



## AGARAPATANA PLANTATION LIMITED

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**IPO Price – LKR 9.00**

### Company Profile

Agarapatana Plantations Limited (APL), visioned to be the foremost producer of high-quality tea was established in 1992, is a subsidiary of Lankem Developments PLC. The company's primary focus lies in the cultivation, production, and distribution of premium-grade tea. APL stands out as a mono-crop enterprise within the plantation industry, with its tea estates exclusively situated in the high grown regions of Nuwara Eliya and Badulla. These areas are categorized as the Western and Uva High elevation districts.

APL's tea sales at the auction are handled by their approved representative brokers, namely Forbes & Walker Tea Brokers (Pvt) Ltd, John Keells PLC, and Ceylon Tea Brokers PLC. APL's current financial year has 180 buyers, with the top customer, Heritage Teas (Pvt) Ltd, purchasing only 10% of the sold quantity as a single buyer. The remaining 52% of the quantity is divided among various other customers, including Unilever Lipton Ceylon Ltd, Akbar Brothers (Pvt) Ltd etc.

### Future Outlook

APL has implemented various strategical plans in its operations to back the company to sore higher and change its course from a loss-making entity to a profitable entity in the financial years FY21 and FY22. Notably, the company achieved its highest net profit of LKR 1.7Bn over the year ending on 31<sup>st</sup> Mar FY23 mainly aided by the growth in the top line, contributed by the currency devaluation and the price hike in average tea prices over the years. The management is optimistic about maintaining this profitability for the upcoming years which will enable them to eliminate all previously incurred losses.

The proceeds from the IPO is expected to fund the company in gradually replacing its old machinery with modern, high-quality equipment which will enable the company to further produce high quality tea products which will help them to increase production with mechanized harvesting and improve production volumes and reduce harvesting cost. The company is also determined to settle its high-cost loans of LKR 75.0Mn.

Besides with the gradual improvement in the economy alongside assistance from the international agencies and government authorities it is expected to open the procurement process of importation of capital goods. Moreover, on the bright side, with the workers positive responds to shifting from manual harvesting to mechanized, the company may generate surplus funds in the coming years.

### APL Valuation

P/E 31 March	FY19	FY20	FY21	FY22	FY23
<b>Earnings (LKR 'Mn)</b>					
Revenue	3,995	3,188	4,292	4,487	8,550
Gross Profit	191	(1,035)	171	63	2,681
EBIT	172	(912)	379	249	2,604
Net Profit	(103)	(1,212)	190	28	1,737
Adjusted EPS (LKR)	(0.2)	(2.9)	0.5	0.1	4.2
YoY % Growth	-120%	-1077%	116%	-85%	6142%
<b>Valuations</b>					
PER (x)	N/A	N/A	19.8	134.8	2.2
PBV (x)	8.0	120.1	5.7	2.3	1.1
NAVPS	1.1	0.1	1.6	3.9	7.9
DPS (LKR)	-	-	-	-	-

### Peer Group Comparison

	Share Price 04.08.23 (LKR)	EPS FY23 (LKR)	NAVPS FY23 (LKR)	P/E (x)	P/BV (x)
HPL	29.5	6.98	18.98	4.2	1.6
BOPL	50.0	16.84	36.07	3.0	1.4
MASK	38.6	16.43	32.46	2.3	1.2
UDPL	87.9	54.06	122.21	1.6	0.7
TPL	124.5	54.21	126.72	2.3	1.0
KVAL	85.1	30.70	105.22	2.8	0.8
BALA	64.3	41.27	89.09	1.6	0.7
<b>APL-Pre IPO</b>	<b>9.0</b>	<b>4.17</b>	<b>7.86</b>	<b>2.2</b>	<b>1.1</b>
Food, Beverage and Tobacco sector				6.8	1.5
Market				8.7	1.0

#### Valuation outlook

Based on FY23 EPS, APL's PE is 2.2x and is healthy compared to peers and the market which is relatively lower than the Food, Beverage, and Tobacco sector average PE of 6.8x.

### IPO Details

Issue Price	: LKR 9.00
Amount to be Raised	: LKR 747.6Mn
No. of Shares Offered (Offer for Subscription)	: 83,070,111 Ordinary Voting Shares
Issue Open Date	: August 10, 2023

### Purpose of the issue

- To invest in modern equipment, gradually replacing old machinery.
- Settlement of high-cost loans.

### Issue Allotment Structure

Applicant Category	Allocation of IPO (%)
Unit Trusts	10.0%
Employees and Directors	10.0%
Retail Individual Investors	40.0%
Non-Retail	40.0%
	<b>100.0%</b>

### Post IPO

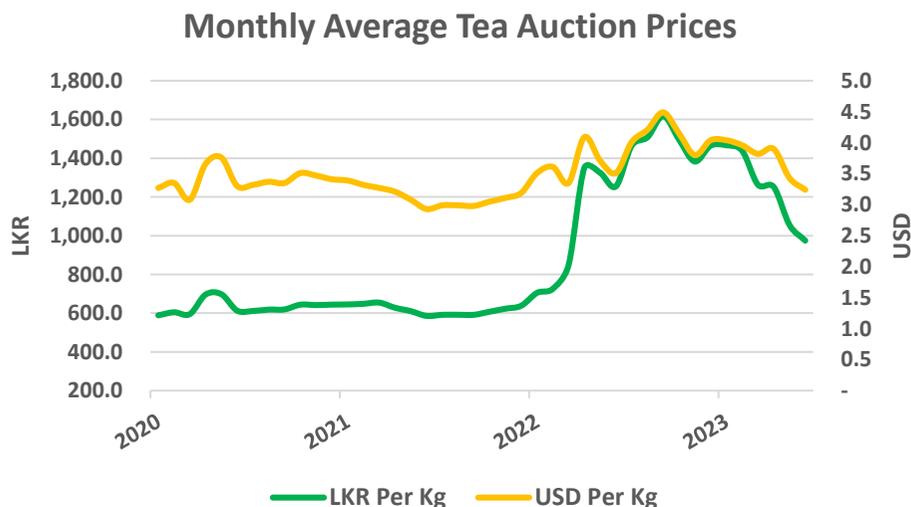
Shareholders	No. Shares	%
Existing Shareholders	416,929,889	83.4%
IPO Shareholders	83,070,111	16.6%
	<b>500,000,000</b>	<b>100.0%</b>



## Appendix 1 Summarised Audited Income Statement

Income Statement	FY19	FY20	FY21	FY22	FY23
Year ended 31st March (LKR 'Mn)					
Revenue	3,995	3,188	4,292	4,487	8,550
Cost of Sales	(3,804)	(4,223)	(4,121)	(4,423)	(5,869)
<b>Gross Profit</b>	<b>191</b>	<b>(1,035)</b>	<b>171</b>	<b>63</b>	<b>2,681</b>
Gain/(Loss) on change in fair value of biological assets	55	198	270	158	116
Other Income	49	56	87	158	128
Administration Expenses	(123)	(130)	(149)	(130)	(320)
Earnings Before Interest and Tax	172	(912)	379	249	2,604
Finance Income	3	2	7	32	51
Finance Cost	(278)	(285)	(251)	(221)	(270)
<b>Profit before Tax</b>	<b>(103)</b>	<b>(1,194)</b>	<b>135</b>	<b>60</b>	<b>2,386</b>
Income Tax Reversal / (Expenses)	0	(18)	54	(32)	(649)
<b>Profit for the Period</b>	<b>(103)</b>	<b>(1,212)</b>	<b>190</b>	<b>28</b>	<b>1,737</b>

## Tea Prices 2020 – 2023 (Jan-Jun)



## Appendix 2 Summarised Audited Financial Position

Statement of Financial Position	FY19	FY20	FY21	FY22	FY23
Year ended 31st March (LKR 'Mn)					
<b>Non-Current Assets</b>					
Right of use Asset	206	196	181	168	155
Freehold Property Plant and Equipment	615	1,635	1,596	1,527	1,668
Bearer Biological Assets	2,339	2,232	2,236	2,226	2,237
Consumable Biological Assets	828	1,026	1,290	1,439	1,533
Goodwill	-	-	-	-	36
Other Non Current Financial Assets	186	77	31	1	339
	<b>4,174</b>	<b>5,166</b>	<b>5,334</b>	<b>5,361</b>	<b>5,968</b>
<b>Current Assets</b>					
Produce on bearer biological assets	6	3	9	11	23
Inventories	506	427	516	474	1,152
Trade and other Receivables	166	214	291	278	603
ESC Recoverable	62	-	-	-	-
Amount due from related parties	52	12	379	421	125
VAT Recoverable	27	-	-	-	0
Short Term Investments	25	27	29	46	36
Cash and Bank balances	65	51	125	48	49
	<b>908</b>	<b>735</b>	<b>1,349</b>	<b>1,277</b>	<b>1,988</b>
<b>Total Assets</b>	<b>5,082</b>	<b>5,901</b>	<b>6,683</b>	<b>6,638</b>	<b>7,956</b>
<b>EQUITY</b>					
Stated capital	911	911	1,271	1,730	1,730
Fair value reserve of financial Assets at FVOCI	(2)	(106)	(152)	(182)	(184)
Deferred Income	734	922	1,177	1,319	1,409
Liability to make lease payment	-	852	811	777	750
Deferred tax liability	(1,175)	(2,547)	(2,453)	(2,014)	(427)
<b>Shareholders' Equity</b>	<b>467</b>	<b>31</b>	<b>654</b>	<b>1,630</b>	<b>3,279</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Interest bearing loans and borrowings	850	920	753	740	589
Retirement benefit obligations	1,341	1,531	1,558	1,130	1,199
Deferred income	209	203	197	193	184
Liability to make lease payment	0	0	0	0	0
Deferred tax liability	-	159	112	187	799
	<b>2,400</b>	<b>2,814</b>	<b>2,620</b>	<b>2,249</b>	<b>2,770</b>
<b>Current Liabilities</b>					
Interest bearing loans and borrowings	348	515	573	457	538
lease liability	0	1	0	0	0
Trade and other Payables	1,374	1,696	1,960	1,832	1,098
Dividend payable	10	10	-	-	32
Amounts due to related companies	67	403	438	29	13
Income tax payable	13	13	17	24	-
Bank overdraft	403	418	421	416	226
	<b>2,215</b>	<b>3,056</b>	<b>3,409</b>	<b>2,759</b>	<b>1,907</b>
<b>Total Equity &amp; Liabilities</b>	<b>5,082</b>	<b>5,901</b>	<b>6,683</b>	<b>6,639</b>	<b>7,956</b>



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