

## Chairman’s Statement

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Overview

# “Recovering from a crisis-point in our nation’s history, we are optimistic about our medium to long-term outlook”



### Dear Shareholder,

On behalf of the Board, it is my pleasure to present the 10th Integrated Annual Report and the Audited Financial Statements of Talawakelle Tea Estates PLC for the financial year ended 31st March 2024.

As we navigated multiple challenges in a rapidly evolving and complex business environment, your Company was resilient, agile and decisive in its strategic response—consolidating and achieving a solid performance and outperforming the industry both financially and operationally. Group Turnover reached Rs. 7,763 million whilst Profit After Tax amounted to Rs. 1,643 million, a decline of 36% as profits normalised from the record highs of the previous year. The Company also achieved a major milestone in its operating history, clinching the coveted ‘Overall Winner’ at the Best Corporate Citizen Sustainability Awards 2023 organised by the Ceylon Chamber Commerce, marking the first time a plantation company achieved this feat.

**Rs. 34.63**  
EPS

### Business Context

Despite demonstrating a degree of resilience, the global economic recovery in the year 2023 was slow and uneven, failing to reach pre-pandemic levels. Geopolitical tensions remained a significant deterrent, which in turn impacted shipping routes, commodity prices and supply chains. Much-needed policy reforms aligned to the IMF programme, enabled Sri Lanka to record a gradual economic recovery rebounding from the unprecedented challenges of the previous year. While GDP recorded a contraction for the full year, the latter part of the year saw moderate growth with key sectors of the economy witnessing revival. The macroeconomic

environment was relatively stable, with inflation contained from record-highs and relief from external sector pressures.

The agriculture sector along with the tea industry welcomed the improved supplies of fertiliser and agrochemicals, although elevated costs remained a concern. Inclement weather conditions resulted in below-potential national tea production while the appreciation of the Sri Lankan Rupee also affected exporters. Meanwhile the Colombo Tea Auction saw weak sentiments compared to the bullish market trends in the previous year.

### Strategic interventions

Well deliberated and planned, we delivered a holistic strategy to navigate market dynamics and leveraged on opportunities to sustain business excellence. Adopting regenerative agronomic practices combined with innovation and SMART factory management, allowed us to manage anomalies in weather to boost our tea production—contributing 2% to the national output. We continued to lead the industry in quality, offering the finest Ceylon teas and value-added specialty ranges. Our competitive edge was evident—securing buyer loyalty whilst attracting new and high-end market segments. The prices we fetched at the Auctions consistently exceeded national averages in both, high and low grown elevations, reinforcing our rank at the top amongst the regional plantation companies for the 6th consecutive year.

Striving to curtail our reliance on a mono-crop model, we continued to make significant strides in our crop diversification initiatives. We systematically increased our exposure to cinnamon, coconut and commercial agro-forestry, enabling us to secure alternative revenue streams to support our long-term corporate objectives.



## Chairman's Statement

**“We continued to lead the industry in quality, offering the finest Ceylon teas and value-added specialty ranges”**

**25.80%**  
**ROE**

### ESG Aspirations

As an exemplary corporate citizen, we remain steadfast in our efforts to create shared value, a commitment we have upheld for over three decades. Having launched our ESG roadmap, aligned to that of our parent's Hayleys Lifecode, we sought to strategically action our 'Regenerative Business Agenda 2030' through interventions across our processes and decision making. Seeking to go beyond conventional sustainability efforts, this framework has provided a robust platform to rejuvenate our strategic delivery, systems and processes—enabling us to achieve our progressive environmental, social and governance aspirations and goals. Considerable progress was also made in strengthening sustainability governance in the Company, with the formation of an ESG Committee with oversight responsibility for monitoring performance against ESG targets and identifying and monitoring sustainability risks and opportunities.

Our stewardship and investments in terms of sustainable resource management, quality management, renewable energy, capacity building, social wellbeing and biodiversity and ecosystem health—are significant; and essentially underline our quest to be more inclusive, equitable and

responsible in the medium to long-term. As an agriculture-based organisation, we are well aware of the impacts on climate change on our core operations. The proactive measures we have adopted to manage and mitigate potential and existential threats assume greater significance and warrant consistent and continuous strategic investments. Our participation in recognised certification programmes—covering our field and factory operations, product quality and environmental and social standards—further strengthens our sustainable business approach.

In the year under review, we invested Rs. 14.4 million on training and development of our people, encompassing over 4,200 work force covering estate staff and manual grade, head office and estate management staff. We provided productivity-based incentives to top up their daily wages, enabled revenue-share with independent working arrangements, extended well-rounded skills development programmes, and prioritised their wellbeing through comprehensive welfare measures in health, nutrition and safety. We also invested Rs. 103.6 million to enhance the quality of life for our resident communities—positively impacting over 40,000 across our estates—combined with our key environmental initiatives.

### Performance

High tea volumes and premium prices, even in a less remunerative market, sustained our earnings in the year under review. Tea turnover recorded a marginal drop of 6% to Rs.7,415 million, compared to Rs. 7,900 million in the previous year. Upholding sustainable agriculture and manufacturing practices, cost saving initiatives were implemented across the estates. Profit after tax recorded a decline of 36% during the year, reflecting the impact of numerous external factors.

With astute management, our financial position continued to be robust and well-managed. Our asset position stood at Rs.

9,857 million, reflecting an increase of 8% over the preceding year's position. This year, we acquired the balance ownership of 49% of our two subsidiary companies in mini-hydropower sector.

The working capital position was managed effectively maintaining healthy liquidity ratios. Both returns on equity (ROE) and capital employed (ROCE) were sound at 25.8% and 32.16% respectively.

### Governance and Leadership

We were deeply saddened by the passing away of our esteemed Director Deshamanya Merrill J. Fernando in July 2023. A highly respected stalwart in our industry, he served on our Board since 1998. We are indebted for his wisdom, guidance, and passion for excellence, leaving an indelible mark not only on our organisation, but on the entire tea industry.

In order to comply with the revised Listing Rules of Colombo Stock Exchange on corporate governance, Dr. Neil Bogahalande resigned from the Board after serving for 11 years. We thank him for his valuable contribution to the Board during his tenure.

Mr. D C Fernando who joined the Board on 2nd August 2023 and Mr. N Ekanayake and Mr. C B Talwatte who joined the Board on 3rd January 2024.

The Company adopted the Bribery and Anti-Corruption Policy and Shareholder and Investor Communications Policy of the Hayleys Group, which was launched during the year. The Company is fully compliant with the requirements as at 1st of April 2024 of Section 9 of the Listing Rules of Colombo Stock Exchange and is currently exploring the changes required to fully comply with the requirements by the effective date. The Company has also formulated a roadmap to ensure compliance with the requirements of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka by the effective date.

**Dividend Payout**

We continued to generate outstanding returns for our esteemed shareholders. During the year we paid Rs. 9.50 per share in three interim dividends. The dividend yield and the pay-out ratio stood at 23.60 percent and 78.13 percent respectively.

**Moving Forward**

Recovering from a crisis-point in our nation’s history, we are optimistic about our medium to long-term outlook. With comprehensive structural and policy changes underway we anticipate the country’s economic recovery to gain further momentum, once again, to its aspired growth trajectory. However, it is critical that we remain agile, alert and adaptable in addressing short-term risks and challenges which continue to shape our operating landscape.

This calls for our organisation to brace and leverage on our core strengths in managing the downside-risks and aggressively pursuing growth opportunities. With our expertise, collaborative team spirit, passion for innovation, excellence in sustainability and strong brand reputation and efficient systems and processes, we are well poised to produce finest quality teas; and lead the Colombo Tea Auctions by achieving record elevational prices, ahead of our competitors.

The ongoing strategy, that we adopted in the preceding year, based on regenerative principles, is indeed the way forward for us to steer through the dynamics in our industry. This approach ensures that we are responsive and resilient to manage the changing circumstances and uncertainties in our path towards creating meaningful value to all our stakeholders, thus, preserving the livelihoods of many thousands who rely on the plantation industry. Our focused and consistent efforts to refine and enhance the quality of our risk management and governance processes and procedures, in partnership with our parent, Hayley PLC, will further

complement and support us in securing long-term success.

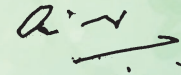
**Appreciation**

I extend my sincere appreciation to our Managing Director, Chief Executive Officer, Corporate Management Team, Executive Teams and most importantly, to our Estate Teams, for their steadfast commitment and hard work—for which we have been recognised over the years from some of the most acclaimed awarding bodies in the country and globally.

I am grateful to my esteemed colleagues on the Board for their insightful guidance in delivering a cohesive strategy in a fast-evolving business landscape. A warm thank you to our shareholders, customers and business partners for their continuous support, loyalty and trust placed in our corporate mission.

I am confident and humbly call upon all stakeholders to unite and work together to go the distance—pushing the bar to take our organisation to new heights of excellence.

Thank you



**Mohan Pandithage**  
Chairman  
Talawakelle Tea Estates PLC

09th May 2024

