



JKH Investor Relations Webinar: Transcript

Review of 1Q performance for 2025/26

31 July 2025

PANELISTS

- Krishan Balendra – Chairperson
- Gihan Cooray – Deputy Chairperson/Group Finance Director

Navigation:

[Macroeconomic Highlights & Key Developments](#)

[Review of 1Q Performance Highlights](#)

[Q&A Session \(responses by both panellists\)](#)

Gihan:

Good afternoon everyone. Welcome to the JKH Investor Relations Webinar for the 1st quarter of 2025/26. My name is Gihan Cooray. I'm the Deputy Chairperson and the Group Finance Director. I'm joined by our Chairperson-CEO Krishan Balendra, and the two of us will conduct today's webinar.

The format, as we always follow, will be that Krishan will provide us an overview of the key economic highlights and the macro environment and some of the highlights of our key projects. And then I will take you through a presentation of our key financial performance for the quarter, and then we will open up the floor for Q&A.

If you have any questions, I would like to remind you to please enter it into the Q&A tab at the bottom of your screens. With that I'd like to hand over proceedings to Krishan.

Macroeconomic Highlights & Key Developments

Krishan:

Thanks, Gihan. Good afternoon everyone and thank you for joining our investor webinar. Just starting with the macro environment, the political environment continued to be very stable after the round of national level elections in the second half of 2024, and the local government elections earlier in 2025, we have continued to have a period of political stability. The economy continues to have very strong indicators. Very stable indicators. I won't go into the detail because there is nothing new. Inflation is low. The currency has depreciated marginally, but generally stable reserves continue to build. Exports have been strong, so generally stable and improving economic indicators as well. The IMF, after their last staff review, were very complimentary on the performance of the economy when describing it as remarkable. And then, in early July, the 4th tranche was disbursed by the IMF after a Board approval in early July, which is a relatively recent development.

The macro environment, in terms of consumption, continues to be strong, a trend that we have seen in the last few quarters. Our consumer businesses, which we'll go into the detail during the presentation, continue to see good volume. The Beverages business. there was some impact from unseasonal rain. But generally compared to a year back, the volumes continue to be stable, reflecting a healthy improvement in consumption.

Tourism also continues to grow after the lows of Covid, and after the economic crisis. So, the numbers are back to pre-covid. We use 2018 as a benchmark year, and for the 1st 6 months of the year arrivals are slightly above what the numbers that we saw in the 1st 6 months of 2018. The outlook is very positive. The bookings we have in hand for the upcoming winter season are stronger than the bookings we had at this time last year for the last winter season. And with increasing flight connectivity as well, we are confident that the upcoming winter season will be much stronger than the last season, and even stronger than the previous peak year 2018/19.

On our new projects the City of Dreams Sri Lanka will officially launch over this weekend. The Cinnamon Life Hotel has been operational since October last year. Occupancies have steadily improved. Each month is better than the previous month. July has been better

than June, and based on bookings, we expect the trend to improve August onwards. And of course, with the launch of the City of Dreams Sri Lanka we will also be opening the gaming space from this weekend, and the Nuwa Hotel will also be operational, open for business, as well as parts of the mall.

The West Container Terminal phase 1 is operational, as we said at the last review. Construction and completion of phase 2 is on schedule, and we are confident, as we said the last time as well, that we will complete phase 2 by the end of 2026. Volumes, although the absolute numbers are still small, so far have been ahead of plan. And while there were some initial teething problems with the automation, the efficiencies and turnaround times at the terminal are now doing very well, and are on, or better than planned.

Our other new venture BYD, we'll go into the detail, but volumes have been very strong there as well and ahead of expectations. So that's a quick summary of the macro environment and some of our new projects, and I'll hand over to Gihan.

Review of 1Q Performance Highlights

Group Highlights

Gihan:

Thank you, Krishan.

(Slide 02)

I will now take you through the financial performance for the quarter. So, looking at the EBITDA for the quarter ended 30th June, we recorded a strong performance during the quarter, with EBITDA for Q1 being at almost Rs.13 billion, and that's a growth of almost 70% over the previous year. The growth was driven mainly by the Retail business, which Supermarkets business had a strong performance, and the New Energy Vehicles also having a significant contribution towards the performance. Overall, the Retail Industry group did very well. With Leisure as well as you can see EBITDA, the loss that we had at an EBITDA level has now reduced, and I'll take you through the different components of that. And some of the other businesses also have sort of shown an improvement, particularly with Property. So overall EBITDA performance, for the quarter was strong.

(Slide 03)

If you look at it over the last few quarters, Q1 typically tends to be a slower quarter because we do ramp-up because of the seasonality with some of our businesses, Leisure Retail, and so on, where Q3 and Q4 tend to be the stronger quarters. So, if you look at it in terms of the momentum across the 4 quarters you can see that the Q1 performance, compared with the Q1 performance in the previous year, is very strong. But on a quarter-to-quarter basis, like I said, Q4 to Q1 is mainly due to the seasonality that we have with some of our key businesses. If you look at it in terms of the exchange rate, we did see a slight appreciation of the Rupee vis-a-vis what we saw last year. So from

around Rs.306 to Rs.300, but in terms of the average exchange rate over the quarter versus last year was at around the same level.

(Slide 04)

Looking at the finance costs for the quarter, there's not a whole lot to explain here, but if you look at it, we've seen rates, rupee rates being lower across the different businesses. The finance costs have been largely in line other than in Retail and in our Leisure business. So, if you look at, Retail, the growth over last year is mainly with the New Energy Vehicle business which has working capital or trade facilities. That's the reason for the increase, whereas the Supermarket business itself, the finance costs have come down. In Leisure, the increase is really mainly on account of the fact that last year in Q1, City of Dreams Sri Lanka was still a project in construction, and therefore the interest costs were capitalized, whereas this year it is in the income statement. So that's why, if you look at it vis-a-vis last year, if you exclude all the different exchange movements from around a Rs.3.6 billion, you see the increase to Rs.4.9 billion, mainly because of the Cinnamon Life or City of Dreams interest cost hitting the income statement as well.

(Slide 05)

Looking at the PBT for the quarter again, strong growth in our PBT numbers, both on a headline basis as well as if you exclude City of Dreams. So, if you look at it at an EBITDA level last year Q1 to this year, there wasn't a very big difference in terms of the City of Dreams performance, because we had already started ramping up operations, and we had staff coming in. But if you look at a PBT level last year because it was still in construction, the depreciation and interest costs, like I mentioned previously, were not factored in, and therefore the impact of CODSL at a PBT level was only about Rs.2 billion, whereas in this quarter it's at about Rs.4 billion with interest and depreciation. So, despite that the overall performance at a PBT level has improved to Rs.3 billion over the marginal loss last time. But if you exclude COD against a Rs.1.8 billion, we've seen a significant growth to about Rs.7.2 billion on a like with like basis.

(Slide 6)

Looking at some of our key balance sheet indicators, we've seen our total debt on a quarter-to-quarter basis, so Q4 to Q1, increase by around Rs.15 billion. But if you look at it at a net debt level, it's about a Rs.10 billion increase. And the reason for this increase is, there have been some infusions as planned into Cinnamon Life. But apart from that, with the New Energy Vehicle business coming into play, we've also had the working capital and trade facilities, which is not really long-term debt, but it's just short-term working capital facilities. But that's why, you see that increase in debt.

(Slide 7)

In terms of our ESG, I won't go through the details here, but it's available in the presentation for review later if you'd like to go through it.

Transportation industry group

(Slide 8)

Krishan already spoke of the West Container Terminal. So, we started operation. It's really the 1st quarter that we've had a full quarter of operations, so we started towards the tail end of the last quarter. Overall, it's progressing very well in terms of productivity, whilst there have been teething issues as expected, those have been resolved very quickly, and productivity has scaled up very quickly, and has now started settling down. So, it's very encouraging on the operations front. And from a business perspective as well, naturally starting off from zero base, we've expanded each month over the other. We've seen significant growth, of course, off a small base.

(Slide 9)

So just some images of how CWIT is now operational. We can birth 2 ships now with the yard space, the key length that we have, as well as the cranes.

(Slide 10)

Just some other images, as well.

(Slide 11)

In terms of our overall volumes to the port.

(Slide 12)

I'll just move to the next slide. If you look at SAGT, we saw a marginal decline of around 2% from last year Q1. But if you look at it, last year Q1, we did 516,000 TEUs, which, on an annualized basis, is over 2 million TEUs, which is sort of well above their capacity. So, this is a very marginal decline, but the absolute volume of 508,000 TEUs is still a very high number.

In terms of performance, though the domestic to transshipment mix has been a little lower, at about 10% compared with what we saw in Q4, though it's in line with Q1. So, net-net this does have an impact on revenue which did have a marginal impact on the profitability of SAGT.

CWIT, so like, I said, it's the 1st quarter that we've been on operations. We've done close to 90,000 TEUs, which is above expectations, and, as I mentioned, starting off very slow. From April through May to June we've seen very strong growth and momentum is very encouraging, and that number will continue to grow as we head into Q2. And we will also start seeing the domestic mix getting better as we get more ships calling in.

The bunkering business saw volume growth of around 13%, and we saw margins improve as well. So overall the bunkering business had a very strong quarter. And on a headline basis, though we've seen the overall EBITDA performance being marginal or flat, if you exclude the performance of CWIT, which is accounted as an equity accounted

investee, if you eliminate that, the overall EBITDA of the Transportation group increased by 11%. So just to remind you, we treat CWIT as an equity accounted investee, where we consolidate or take the share of PAT, which naturally then includes the depreciation and finance costs. So just to give you a sense of what the depreciation impact is, and on a cash basis what CWIT's performance is, for the quarter there was about a USD 3 million depreciation charge. And despite that, as I mentioned, the impact on the financials hasn't been too negative, but as things ramp-up, it's something we will continue to monitor and disclose.

Consumer Foods industry group

(Slide 13)

Our Consumer business for the quarter was disrupted by some unseasonal weather during the quarter. During most of the quarter, where we had unseasonal rains throughout the months of April and May. In particular, we saw, despite that the Confectionery business saw marginal growth in volumes of 3%. But the Beverages business, which is typically more affected by weather declined by 10%, which was similar to what the industry witnessed as well. So that 10% decline was something that other players witnessed because of the overall conditions in the market. As a result of the volume decline, we saw our EBITDA margins decline compared with last year. So, it's mainly operating volume or operating leverage that we've lost on, as well as we did have some investments on the launch of some new products and A&P spend. So, we expect margins to recover, particularly with the weather now settling, we expect Q2 momentum to be better, particularly with the Beverage business. So, this is something we think it's more of an anomaly in Q1 and Q2 we will see the performance normalize.

(Slide 14)

If you look at it against the volumes, if you look at the volumes for Q1, it's a decline as I mentioned against last year, of course, Q4 tends to be more seasonal. But with that type of decline that's why there's an impact on the margins. With Ice Creams of course it's in line with Q4 and a slight growth as I mentioned over Q1 last year

Retail industry group

(Slide 15)

Our Retail business saw strong performance. If you look at the Supermarkets business, we saw 13% growth in same store sales. So, if you look at it across the 5 quarters. we're seeing a similar sort of trend of strong double-digit growth in same store sales, which is again driven mainly by footfall growth. So, if you look at ABV has been negative, similar to the trend we saw in Q4, and I'll get to the decomposition of ABV in the upcoming slides. But overall, with this strong performance, we've seen our Supermarket business EBITDA margins grow from 6.7% last year Q1 to 7% this year. Just to highlight though, if you look at it against Q4, we tend to have more of a seasonality in Q3 and Q4. So, the margins are sort of against that number are lower, but if you look at it against Q1, it is a growth.

(Slide 16)

If you look at the breakup as well overall, we've shown you the impact of the electricity costs. We did see an electricity tariff revision that hasn't fully translated through in the quarter. But overall, I mean, that has not been as material as you can see over the last couple of quarters. So, the growth in margins is really driven by the fact that overall volumes have been growing as well.

(Slide 17)

Looking at the decomposition as I mentioned, so same store footfall has grown at 16%. It's driven by a combination of new customers coming into store as well as higher frequency from existing customers. If you look at our ABV, it's down mainly because the decomposition there is that we've seen the retail selling prices coming off due to the inflationary environment in the country or deflation. And then we've also seen the weight of purchase reduced. Now, I think what's important to highlight here is that the weight of purchase, or the number of units that one buys has reduced, not because of macro conditions per se, but it's also a factor that, with the frequency of visits to the store increasing, the items in a basket of an individual sort of gets split over that frequency. So that's partly the reason why the weight of purchase has declined. And that is also driven by some of the initiatives that the business has done to really drive footfall, drive more fresh produce as well as more prepared food, where people's shopping behaviours then change where the shopping occasions actually increase as a result.

(Slide 18)

With the New Energy Vehicle business, we've seen orders of over 7,000 units which has exceeded expectations, and this business has done very well. For the quarter, we've handed over 2,300 units or vehicles, and the revenue that we've recognised, and the profit recognition is on the basis of these 2,300 vehicles that have been handed over. We've also done a lot in terms of network expansion from our showrooms, as well as the charging network, with now around 20 of our Keells Supermarkets, having charging stations, as well as independent parties that have also started establishing the network which will support what we are doing as well.

Leisure industry group

(Slide 19)

Moving on to leisure. Our arrivals into Sri Lanka have, of course this is just to remind you, is a period of more of an off season, we've seen the numbers broadly in line with last year. This year we'll see growth. If you look at it, you are continuing to see growth, and numbers are now in line or getting better in line with pre-pandemic levels. And as Krishan mentioned, we are encouraged by the visibility of the forward bookings that we have. So, we should see a very good winter season for the tourism sector in Sri Lanka.

(Slide 20)

Maldives as well, we've seen growth in the numbers.

(Slide 22)

And if you look at it overall that it has translated to better numbers across all our segments. So, if you look at occupancy in the city hotels, we've seen occupancy increase quite significantly. ARR's have come down, as we had discussed even in the previous quarter, with the new inventory that's come into the city, rates have been somewhat under pressure, though we are quite confident that with City of Dreams as well as the overall tourism momentum that these rooms will get absorbed, and as the inventory gets absorbed, that we will see yields improving as well. Overall, if you still look at it on a RevPAR basis and the impact on margins, we've seen from a marginal negative, the city hotels have seen an improvement this quarter. It's a similar story with resorts, where we've seen from a marginal negative EBITDA margins have got into the positive territory driven by occupancy. Again though, ARR's have been flat, and it's somewhat similar in the Maldives, where occupancy has been higher and that has translated to better EBITDA margins.

(Slide 23)

I won't go through the City of Dreams slide here. But as Krishan mentioned, we have the other components now coming into play, which really brings the entirety of the complex and unlocks its full potential with most of the components now operational or will be operational from the second of August onwards.

(Slide 24)

At City of Dream Sri Lanka, if you look at the hotel, of course, right now we are operating 687 rooms. The Nuwa hotel just opened. So, for the quarter, we are really looking at the 687 rooms. The occupancy for the quarter was at 24%, with an ARR of around USD 100. We had a conscious strategy of ensuring that we promote the product particularly for conferencing traffic from overseas as well, and we've seen very good traction. And with other components opening, we are quite confident that then occupancy will continue to ramp-up. If you look at the financial performance over the last few quarters, you can see the performance in terms of EBITDA, from the negative that we saw in Q3 has been steadily improving, though we had a loss of a Rs.1 billion for the quarter. But it's an improvement over the previous quarter. If you look at a PBT level, it's about roughly in line with what we saw in Q4. A slight increase in depreciation as different components come in, but broadly in line with what we saw before as well.

(Slide 25)

Just some images of some of the other areas as well, and the Nuwa Hotel is also now operational.

Property industry group

(Slide 26)

Moving on to the Property business. We've seen good traction again in terms of the number of sales at Cinnamon Life. We had around 6 units sold during the quarter and 1

office floor. A lot of inquiries as well, and, as we've said over the last couple of quarters, we see increasing interest, and we are quite confident that this will translate to actual sales, as the other components now come into operation. With TRIZEN as well, we've seen the number of units increasing over the last quarter. And Viman, which is our suburban residential project, has seen very good traction with phase one almost fully sold out, and phase 2 also having a few units remaining. We launched Phase 3, and that's also received quite good feedback and traction. And all that has collectively transformed from a loss last year for the industry group to have a positive performance in this quarter, which we expect that momentum to continue, as we continue to hand over and recognise more revenue from sales.

Financial Services industry group

(Slide 27)

Finally moving on to our Financial Services business. Union Assurance saw strong GWP growth of around 20%. If you look at the net profit, we did see a slight decline over the last year, and this is mainly on account of the investment that we had done in the bancassurance partnership which we had disclosed earlier. So, the shareholder fund base reduced as a result, and therefore the investment income that we get on that base has naturally reduced. But overall that investment will yield medium to long term results. And actually, when we get into the recognition of the surplus, which is typically done in Q3 annually, you see the impact starting to translate to that benefit. Nations Trust Bank, these are the same numbers that we had discussed in the previous quarter, so I won't go through the numbers, but the bank has continued to see strong momentum, and we will update the numbers in the next quarter once that gets disclosed.

So that brings us to a close on the presentation. Once again, I'd like to remind you to enter any questions that you have in the Q&A tab at the bottom of your screen, and we'll open up for the Q&A session now.

Q&A Session (responses by both panellists)

Retail industry group

Question:

Can you elaborate on the JKCG matter and the press release?

Response:

There's been a lot of noise, and we are engaged with customs on this matter. It's with regard to the power of the motor of one model, in particular. We have, as we said in our statement two days back, we have said that we have certification from BYD, the manufacturer, and independent certification to confirm the motor power is what we have declared. So, we are in discussion with customs, and we are working towards a resolution as soon as possible.

Question:

Has the initial order momentum of BYD started to slow down?

Response:

If you look at the last month, there really hasn't been a slowdown in the momentum, so it has continued. We expect to launch a few new models over the next few months, so that could help to maintain the momentum or improve the momentum.

Question:

How many months of a backlog of orders are there currently?

Response:

I don't have an exact number, but with the sort of unexpected volume, the backlog is higher than we expected, and we've had to ramp-up some of our workforce and other facilities to ensure that we can increase the speed of delivery, so that we can reduce the backlog.

Question:

Is it expected that the new orders at BYD continue at the same pace into FY27 Or is it expected to ease due to current pent up demand?

Response:

The 1st few months certainly there was pent up demand. At the same time, as I said, we are introducing new models over the next few months, so that could add to the demand so really very difficult to forecast where we would be next year.

Leisure industry group**Question:**

How will the Cinnamon Life mall be deployed?

Response:

Yeah, we expect that by the end of this calendar year that most of the mall tenants who are committed will be operational. And the entire mall, because we have cinemas which are currently going to be fitted out. That would take longer. That won't be operational at the end of this calendar year, but a large part of the mall will be operational by the end of this calendar year.

Question:

Will the mall be operated in a similar manner to peer malls?

Response:

I think it will be a similar structure that we follow in terms of our malls as well, where we act as the landlord, and we are renting out the space to tenants. Some may have fixed and variable, some may have a fixed rental, so it's not too different to the operating model that we have for malls.

Question:

Would there be any significant pre-opening expenses coming before the August 2nd COD opening?

Response:

There are some costs, but I think in terms of our normal marketing costs, and so on. Yes, there will be some costs that are linked to this launch, but it's not going to be that much more significant and overall, with the type of ramp up we see, we don't expect that to be significantly negative in terms of P&L impact because of the revenue side.

Question:

What is the additional depreciation charge on City of Dreams when the rest of the segments come on stream?

Response:

It will really be the Nuwa Hotel primarily, and whilst we can't give an exact number, it would be around maybe 20% or so in terms of a depreciation impact that we would see from where we are on a current run rate basis.

Question:

Is there a boost to the City of Dreams when the casino becomes operational?

Response:

So naturally as we spoke earlier during the presentation, it's not just the casino, but other elements coming in, of course, with gaming operations, we expect the number of visitations to increase into Colombo and, of course, City of Dreams. And that in itself, apart from that, with all the other initiatives that we have in terms of driving conference traffic and so on, will translate to higher occupancy as we head into the next couple of quarters, and, as I also said, as the inventory in the city gets absorbed over the next year or two, then yields, will also go up across the city, which naturally will be a boost for EBITDA. And then, from a rental point of view, the mall rental operations, as well as the rental from gaming will start kicking in. Of course that will take time for things to ramp-up, but certainly over the next couple of quarters we will start seeing the impact of those operations also contributing towards the performance of City of Dreams.

Question:

Is Nuwa available for pre-bookings?

Response:

Yes, Nuwa is open now. So yes, it is, you can book it. But as with any city hotel, you don't really have a forward booking status, and of course this hotel is managed by our partner, Melco, and it will focus on the gaming customer as well. So, a lot of it will be dependent on how that ramps up where they would look to sell it as a sort of packaged deal. So, in terms of forward bookings, you may not see it, but it really depends on how operations will ramp-up.

Question:

Would the casino be operated on a pre-booked or walk-in basis?

Response:

I mean, we don't operate the casino, we are the landlord. You know it would be a mix of existing customers of Melco, their loyalty base, so pre bookings. But of course, there will be walk-ins, so you know, we expect a fair mix of walk-ins from tourists who are in the city, who may not be here specifically for the purpose of visiting the City of Dreams, casino. There could also be guests who are here for the other casinos who may drop in to the City of Dreams, casino. So, while a number of guests would be pre-booked, I can't give a number in terms of the proportion. There will be a fair share of business from those who are in the city for other purposes but are looking for something to do in the evening, and even customers who come specifically for City of Dreams may drop in at one of the other casinos. So that's the kind of business, and I can't put a proportion of how much would be pre-booked, and how much would be walk-in.

Question:

What is the square footage between the back of the house versus the gaming floor?

Response:

Maybe I can just give a rough number. It's probably about 2 thirds and 1 third. There is some expansion space, anyway, that has been reserved for phase 2. But roughly, that would be the mix.

Question:

What is the timeline expected for COD to breakeven?

Response:

As I said at the start, occupancy in the Cinnamon Life hotel each month has been better than the previous month. And based on bookings we have, and the momentum that will continue so. August should be better than July, and September is better than August, so that is in terms of room occupancy. But also, the banqueting spaces, certainly, there is a very noticeable pickup in each month as we go forward. The month of September is looking quite strong. We are seeing some foreign conferences and other events already booked for the rest of the financial year, and beyond. And with the whole complex now operational in particular with the gaming space, we think that it could help to even attract events, corporate events, because there is now entertainment available in the evening at a world class level, and that can be some an additional attraction to have a corporate event or conference in Colombo, and in particular at City of Dreams. So, while I can't give a guidance of when we would have an EBITDA break even at COD, I think I can say confidently that it will keep getting better with each month, and that is based on the visibility that we have now.

Question:

Are any other borrowings with capitalising interest that's expected to impact the income statement from COD?

Response:

There's nothing further as we've disclosed. So, there's about a USD 200 million of debt at Cinnamon Life or Waterfront Properties, and that's the only loan and all that, the interest cost of that has been fully in the income statement. So, there's nothing further to come in

Question:

Will the Cinnamon Life mall be more premium-ended and be targeting mainly the gaming visitors?

Response:

It would be premium to the extent that there will be a higher density of certain shops that will be targeting the gamers. So, we would have more jewellery shops and proportionally more shops like the high-end watches and some other brands. So, it's not a very large mall. The total lettable area is about 150,000 square feet, and quite some part of it will be taken up by the cinemas. But yes, if I look at it proportionally the higher end shops will be more than some of the other malls in the city, and they will be there to target the gamers in particular, who will be coming for City of Dreams?

Question:

What are the plans for the second phase of the gaming operations?

Response:

it would depend on footfall, and how quickly the current space is taken up. The current space is quite large. And you know, the moment we see the momentum and have the confidence. Again, Melco are operating the casino, and then very quickly the second stage can be operationalised. So again, can't give a guidance on when we will do it. But we will watch the take up, and then the second phase can be made operational quite quickly.

Question:

What are the expected returns to Waterfront from COD?

Response:

So essentially, what we've said is as things ramp-up, and particularly, of course, depending on how the gaming operations and the occupancy of the totality of the project ramp-up, that we believe that it will then start heading towards sort of hurdle rates. It really depends on how the city and overall occupancy into the city also evolves. But if it does pan out in terms of how we think it could be, then certainly it will then head towards hurdle rates.

Question:

What is the ARR for Nuwa?

Response:

We can't give guidance in terms of that, but naturally we have the ARR for Cinnamon Life, and that will ramp-up as yields get better, and the expectation is that Nuwa will be at a slight premium to that.

Question:

What is the current status of the Cinnamon Discovery loyalty program?

Response:

The program is active now and being ramped up. I would encourage everyone to have a look at the website and look at joining the program. You will have different segments joining the program. As you know we have the resort hotels in Sri Lanka, the city hotels in Sri Lanka, the properties in the Maldives, but we also have the restaurants in particular in Colombo. Now with the Cinnamon Life hotel adding a number of new restaurants and bars to the city, that will also be part of the program. So, we will ramp it up. But it is now operational and available for customers to join the membership.

Question:

Would the ARRs to recover in the Maldives?

Response:

Yeah, the numbers continue to grow in terms of arrivals to the Maldives. And yes, there is an increase in supply as well. But we expect, given the forecast for the upcoming winter and the bookings that we have in hand, that we should see a marginal increase in ARR. But there shouldn't be because of the new supply of rooms, there won't be a decline in ARR or RevPAR. And overall as we've seen this summer, we are doing better than last summer, and we expect that this winter season, the main season will also be stronger than the last winter.

Question:

What is the long-term viability of the destination management business (Walker's Tours) and the future business plans?

Response:

Yeah, I mean, this is even going back a number of years, there was a prediction that the destination management business could disappear with the improvements in technology and the online booking engines and online opportunities. But the DMC businesses, not just at our Group, but in some other groups they continue to have good volume. And I think the destination management businesses have innovated, come up with new packages, new products and enhance their relevance in the context of the online opportunity and offerings that are that are available. And now I mean to take an example with something like City of Dreams, with an increased likelihood of corporate events and conferences, there is a role for destination management companies to play, to plan out these events, and to arrange the logistics for these events. And also, if you have a higher end, footfall and visitation because of projects like City of Dreams, there will be a demand for excursions and other visits, an example you know, flying to Kandy for golf.

And these are opportunities for DMCs to arrange tours, offer special packages, special tours in Colombo and entertainment in Colombo. So, I wouldn't be too hasty in predicting that DMCs will be badly impacted because of the online offerings.

Consumer Foods industry group

Question:

What is the impact on margins and volume in the Consumer Food segment?

Response:

So, as I mentioned, the margin impact is coming mainly from the volume impact. And I think there's a question also on understanding why Beverages has come off because of weather patterns, and why beams have been less affected. That, of course, is partly due to consumer behaviour as well. But we typically see that Beverages can be more affected by higher rainfall, because people need to quench thirst and have a soft drink, maybe less so when it's raining, whereas ice cream will still be consumed, and you also have the take home or the bulk segment where people will still buy ice cream and take it home, and therefore it's relatively less affected, though you still do see some impact on your single serve impulse segment. But overall, it's that impact of Ice Creams not been as affected by volumes, by 3% growth and Beverages saw decline. Overall, because of that decline, because of the lack of operating leverage, naturally, you see that translate down to margins. And, as I mentioned earlier, yes, we have had some higher investments in selling and distribution, advertising and promotions with the launch of some new products, and so on, and that also did contribute to the decline in margins.

Question:

Are there any material contributions from the Reliance venture?

Response:

As we've said in the past couple of quarters, it's sort of picking up slowly, but it's not something that we expect to have a material impact or contribution. And there are no investments or marketing spend, that's through our P&L, because it's a franchised operation. So short answer is, no, there's no material impact to the CCS financials, as a result.

Question:

Have the electricity tariffs been a key reason for the operational expenses at CCS?

Response:

No, that's not really an impact because the tariff increase happened in June. So, we are not, anyway seeing the full impact of it. But it's more due to the reasons that I mentioned previously.

Question:

Would the increased focus on the impulse segment increase the contribution?

Response:

Certainly, in terms of our product portfolio and development, that's something we've been focusing on. The NPD pipeline or new products also support that. And we've also had some other smaller investments that will continue to supplement the NPD process in this business. So yes, certainly we expect that continued shift and contribution from impulse to be there.

Question:

Are there any plans to expand the manufacturing capacity and the capacity utilisation?

Response:

So overall capacity utilisation is fine. But when it comes to certain products or certain segments, yes, we do need to look at certain investments. And as we sort of continue to grow our overall, soft drinks, volumes not in the context of the decline. We saw this quarter, which is more of an anomaly, as we will continue to monitor that, and depending on that, we will need some capacity expansions which we will continue to monitor. But, as I said, it's more linked to our NPD pipeline as well that we will continue to look at increasing our manufacturing capability.

Question:

What are the eliminations under CCS financial statements?

Response:

There's eliminations and adjustments under the CCS financials which is mainly due to intercompany dividends. Which are intercompany dividends that come from fully owned subsidiary, which is the ice cream manufacturing Company, which is also there as well as our Supermarket business, which is owned by Ceylon Cold Stores. So that's the reason for those 2 eliminations.

Question:

What is the sugar cost as a percentage of cost of goods sold?

Response:

It's roughly 10 to 15% in terms of the CSD and Ice Creams business.

Question:

What is the volume or market share impact from the price increases in the Beverage and Confectionery SKUs?

Response:

I mean, it's something we continue to look at in terms of our margins and the cost inputs. There was also a question in terms of whether there was any key raw material. The inputs that we had saw cost increases. One particular price increase, that we saw was the prices of cocoa during the quarter, and so when we see those sort of price increases, we do take initiatives to ensure that we maintain our margins. We don't expect that to really have a significant impact on volumes or overall sales. So, we expect

the momentum like, I said, with the weather patterns normalising for volumes to start recovering.

Retail industry group

Question:

How many Supermarket outlets do you expect to open in FY26?

Response:

We hope to open anything between maybe 10 to 15 outlets, and we believe we are on track for that, and should end up closer to the 15 outlets by the end of the year.

Question:

What is the market share of the Supermarket segment?

Response:

We don't sort of specifically have a market share number. But what we do have is the comparison across the listed entities, and despite the sort of number of outlets that we have versus the, if you look at it against the 3 main competitors, our share we hold more than, certainly a lot more than our fair share, in terms of market share.

Transportation industry group

Question:

What is the depreciation method and number of years considered for CWIT?

Response:

That's a little tricky, because there are many different components there. So, it's not one number. So, for instance, something like cranes or equipment could be depreciated over a longer period like 20 years, you will have maybe buildings in the site or based on the concession agreement. Some of those investments will be in line with the period of the concession. So those are typically the significant investments which would be more long-term. And then you'll have smaller investments, which would be a shorter duration. So, it really depends on the different components. But yes, the bulk of the larger investments would be more long-term in line with the useful life of the equipment itself.

Question:

When would WCT be expected to be at full capacity utilisation post-completion of WCT?

Response:

Again, I mean, like the question on the cash break even at COD, I can't give up guidance but what I can say, and I commented that volumes, although in absolute terms, are small, they are better than planned, and again, the outlook is positive. There is a lot of growth of volume in and out of India, in particular indications from the shipping lines are that Colombo Port overall will continue to see a good growth in demand. And the new capacity we expect will get absorbed quite quickly and given the trends that we are seeing, we think that it will get absorbed even faster, possibly, than the new capacity that the last big terminal, the CICT, when it came into operations, the time it took for its capacity to be absorbed. We expect that the West terminal may do better. So overall volume, as I said, in and out of India container volumes. It's still early days. Last year there were like 20 to 25 million containers that came in and out of India. And if you look

at China last year there were over 250 million containers. So, you know, while Indian volume may not grow to the levels of China, you can see how much volume in India is likely to grow in the coming years, and there is going to be demand for port capacity.

Question:

Would the SAGT concession or contract be renewed in 2029?

Response:

Again, can't comment. I mean, we would like to renew it, but there is no movement. So, at the moment. I can't say whether it would be renewed or not.

Property industry group

Question:

Are there any new developments in the Property segment in the suburban area?

Response:

So right now, we've got the Viman project. We've launched 3 phases. There's a 4th phase as well. And you know it's been received very well and based on that momentum, yes, we can certainly consider whether we need to look at something else. But there's quite a bit still in the pipeline that we can and will continue to work on.

JKH Group

Question:

Are there any plans to raise more funds to complete COD?

Response:

As we said before, when we did our last capital raise, we said that we don't expect or need to raise any further capital at all. That that was really to fund everything that we needed to. COD is now essentially completed, but there were some financing obligations, and so on, and the funds that we raised, and the balance sheet that we have is more than adequate to take care of that. And now, of course, as you can see, the operational bleed is also reducing quarter on quarter, so certainly there is absolutely no need for us to raise funds to fund that operation.

Question:

What is the Rs.2.9 billion cash inflow that's reported under investing activities due to a change of business combination?

Response:

So that is really the consolidation of JKCG. As a subsidiary, which was from Q1 onwards. There was also a question that yes, initially, before we really started operations and sold vehicles or recognised revenue, but in last quarter, just for that period it was recognised as an equity accounted investee. But we've been now consolidating it from the 1st of April, and that's why you see that number.

Question:

How much equity has been infused into Cinnamon Life during Q1?

Response:

It's about Rs.5 billion.

Question:

Would the FX denominated debt held by the company be paid off in the near future or restructured?

Response:

So, as we've said before, the 2 main FX loans in the group, I spoke of just now, the Waterfront Properties, where we have USD 200 million with the City of Dreams project, and the parent Company has now around USD 155 million from the IFC loan. But at the parent Company level we've also consciously maintained a dollar cash balance. So, we are actually net positive on our dollar cash balances by around USD 40 million. So, if you look at it as a totality, the FX exposure will be that USD 40 million is a plus less than USD 200 million. So, it's about USD 160 million of a net exposure, if at all, that we have as a Group. Of course, we have foreign currency denominated revenue streams at City of Dreams, which does offset that, though on an immediate basis, yes, there can be a mark to market impact, if there's a depreciation of the Rupee. This will anyway get gradually paid off, as we have been doing, and as we've discussed before the loan at Waterfront Properties is due for repayment or refinancing in December 2026, where most of it is actually a back ended payment. And we will look at the strategy at that point of time, depending on how cash flows over the next 18 months, ramp-up, where we will then settle part of the debt, and if there's any need, we can look at refinancing at that time.

Question:

What is the contribution from the charging stations that the Keells outlets to Group earnings?

Response:

It's really more about how this supports the sale of the vehicles. While, yes, this can be something that can contribute, the model that we're looking is, we are also partnering with people. So, it's more of a rental model that we may follow and not necessarily invest, and looking at the revenue model per se. But it will be a combination, and we'll continue to evaluate that. But at this moment we are looking at more in terms of supporting the initial development of the infrastructure itself.

Closing Remarks

So that brings us to a close on today's proceedings.

Thank you to everyone for joining today. The link for the webinar will be up, maybe in a couple of hours' time, or by the end of day today. Thank you once again for being with us. Thank you, Krishan.