

Confectioneries



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Our confectioneries business is a market leader across various product categories, with a number of iconic brands that have come to define Sri Lanka's cultural zeitgeist. Daintee, perhaps the most recognisable brand of candy in the country, remains one of our best-performing products to date. This beloved toffee, among a series of other products, is manufactured by our subsidiary Daintee Ltd, originally established in 1984 through a partnership with UK confectionery giant Barker and Dobson. Daintee is known all over Sri Lanka among generations of consumers for its assortment of candies, jellies, and toffees.

The market-leading hard toffee brand is Milady, with popular variants like Chocomint and Tamarind Toffee, holding a 54% market share. X-tra is the youth-oriented cough lozenge and center-filled gum brand that's been growing fast. Since Daintee's acquisition by Sunshine in 2020, our confectionery portfolio has expanded steadily beyond hard candy to include chocolates, wafers, and other products, strategically targeting underserved niches within the broader confectionery space.

Sunshine Consumer's confectionery arm aims to fulfill one key market proposition: providing accessible indulgences at the general trade and grocery store level. Our affordable treats have become immensely popular over the years, particularly with mass consumers. Milady Chocomint is Sri Lanka's largest-selling confectionery by volume, enjoying widespread brand recognition and boasting a remarkable track record.

Our product range in this segment is split across three core brands:

- Milady, best known for Chocomint and its wide selection of hard candies and cocoa-based chocolate products
- Daintee, which anchors the Company's jujubes, wafers, Cheweez, éclairs, lollipops, Bitz (snack), and the Daintee Hearts chocolate range
- X-tra, offering bold-flavoured toffees such as X-tra Menthol and Ginger Mints, and center-filled gums

More recently, Sunshine has been investing in select chocolate lines, particularly in the "choco" category produced using cocoa powder rather than cocoa butter. These products are currently being piloted through modern trade channels and top-performing general trade outlets, with the intention of expanding visibility and availability over time.

Underlying this broader strategy is a conscious shift away from a sales model that, until now, had leaned heavily on promotions. Now, rather than relying on trade discounts and price-offs, Sunshine is looking to invest in brand equity and in-store execution, driven by a belief that long-term consumer loyalty is best built through consistent product quality, trust and availability. The business also remains in touch with evolving consumer preferences, most notably the growing demand for indulgent, value-added and seasonal offerings, a space that we intend to explore more keenly and aggressively through timely product innovation.

Noteworthy brand-building efforts include the relaunch of the iconic Daintee Rasapena and the 6.5-foot edible gingerbread house activation that Daintee carried out last year, where children were able to touch and taste the new Daintee range in a magical setting.



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FY 2024-25

highlights

The financial year under review was one of profound transformation for Sunshine's confectionery business, marked less by top-line growth and more by structural reorientation, strategic restraint, and a long-term shift in our operating philosophy. While the category recorded a double-digit decline in sales, this contraction was not altogether unexpected, following a series of deliberate decisions aimed at resetting the foundation for future growth in a category that remains highly sensitive to price, economic volatility and shifting consumer priorities.

As previously discussed under the tea business review, the implementation of a unified FMCG sales model was central to this recalibration. It saw the once-siloed tea and confectionery sales forces merge into a single front-line operation. This move was driven both by practical overlap considering that both categories target similar trade channels and retail touchpoints and by a pressing need to build a more agile and cost-efficient sales structure. Despite some initial resistance, the integrated model has since improved operational efficiencies and enabled more consistent field execution across a relatively compact product portfolio.

At a more macro level, the confectionery category continued to grapple with constrained consumer spending, further complicated by a VAT increase from 15% to 18%. Continuing a trend from the previous financial year, which followed a period of economic calamity, Sunshine once again opted not to pass this additional cost on to consumers, choosing instead to protect affordability, especially in a segment characterised by impulse buying and price sensitivity. In fact, prices were reduced for several SKUs, in what was envisioned as an intentional trade-off to preserve volume and maintain brand presence in the marketplace.

Sunshine's broader strategic shift away from promotion-heavy sales tactics also played a not-insignificant role in the top-line decline during the year under review. Rather than relying on heavy discounts or free issues to move volume, the confectionery business redirected its investments toward brand equity, packaging, and visibility, a pivot aligned with a longer-term view of building sustainable consumer loyalty. This approach has already proved productive, given the nature of this particular category, where brand recognition and trust invariably drive repeat purchases.

The business unit maintained a sharp focus on its three core confectionery brands – Milady, Daintee, and X-tra – in 2024–25, while also piloting limited chocolate SKUs under the Daintee brand in modern trade and high-performing general trade outlets. The chocolate sub-category, still in its infancy, is being positioned cautiously, however, with a growing emphasis on cocoa powder-based "choco" products that are more cost-effective and accessible to Sri Lankan consumers than traditional cocoa butter chocolates.

Despite the lingering challenges of the economic crisis and its aftermath, underlying trends point to promising future opportunities for the confectionery business. Helpfully, the overall confectionery market in Sri Lanka is growing at a double-digit pace, suggesting that Sunshine's current shortfall is more a function of internal restructuring than external demand. As the business adapts to its new operating model and reorients its brand-building efforts, it is better poised to regain momentum especially if consumer incomes improve and distribution efficiencies scale further as the macro environment stabilises.

While the reporting period may not have delivered sensational headline numbers, it represented a critical inflection point for the confectionery business a year that saw Sunshine rethink its confectionery strategy, strengthen its internal capabilities, and lay the groundwork for more sustainable, innovation-led growth in the years ahead.



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