher leverage than at Sunshine.

Hayleys' credit considerations lead to a higher rating than for large domestic banks, non-bank financial institutions and insurance companies, which are more exposed to sovereign stress due to holdings of large sovereign-issued securities for regulatory reasons. The large financial institutions also have broader exposure to the various economic sectors.



## **FITCH'S KEY RATING-CASE ASSUMPTIONS**

- Revenue growth of 19% in FY26 and 6% in FY27, supported by growth in the consumer & retail, hand protection, purification, and transportation & logistics segments.
- EBITDA margin of around 10% in FY26 (down by 83bp yoy), due to pressure on margins in the textiles and construction segments; to recover to 11% in FY27, supported by a recovery in these segments and capacity expansion in others.
- Capex averaging around LKR20 billion over FY26-FY29, similar to levels over the last few years.
- Dividend payout of around LKR4.5 billion in FY26, with 10% annual growth in dividend per share from FY27-FY29.
- Conclusion of rights issue of LKR9 billion in FY26, with proceeds used to finance new investments and repay debt.

## **RATING SENSITIVITIES**

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

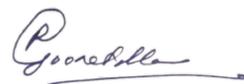
- Group EBITDAR net leverage (excluding SFP) increasing to above 4.0x for a sustained period.
- Group EBITDAR fixed-charge coverage falling below 2.0x for a sustained period (FY25: 3.1x).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- There is no scope for an upgrade, as the rating is already at the highest level on the Sri Lankan National Rating scale.

## **LIQUIDITY AND DEBT STRUCTURE**

Hayleys had LKR55 billion in unrestricted cash at end-December 2025 against LKR160 billion in debt maturing in the next 12 months. This includes short-term debt but excludes customer deposits and debt at SFP of LKR46 billion. We expect banks to roll over short-term debt as they are backed by LKR135 billion in net working capital on the balance sheet and a healthy blended working capital cycle across the various business segments. Hayleys



has also demonstrated strong access to domestic banks as one of Sri Lanka's largest listed domestic corporates, which further supports its liquidity profile.

## ISSUER PROFILE

Hayleys is a large listed domestic conglomerate with prominent market positions in diversified business sectors, including transportation, consumer and retail, textiles, rubber gloves, and plantations. It derives around half of its revenue from outside Sri Lanka.

## DATE OF RELEVANT COMMITTEE

11 February 2026

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

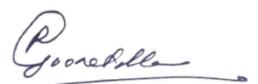
[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕
Hayleys PLC	
senior unsecured	Natl LT    AAA(Ika)    Publish

[VIEW ADDITIONAL RATING DETAILS](#)

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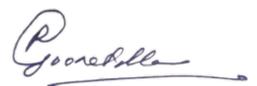
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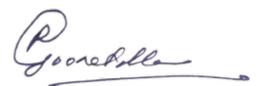
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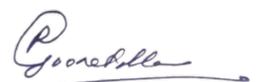
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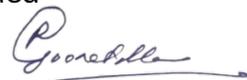
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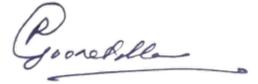
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