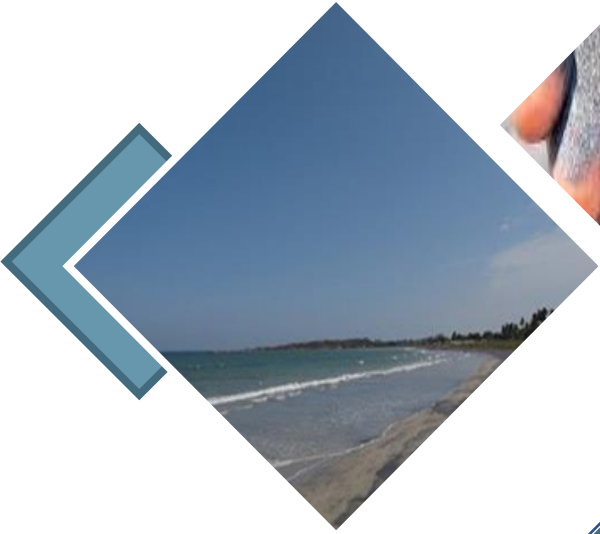




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கைத்தொழில் அமைச்சு
Ministry of Industries



Lanka Mineral Sands Limited

Performance Analysis Report

Lanka Mineral Sands Limited (LMSL)

Background

Mineral sands are typically old beach or dunal sand that contain concentrations of important titanium minerals (including rutile and ilmenite) and zircon. These minerals are physically heavy and are also called “heavy minerals”. Mineral sands can be used for a variety of industrial purposes and are found in a range of everyday consumer goods such as pigment for paint, paper and plastics as well as toothpaste, sun cream and homewares such as ceramics. Because of their widespread use in industrial and consumer goods, demand for mineral sands is strongly linked to global GDP growth. New housing construction, health of emerging economies and the seasonal northern hemisphere painting season (dry and warm months) are all key drivers of demand for mineral sands.

Mineral Sands Products and Uses

Ilmenite, leucoxene and rutile (titanium dioxide) Titanium dioxide (TiO₂) based products are categorized based on the level of TiO₂ they contain. The higher the TiO₂ the more valuable the product.

- Ilmenite (45% to 65% TiO₂)
- Leucoxene (65% to 90% TiO₂)
- Rutile (90% to 100% TiO₂)

These minerals are primarily used as feedstock for the production of titanium dioxide pigment, with a small percentage also used in the production of titanium metal and fluxes for welding rods and wires. Titanium dioxide is the most widely used white pigment because of its nontoxicity, brightness and very high refractive index. Titanium dioxide pigment is an essential component of consumer products such as paint, plastics and paper.

Zircon

A by- product or co-product in most mineral sands deposits, zircon is primarily used within the ceramics sector. Ceramic tiles account for more than 50 per cent of global zircon consumption. Milled zircon enables ceramic tile manufacturers to achieve brilliant opacity, whiteness and brightness in the glaze or body of their products.

Zircon’s unique properties include heat and wear resistance, stability, opacity, hardness and strength. These properties mean it is sought after for applications such as refractories, foundries and specialty chemicals Zircon also has minor uses in the nuclear power and medicine industries.

A total of approximately nine million metric tons of titanium minerals were produced globally in 2021, a slight increase compared to the previous year. Of this amount, the mine production of ilmenite reached some 8.4 million metric tons. China, USA, Russia, and Australia are the 4 major contributors to this industry. China was leading producer of titanium minerals globally in 2021. Chinese mine production of ilmenite reached about three million metric tons of titanium dioxide content in that year, three times the production of South Africa, the country ranked second in titanium mineral production. The global zirconium market reached a value of US\$ 1.66 Billion in 2021.

The functions of the company, Lanka Mineral Sands Corporation includes mining, processing and exporting of heavy mineral beach sands. The company performance analysis is done based on data given by the company related to the years 2017 to 2021.

Performance Analysis

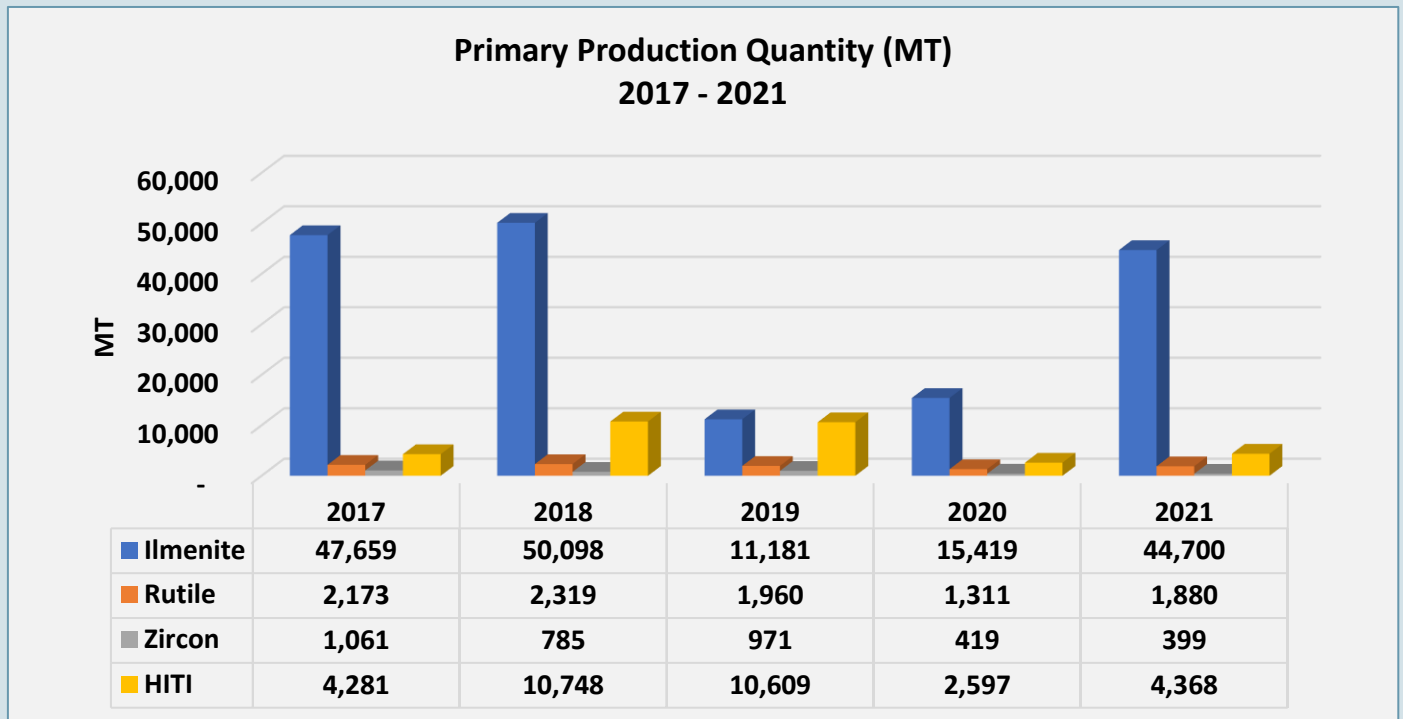


Chart 1

Lanka Mineral Sands Limited production consists of both primary production and intermediary products. Under primary production mainly generate 4 product items which are Ilmenite, Rutile, Zircon and HITI. According to the chart no 1, primary production shows decline from 2017 to 2019. However, after the year 2020 primary production has increased gradually. Ilmenite is the mostly produced item within the considered time period.

The Company intermediary production related data are shown below. According to the chart no 2, intermediary production shows fluctuations within the considered time period.

Intermediary Products Quantity (MT) 2017 - 2021

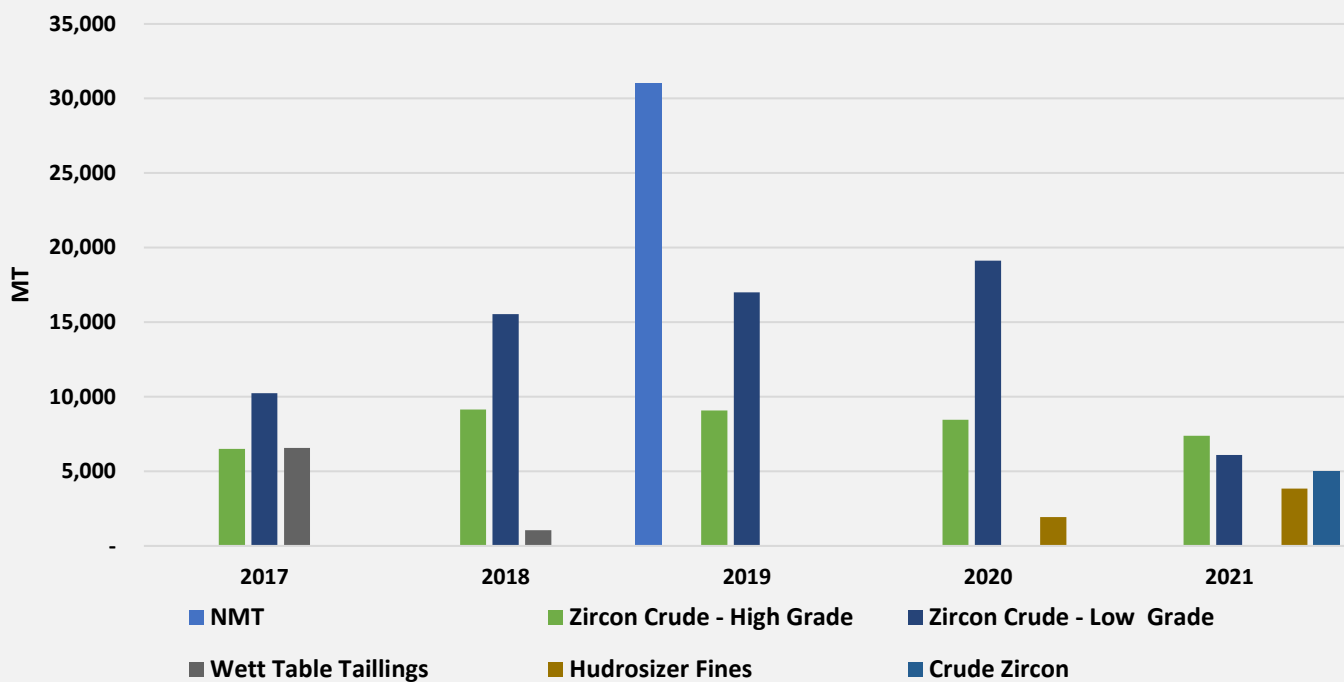


Chart 2

Table 1

Product item	2017		2018		2019		2020		2021	
	Quantity (MT)	(Rs. Mn.)	Quantity (MT)	(Rs. Mn.)	Quantity (MT)	(Rs. Mn.)	Quantity (MT)	(Rs. Mn.)	Quantity (MT)	(Rs. Mn.)
NMT	-	-	-	-	31,021	154.90	-	-	-	-
Magnetite	246	0.40	467	0.70	211	0.10	54	0.20	433	3.10
Spiral Fines	335	2.60	491	3.90	449	8.80				
Crude Monazite	29	0.20	23	0.10	33	1.30	18	1.00	14	0.50
Zircon Crude	365	2.90	-	-	-	-	-	-	-	-
Zircon Crude - High Grade	6,500	52.30	9,148	72.90	9,086	106.00	8,469	43.50	7,394	29.70
Zircon Crude - Low Grade	10,237	82.40	15,535	123.80	17,011	10.30	19,127	36.60	6,101	8.50
Screen Oversize	700	5.60	725	5.70	800	8.00	559	6.90	866	7.80
Wett Table Taillings	6,572	52.90	1,058	8.40	-	-	-	-	-	-
Hudrosizer Fines	-	-	-	-	-	-	1,935	22.10	3,843	32.20
Crude Zircon	-	-	-	-	-	-	-	-	5,033	42.00

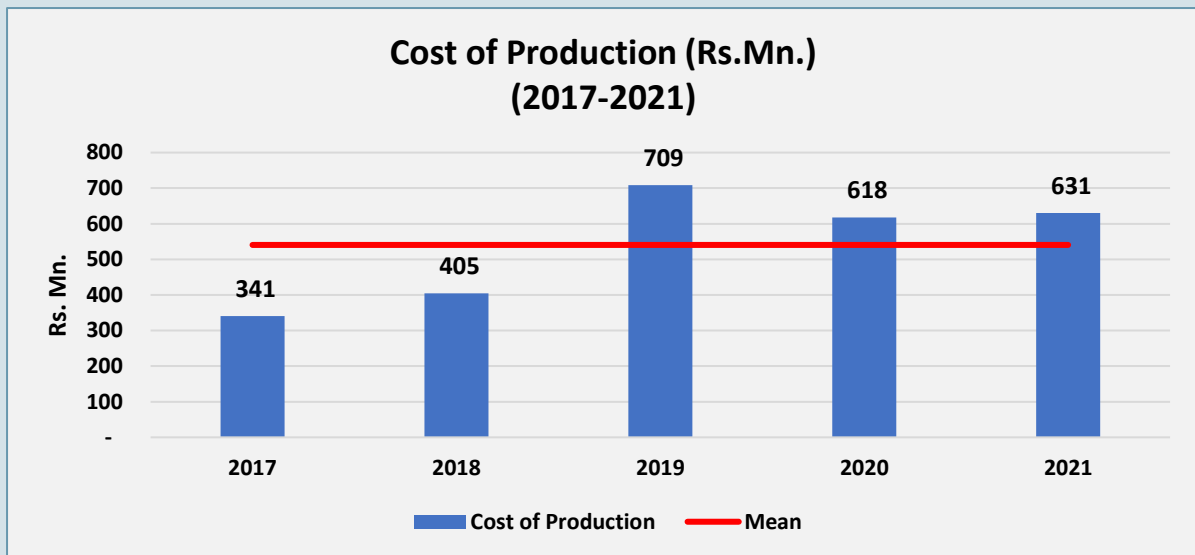


Chart 3

Table 2

Mean (Rs. Mn.)	Median	Standard Deviation
540.53	618	158.57

Chart No 3 shows that the average value of production cost is Rs. 540.53 million, considering the period of last 5 years. The Chart No. 3 shows that production cost from Rs. Mn.341 - Rs. Mn. 709.

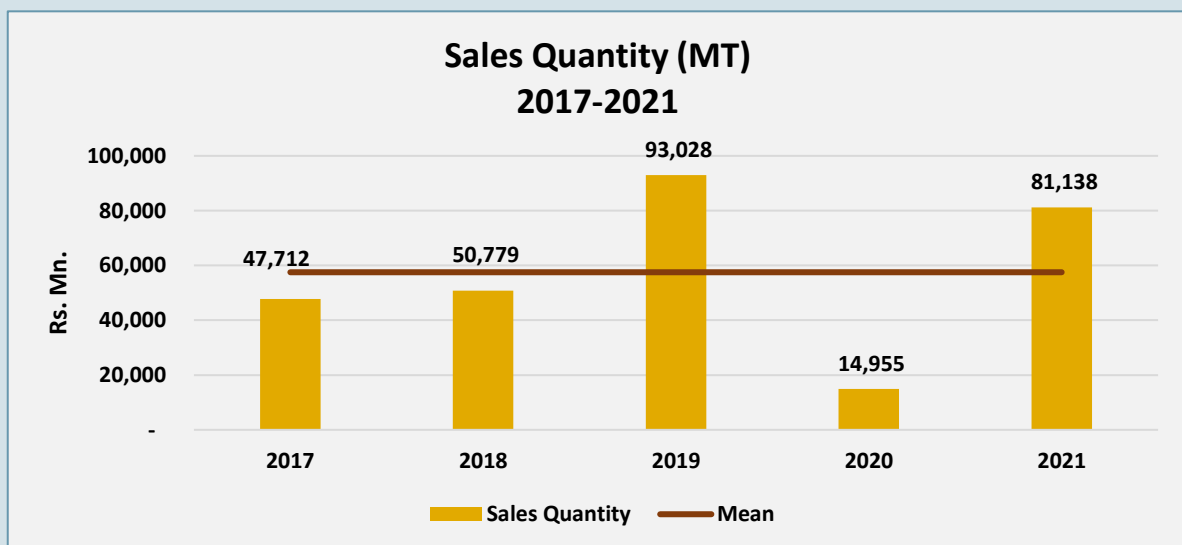


Chart 4

Table 3

Mean (MT)	Median	Standard Deviation
57,522.39	50,779	30,708.50

Lanka Mineral Sands Limited has increased sales quantity from the year 2017 to 2019 as per the chart no 4. However, in the year 2020 sales quantity has large drop which was the lowest sales quantity within the

considered time period. In the year 2021 the company has increased the sales quantity by approximately fourfold compared to year 2020. Average sales volume during this period is Rs.57522.39 million.

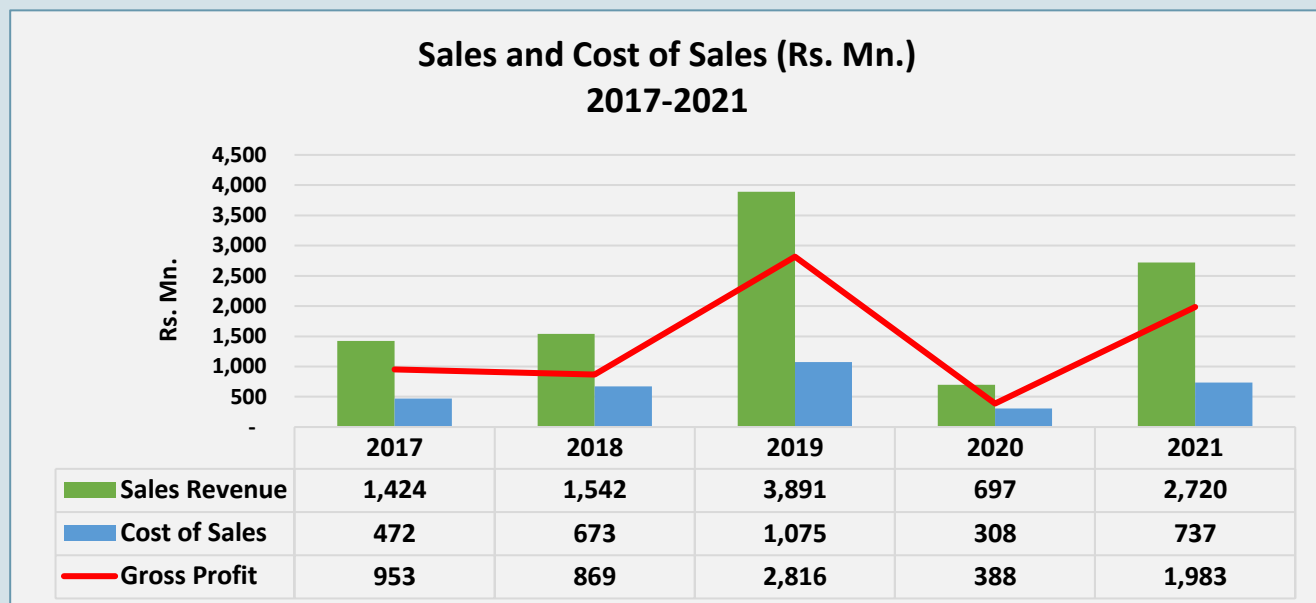


Chart 5

According to the chart no 5, Lanka Mineral Sands Limited has increased sales revenue continuously from the year 2017 to 2019. Although in 2020, sales revenue has sudden decline by 85% compared to the sales of year 2019. Within the considered time period cost of sales has fluctuated. From the year 2017 to 2019 gross profit has rapid growth however in 2020 it dropped suddenly as same as sales revenue. In the year 2021 the company has increased gross profit drastically compared to year 2020 and it is a good thing that there has been a significant reduction in cost of sales.

**Recurrent Expenditure, Salaries, Overtime and Other Allowances (Rs. Mn.)
2017-2021**

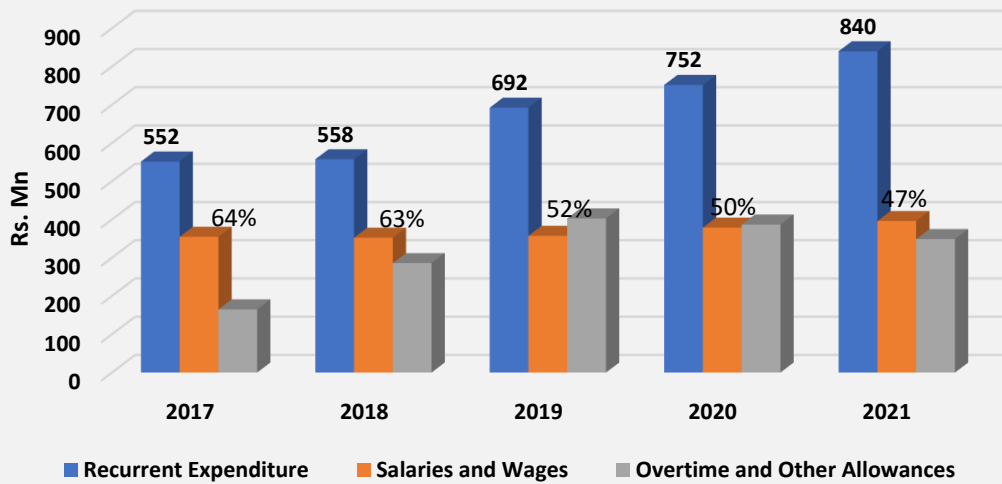


Chart 6

	2017	%	2018	%	2019	%	2020	%	2021	%
Recurrent Expenditure	552		558		692		752		840	
Salaries and Wages	355	64	353	63	357	52	379	50	396	47
Overtime and Other Allowances	165	30	286	51	403	58	387	51	349	42

According to the chart no 6, recurrent expenditure has continuously increased from the year 2017 to 2021 and Salaries and wages also increased within the considered time period. In 2019 and 2020, paid overtime and other allowances greater than the salaries and wages.

**Net Profit Before Tax (Rs. Mn.)
2017-2021**

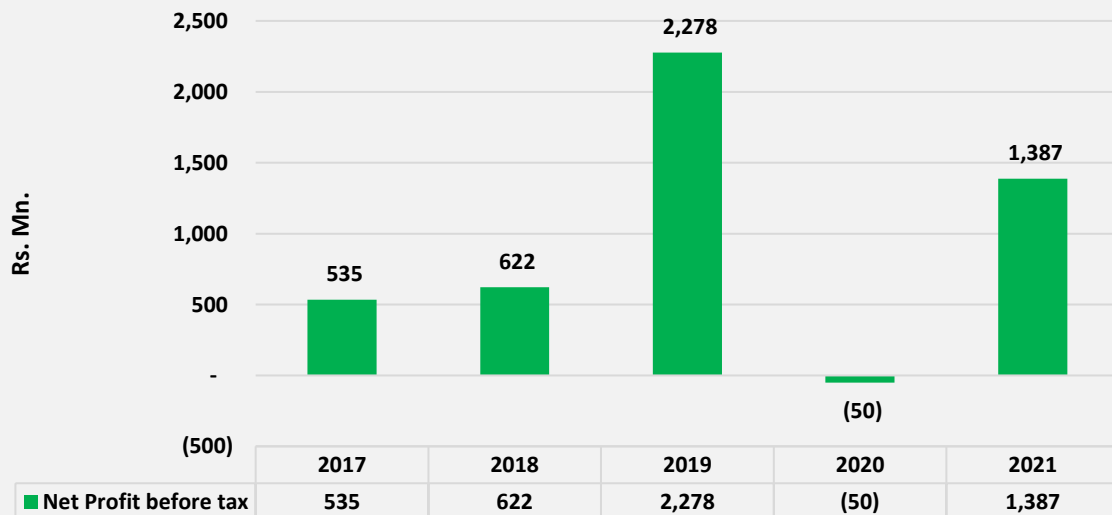


Chart 7

The Chart No 7 shows that the net profits of Lanka Mineral Sands Limited has gradually increased from the year 2017 to 2019. Compared to year 2018, graph shows approximately fourfold increase in profits in 2019. Though in the year 2020 company was not able to get any profits from their operations due to huge sales drop. In the year 2021 the company gained profits again.

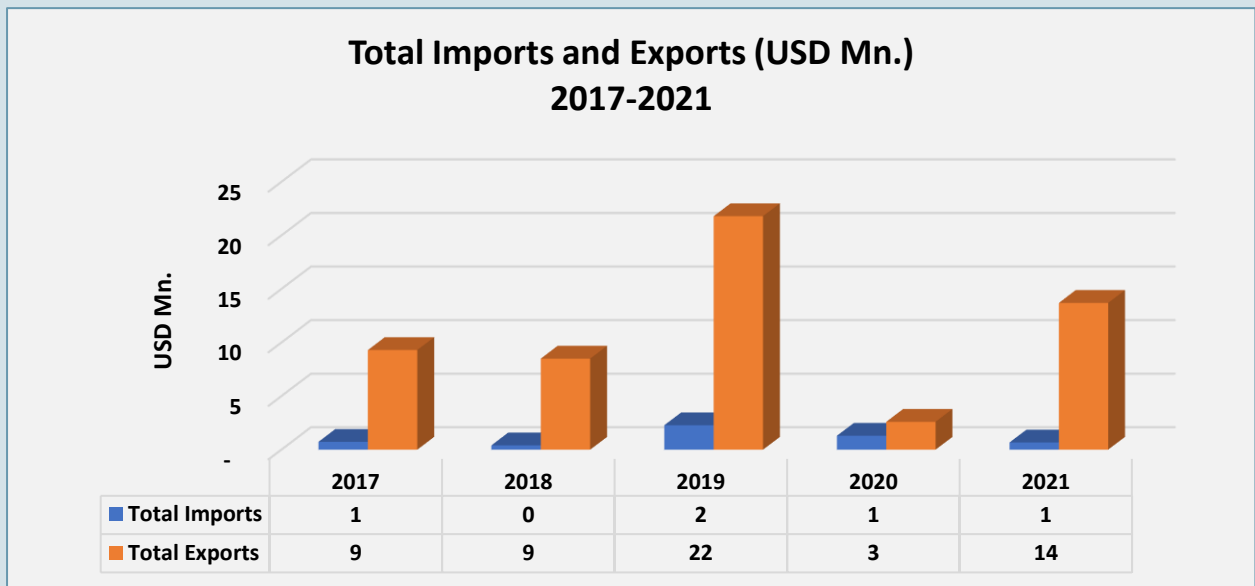


Chart 8

The Chart No 8 shows Lanka Mineral Sands Limited has USD 1-2 million imports within the year 2017 to 2021. The company exports value gradually increased from the year 2017 to 2019, however exports has suddenly dropped in the year 2020 by USD 19 Mn. The Company has increased exports again in the year 2021.

Observation and Recommendations

- ❖ Lanka Mineral Sands Limited has a huge potential to increase their profits since their most of products can be considered as high value, export-oriented products. Therefore, necessary actions have to take in order to increase the profits.
- ❖ Basically, production can be increase through the obtaining new mining licenses, explore of new minerals, conducting value addition projects and renovating/ upgrading mining plants.
- ❖ Exploring new international markets, engaging trade agreements can be used to increase exports which will lead to get more dollars to the country.
- ❖ Although most of these activities were already taken by the company but need to speed up the process.
- ❖ Preparing overall strategic plan along with annual production and sales forecast will positively affect towards overall performance of the company and that will be help to get good understanding on activity planning in day today business processes.