



EX-PACK CORRUGATED CARTONS LTD

IPO Price – LKR 8.40

Company Profile

Ex-pack Corrugated Cartons Ltd (Ex-pack), a fully owned subsidiary of Aberdeen Group, was incorporated in 2002. Ex-pack is the market leader specialised in customizing high-quality printed corrugated in Sri Lanka for two decades. Ex-pack had acquired 18.3% of the market share in 2021 due to the flawless quality of its products and services that has been maintaining throughout the decade.

Ex-pack has been serving foreign and local customers across eight overseas markets with a vast array of businesses ranging from FMCG, pharmaceuticals, food manufacturers, tea exporters, apparel manufacturers, fruits/vegetable exporters, bicycle manufacturers, and seafood exporters. Also, Ex-pack's subsidiary, Neptune Papers operating in the space of recycling waste paper and cotton waste out of the apparel industry, and is currently ranked as the top wastepaper exporter in Sri Lanka.

Future Outlook

Ex-pack has been planning to set up a new manufacturing facility with a capacity of 4,000MT per month, which is expected to be 300,000sqft, due to an increase in the number of clients and their requirements. To fully cater to this demand, Ex-pack has been listed out 14 different new types of machinery to be purchased for the new plant. The new facility will be equipped with these modern machineries from renowned brands from Taiwan and China.

The new factory will be constructed for LKR 2.98Bn throughout FY22-FY23E, and it will be funded through the proceeds from IPO (LKR 700Mn), Investment property sale (LKR 450Mn), Internal funds (LKR 603Mn), and debt (LKR 1.2Bn). In FY24E, the operations at the current factory will be phased out, and the entire operations will be relocated to the newly constructed factory by the beginning of FY25E. Moreover, as per the management, current gearing of 3.5x is expected to be restructured in future periods.

Besides, as the largest and fast-growing player in the recycling space, Neptune Papers is more likely to contribute significantly towards Ex-pack's growth and revenue over the forecasted period, especially with the increase in paper prices.

Ex-Pack Valuation

P/E 31 March	FY17	FY18	FY19	FY20	FY21	1QFY22
Earnings (LKR 'Mn)						
Revenue	2,560	4,445	5,181	4,600	4,787	1,567
Gross Profit	673	839	857	710	929	252
EBIT	327	342	302	197	466	123
Net Profit	122	116	12	(98)	205	75
Basic EPS (LKR)	0.5	0.5	0.0	(0.4)	0.8	0.3
YoY % Growth	-74%	-5%	-90%	-912%	-308%	-63%
Valuations						
PER (x)	17.2	18.2	173.1	(21.3)	10.2	N/A
PBV (x)	3.0	2.7	2.8	3.5	2.7	N/A
DY (%)	11%	0%	6%	2%	5%	N/A

Peer Group Comparison

	Share Price 11.10.21 (LKR)	FY21 EPS (LKR)	NAVPS 31.03.2021 (LKR)	P/E (x)	P/BV (x)
CCS	600.0	24.60	176.59	24.4	3.4
NEST	1277.0	75.27	107.88	17.0	11.8
KFP	157.5	12.59	81.43	12.5	1.9
RWSL	8.4	0.54	5.07	15.6	1.7
CARE	43.5	6.74	35.21	6.5	1.2
GLAS	14.1	1.15	5.86	12.3	2.4
BPPL	24.5	1.62	10.60	15.1	2.3
TIL	43.5	3.02	24.96	14.4	1.7
MGT	33.3	1.77	10.17	18.8	3.3
REG	72.2	8.29	75.93	8.7	1.0
Ex-pack - Pre IPO	8.4	0.82	3.31	10.2	2.5
Materials Sector				7.0	1.7
Market				12.4	1.3

Valuation outlook

Based on FY21 EPS, Ex-pack's PE is estimated 10.2x and is healthy compared to peers and the market though it is relatively higher than the Material sector average PE of 7.0x.

IPO Details

Issue Price	: LKR 8.4
Amount to be Raised	: LKR 700Mn
No. of Shares Offered (Offer for Subscription)	: 83,333,333 Ordinary Voting Shares
Issue Open Date	: October 22, 2021

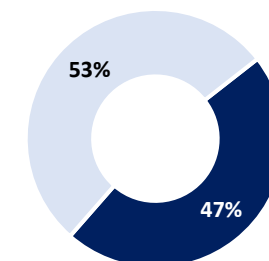
Purpose of the issue

- Setting up a new manufacturing facility with a capacity of 4,000MT per month.

Issue Allotment Structure

Applicant Category	Allocation of IPO (%)
Unit Trusts	10.0%
Retain Individual	40.0%
Group Employees and Directors	7.5%
Non-Retail	42.5%
	100.0%

Revenue Composition



■ Local Sales ■ Export Sales



Appendix 1 Summarised Income Statement

Income Statement	FY17	FY18	FY19	FY20	FY21
Year ended 31st March (LKR 'Mn)					
Revenue	2,560	4,445	5,181	4,600	4,787
Cost of Sales	(1,887)	(3,606)	(4,324)	(3,891)	(3,858)
Gross Profit	673	839	857	710	929
Other Income	30	7	39	60	65
Selling and Distribution Expenses	(144)	(179)	(203)	(224)	(224)
Administrative Expenses	(232)	(324)	(360)	(355)	(310)
Finance Cost	(175)	(197)	(228)	(246)	(248)
Other Expenses/losses	-	-	-	(40)	(0)
Gain on Fair value change in Investment property	-	-	-	46	7
Gain / (Loss) on Disposal of Subsidiary	-	-	(31)	-	-
Profit before Tax	151	146	75	(50)	218
Income Tax Reversal / (Expenses)	(29)	(30)	(62)	(49)	(13)
Profit for the Period	122	116	12	(98)	205
Non-Controlling Interest					
Profit Attributable to Equity Holders	122	116	12	(98)	205

Appendix 2 Summarised Financial Position

Statement of Financial Position	FY17	FY18	FY19	FY20	FY21
Year ended 31st March (LKR 'Mn)					
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	1,177	1,284	947	957	1,039
Intangible Assets	-	204	204	204	204
Right of Use Asset	-	-	-	139	101
Investment Property	-	-	-	372	382
Deferred Tax Asset	-	6	1	1	14
	1,177	1,495	1,152	1,673	1,740
Current Assets					
Inventories	430	788	725	778	765
Trade and Other Receivables	833	1,173	1,429	1,284	1,379
Advances and Prepayments	22	168	128	85	34
Fixed Deposits	-	-	-	-	483
Cash and Cash Equivalents	49	107	156	107	95
	1,335	2,236	2,438	2,254	2,756
Non current asset held for sale	-	-	320	-	-
Total Assets	2,512	3,730	3,911	3,927	4,496
EQUITY					
Stated Capital	500	500	500	500	500
Retained Earnings	(111)	5	43	(104)	(9)
Reserves	323	261	209	196	292
Shareholders' Equity	712	765	753	593	783
Non-Controlling Interest					
	712	765	753	593	783
LIABILITIES					
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	-	16	22	95	76
Deferred Tax Liability	34	116	72	85	74
Retirement Benefit Obligation	40	54	64	72	82
	74	186	158	252	232
Current Liabilities					
Trade and Other Payables	268	635	436	622	756
Interest Bearing Loans and Borrowings	1,383	2,075	2,465	2,382	2,677
Income Tax Payables	76	70	99	79	48
	1,726	2,779	3,000	3,082	3,480
Total Equity & Liabilities	2,512	3,730	3,911	3,927	4,496



First Capital

First Capital Holdings PLC

No. 02, Deal Place,
Colombo 03.

General: +94 11 2639 898
Fax: +94 11 5736 264

RESEARCH

Dimantha Mathew	+94 11 2639 853	Vidushika Perera	+94 11 2639 864
Atchuthan Srirangan	+94 11 2639 863		
Hiruni Perera	+94 11 2639 864		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Nethalie De Mel	+94 11 2639 854
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	Negombo	
			Priyanka Anuruddha	+94 70 2910 035
Colombo			Priyantha Wijesiri	+94 70 2910 036
Rasika Indra Kumara		+94 77 7072 698		
Isuru Jayawardena		+94 76 7084 953		
Nishantha Mudalige		+94 70 2910 041		
Ifadh Marikar		+94 77 9625 679		
Anushka Buddhika		+94 71 4310 600		
Thushara Pathiraja		+94 70 2910 037		
Chandika Jayawardana		+94 77 3940 070		

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy	Kurunegala
2nd Floor, No.121 Kotugodella Veediya (E L Senanayake Veediya) Kandy	Ground Floor, No. 42, Mihindu Mawatha, Kurunegala 60000.

Manager:	Salinda Samarakoon	Manager:	
Tel:	+94 81 2236 010	Tel:	+94 37 2222 930

Matara	Negombo
2nd Floor, E.H. Cooray Building No: 24, 1/3, Anagarika Dharmapala Mawatha, Matara 81000.	1st Floor, No: 163B, Colombo Road, Negombo 11500.

Manager:	Rohana Jayakody	Manager:	
Tel:	+94 41 2222 988	Tel:	+94 31 4937 072

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