

Date: 14TH FEBRUARY 2007



Strategic View
Positive

Analyst
Imran Furkan

Share Price
Rs125

Market Cap
Rs. 7,482,689,024

Shares Issued
59,861,512

52 Week High
Rs.129.50

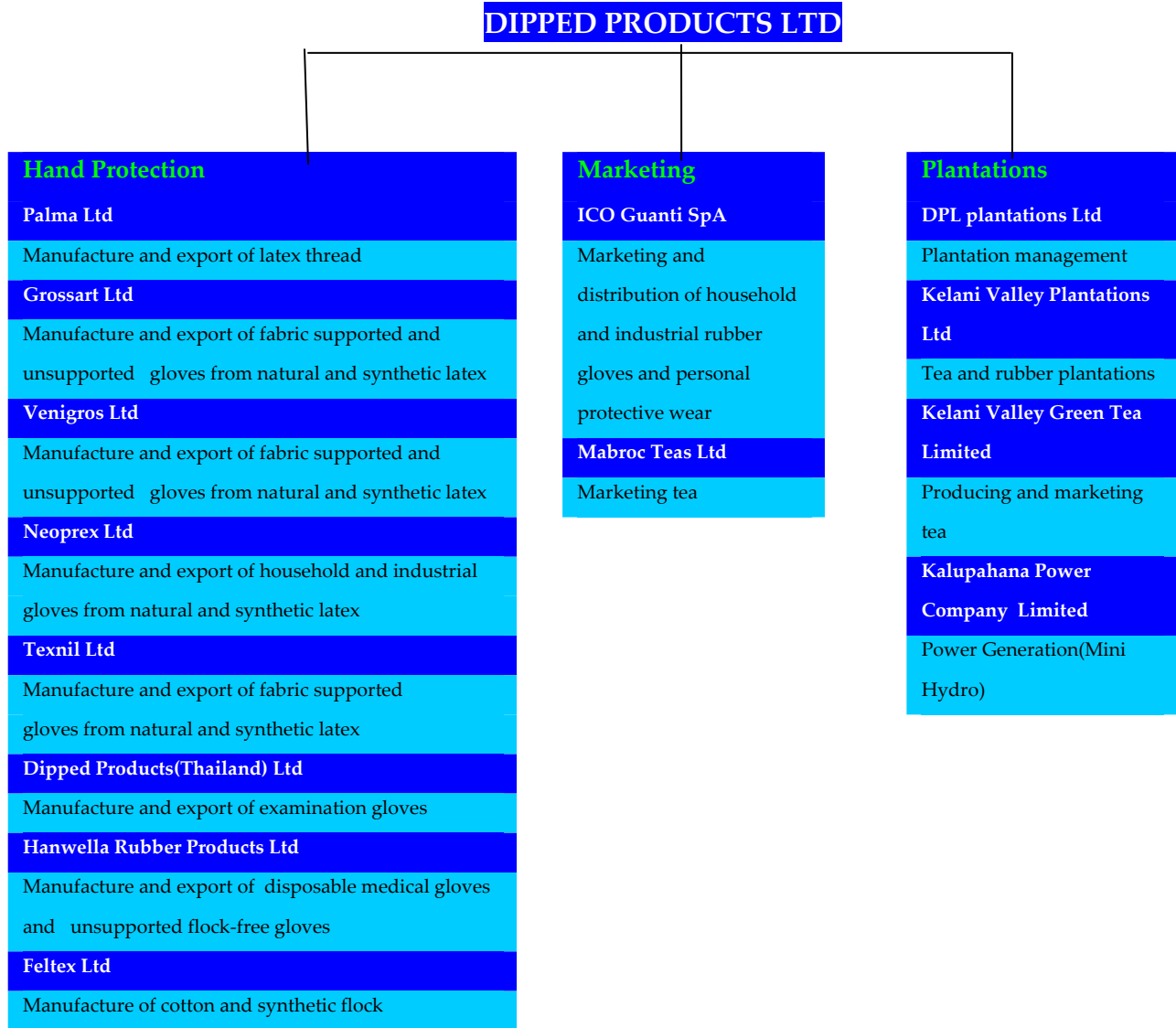


Corporate Overview-DIPD

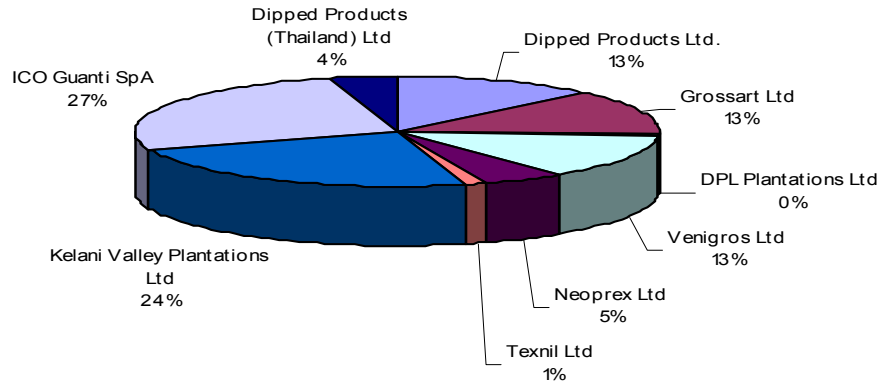
- One of the world's top three non-medical rubber glove manufacturers
- Net Profit for the 9 Months ending 31st December 2006 was Rs.527,795,000 up 125% over the same period of last year
- Hanwella Rubber Products Ltd which was purchased last year is expected to increase overall capacity by nearly 20 per cent
- The depreciating rupee is expected to make the companies products more competitive in the world market
- Healthy prices for tea and rubber could continue to boost the plantation operations
- The company produces products for its own brands in the gloves and plantation (tea) segment.
- Therefore we believe, unlike other bulk and outsourced exporters the company will be able to obtain better margins in the coming years since they own their own brand and distribution channels

Dipped Products Ltd

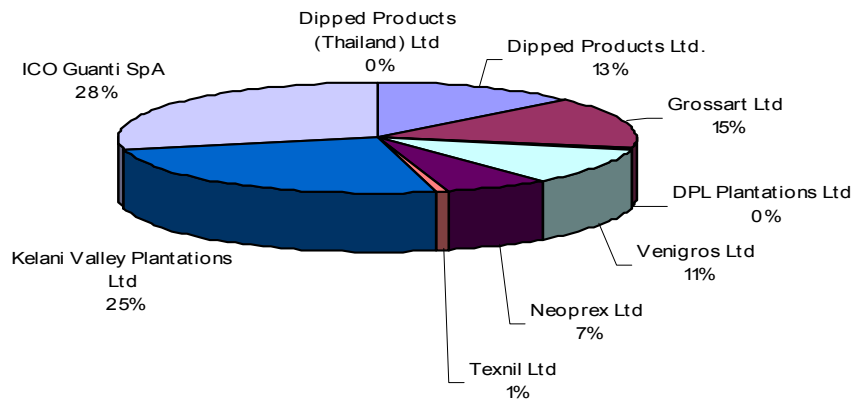
Dipped Products Ltd was established in 1976. It was quoted on the Colombo Stock Exchange on 1st January 1982.



BREAKDOWN OF TURNOVER FY 2005/06



BREAKDOWN OF TURNOVER 2004/05



Performance for the 9 Months ended 31st December 2006

Revenue was up 40% to reach Rs.7, 163,341,000 for the first nine months of the current financial year. Cost of sales was up 45% to Rs.5, 697,113,000. Distribution costs reached Rs.236, 094,000 up 2% from the same period of last year. Administration Expenses were up 18% to reach Rs. 615,566,000. Other Income went up 468% and reached Rs43,662,000 for the first nine months (This was due to the fact the during this period, Dipped Products Limited acquired 70% shares in Hanwella Rubber Products Limited (HRPL) and the resulting surplus on acquisition amounting to Rs.37.4 Mn is included in Other Income).

Net Profit for the period was Rs. 527,795,000 up 125% over the same 9 Months period of last year. Annualized Earnings per share based on the nine month results was Rs.9.74 while Net Assets per Share reached Rs 42.78.

Future Growth Factors

- ❖ The company produces products under its own brands in the gloves and plantation (tea) segment. Therefore unlike other bulk and outsourced exporters, we believe the company should be able to obtain better margins in the coming years as they own their brands and distribution channels.
- ❖ The company's factory in Thailand makes 500 million medical gloves a year at present and they should be able to sell them to identified new customers in the US, Europe and Thailand
- ❖ Hanwella Rubber Products Ltd which was purchased last year is expected to increase Dipped Product's capacity by nearly 20 per cent
- ❖ The Depreciating rupee is likely to make products more competitive in the world market.



- ❖ A continuation of healthy prices for Tea and Rubber is expected to power a continued strong performance by the plantations business of the group.
- ❖ Texnil, a maker of coated seamless knitted gloves has become profitable ending two years of losses after being set up
- ❖ **Dipped Products and its subsidiaries have lucrative tax exemptions from the BOI (see appendix): which we believe make investments in Dipped Products a better option in a**

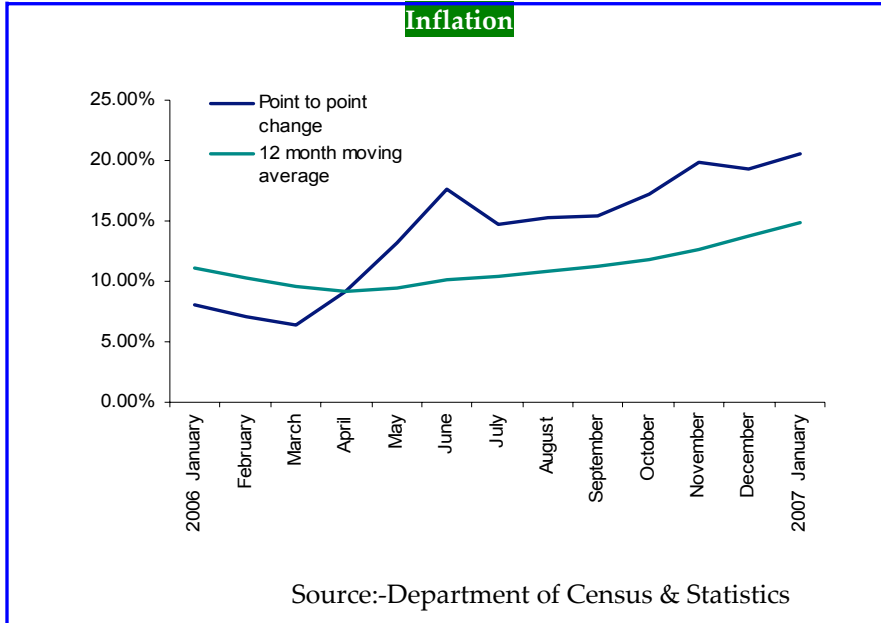
scenario of rising corporate tax rates for other listed companies. Particular as export growth is critical due to balance of payment concerns; we believe taxation risk is less in the export sector particularly compared to the risks of ad hoc changes to tax laws and regulation that can create significant volatility in earnings for companies exposed to domestic markets.

Key Risk Factors

- ❖ The appreciating Thai Baht could make products made in Thailand expensive in the world market (However the military junta in power have expressed a desire to maintain a “competitive” exchange rate for exports in the coming year)



- ❖ High latex prices together with high oil and chemical prices can continue to constrain profit growth
- ❖ The wage hike granted to workers in the tea and rubber plantations after the talks with trade unions in late 2006 will affect profitability in the coming years
- ❖ High inflation (which is higher than the depreciation of the rupee) will negate the effects of the depreciating rupee



Appendix – Tax Holidays

- **According to the company's annual report the DPL Group have been granted the following tax concessions:-**
- *Dipped Products Ltd., and Venigros Ltd., has been granted a ten year tax holiday on its business activity up to March 31, 2009*
- *Grossart Ltd., and Texnil Ltd., has been granted a ten year tax holiday on its business activity as up to March 31, 2010 and March 31, 2013 respectively*
- *Neoprex Ltd., enjoys a ten year tax holiday period up to March 31, 2008*
- *Feltex Ltd has been granted a five year tax holiday on its business activities from the year of making profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations or production whichever is earlier*
- *After completion of tax exemption period, the business income of Dipped Products Ltd., Venigros Ltd., Grossart Ltd., Neoprex Ltd., Texnil Ltd., would be liable to income tax at a concessionary rate of 15% for a further period of ten years and Feltex Ltd, would be liable to income tax at a concessionary rate of 10% for a further period of two years.*
- *Palma Ltd., is entitled to a five year tax holiday, which would commence from the year of making profits*
- *Dipped Products (Thailand) Ltd., would be exempt from income tax for up to December 31,2012*
- *DPL Plantations Ltd enjoys a concessionary rate of tax of 15% on profits from plantation management*
- *Profit and income from the cultivation of land and the sale of the produce of Kelani Valley Plantations Ltd., would be exempt from income tax for a period of five years up to December 31, 2009 under concessions given to the agricultural sector.*
- *Hanwella Rubber enjoys a tax exemption period up to 2011*
- *Kelani Valley Green Tea (Pvt) Ltd., and Kalupahana Power Company (Pvt) Ltd., have been granted five year tax holidays on its business activities from the year of making profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier*

Financial Statement Highlights

	2006	2005	2004	2003
	Rs'000	Rs'000	Rs'000	Rs'000
Trading Results				
Gross Turnover	7,109,400	6,138,827	4,928,955	3,682,102
Profit Before Tax	415,013	670,826	427,111	269,108
Income Tax Expense	-66,128	-72,345	-66,948	-24,494
Profit After Tax	348,885	598,481	360,163	244,614
Minority Interest & Pre acquisition profits	-62,422	-111,296	-65,672	-34,203
	286,463	487,185	294,491	210,411
Non-current assets				
Property, plant & equipment	3,465,853	3,018,582	2,249,809	2,051,792
Investments	167,829	163,379	152,078	89,755
Other non-current assets	16,452	28,914	31,470	42,296
	3,650,134	3,210,875	2,433,357	2,183,843
Current assets	3,501,056	3,671,383	2,950,906	2,274,056
TOTAL ASSETS	7,151,190	6,882,258	5,384,263	4,457,899
Capital & Reserves				
Share capital	598,615	598,615	249,423	207,852
Capital reserves	105,493	78,325	175,611	102,785
Revenue reserves	1,474,928	1,470,855	1,356,672	1,186,956
Shareholders' funds	2,179,036	2,147,795	1,781,706	1,497,593
Preliminary & deferred expenditure	-	-	-	-
	2,179,036	2,147,795	1,781,706	1,497,593
Minority Interest	457,459	429,630	461,204	400,340
Non-current liabilities				
Deferred taxation	87,587	104,232	105,151	77,114
Other non-current liabilities	2,118,794	1,732,546	1,154,977	1,131,670
	2,206,381	1,836,778	1,260,128	1,208,784
Current liabilities	2,308,314	2,468,055	1,881,225	1,351,182
TOTAL EQUITY AND LIABILITIES	7,151,190	6,882,258	5,384,263	4,457,899
Ratios & Other Information				
Earnings per share(Rs)	4.79	8.14	4.92	3.51
Return on equity (%)	13.1	22.7	16.5	14
Market price per share(Rs)	82	92	85	55
Price earnings ratio (times)	17.1	11.3	7.2	5.4
Dividend per share(Rs)	3	4	4	3.5
Net assets per share(Rs)	36.4	35.88	29.76	25.02
Effective rate of dividend (%)	30	40	40	35
Dividend yield (%)	3.7	4.3	4.7	6.4
Dividend cover (times)	1.6	2	3	2.9
Debt equity ratio	0.97	0.81	0.65	0.76
Current ratio (times)	1.52	1.49	1.57	1.68

The analyst responsible for producing the report does not work for Capital Alliance Securities (Private) Ltd. This report has been produced as part of an outsourced research relationship with a specialized research company engaged by Capital Alliance Securities (Private) Ltd. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Capital Alliance Securities (Private) Limited however does not warrant its completeness or accuracy. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. This report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The recipient of this report must make their own independent decision regarding any securities, investments or financial instruments mentioned herein. Securities or financial instruments mentioned may not be suitable to all investors. Capital Alliance Securities (Private) Limited its directors, officers, consultants, employees, outsourced research providers associates or business partner, will not be responsible, for any claims damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out actions taken as a result of this report. This report is for the use of the intended recipient only. Access, disclosure, copying, distribution or reliance on any of it by anyone else is prohibited and may be a criminal offence.

CAPITAL ALLIANCE 5th Floor, Millennium House, 46/58 Nawam Mawatha, Colombo 2, Sri Lanka
Tel: +94 11 231 7766, Fax: +94 11 231 7788 Email: general@capitalalliance.lk
For further information, please contact:

Saliya Gamagedera: +94 11 231 7760
Lakshan Algama Perera: +94 11 231 7760
Harsha Gunawardena: +94 11 231 7716
K. H. R. Thilakarathna: +94 11 231 7752
Sudam Hasantha: +94 11 231 7755
Lulith Karunaratne (Matara) : +94 41 439 0610
Sandeep Fernando: +94 11 231 7716

W. A. Susantha: +94 11 2317757
Dumindu Silva: +94 11 2317753
Gawri Kathriarachchi: +94 11 231 7716
Rizwana Aazim: +94 11 231 7758
Chanaka Sanoj: +94 11 231 7755
Inok Wijesuriya (Matara):+94 41 439 0610
B. Mugundan (Jaffna): +94 21 459 1111