



## CABLE SOLUTIONS LIMITED

### IPO Price – LKR 7.50

#### Company Profile

Cable solutions limited (CSLK) is a leading specialized manufacture in high quality cables and harnesses. The company was founded in 2008 was later acquired by ACL Cables PLC in 2019 for a 75.0% stake, afterwards the company acquired a 99.9% equity stake in Cable Solutions PVT LTD India in 2023, paving the way to a strategic expansion. CSLK is an export-oriented company where c.95% of sales are accounted from the USA, UK, Spain, Italy, Germany, Sweden, Switzerland, Russia, India, Australia and New Zealand. CSLK cater to a variety of fast growing high tech industries such as automotive and transportation, renewable energy, sensor/weighing industry, and industrial automation industry with international manufacturing certifications. CSLK expanded into cable harnessing in 2017 giving the company the capability to offer customers a more complete and value-added solution that could directly be inserted into finished electronics products.

#### Future Outlook

**Impressive order book growth:** Looking forward, the company anticipates a rise in new customer acquisitions driven by successful discussions and by advanced R&D. Additionally the full impact of substantial accounts secured in FY22 and FY23 is set to be realized progressively in FY24 and FY25. While maintaining a significant revenue share from deemed export customers, management aims to intensify its focus on Europe and the US, alongside expanding marketing efforts in India, Australia, as targeted regions.

**Future plans with the proceeds from the IPO:** CSLK plans to implement in a new machinery upgrade for automotive and solar cable production and the rest will be allocated for working capital, purchase of raw material and cash flow management. This will enable the company to not only substantially improve in production and efficiency but also assist to sustain smooth day to day operations whilst fostering resilience for unforeseen market fluctuations. CSLK is also able to fund new machinery through borrowing in the future as the gearing ratio remains less than 20.0%.

**New strategic expansion in India:** CSLK plans to rollout production in India and develop new client bases within the domestic market. Furthermore, with anticipated expansion plans in hand into the European and US markets the company may experience growth in both top and bottom lines as the demand for cables has significantly picked up globally as the construction industry has been witnessing a gradual uptick both in the local and global markets.

**Positive factors surrounding the company:** CSLK's future strategies also target AI and Robotic industries as the global market demand yearn for advance high tech solutions. CSLK also holds the financial strength and guidance from its well-established parent company ACL Cable PLC. Additionally CSLK holds a location advantage in Sri Lanka for deemed exports as well as offering cost-efficient access to essential materials, reducing production expenses significantly. CSLK also is a BOI company and holds a free trade agreement with India. With the exemption of duty on imported material (main raw material being copper imported from foreign suppliers), company may benefit in higher margins.

**Risks surrounding the future growth potential of CSLK:** The company must compete with most of the global competitors amidst currency fluctuations which may impact the revenue of CSLK given its high exposure in the export market. Main raw material which is copper is imported from foreign suppliers and may experience fluctuations of commodity prices and rapid technological changes. Company's top 10 customer base accounts for over 70.0% of the total customers, giving CSLK significant concentration risk that could impact revenue stability in the event of customer loss or changes in demand.

#### CSLK Valuation

Income Statement (LKR Mn)	FY21	FY22	FY23	FY24	FY25E
<b>Year ended 31st March</b>					
Revenue	1,075.0	1,903.1	3,324.9	2,538.6	3,224.0
Cost of Sales	(754.8)	(1,355.1)	(2,240.5)	(1,792.8)	(2,224.5)
<b>Gross Profit</b>	<b>320.2</b>	<b>548.0</b>	<b>1,084.4</b>	<b>745.8</b>	<b>999.4</b>
Other Income	18.5	16.3	16.2	16.3	18.4
Administration Expenses	(132.7)	(183.1)	(279.4)	(397.7)	(419.1)
Selling and Distribution Expenses	(160.5)	(83.1)	(125.5)	(76.7)	(109.6)
<b>Profit from Operations</b>	<b>45.4</b>	<b>298.0</b>	<b>695.7</b>	<b>287.7</b>	<b>489.1</b>
Finance Expenses	(18.0)	(16.7)	(44.0)	(39.7)	(43.6)
<b>Profit Before Taxation</b>	<b>27.4</b>	<b>281.3</b>	<b>651.8</b>	<b>248.0</b>	<b>445.5</b>
Taxation	(6.0)	(48.0)	(108.7)	(37.2)	(133.6)
<b>Net Profit for the Year</b>	<b>21.4</b>	<b>233.3</b>	<b>543.1</b>	<b>210.8</b>	<b>311.8</b>
<b>Adjusted EPS</b>	<b>0.1</b>	<b>0.5</b>	<b>1.2</b>	<b>0.4</b>	<b>0.7</b>

#### Peer Group Comparison

Company Name	Market Cap (LKR Mn)	Share Price (17/07/24)	EPS	P/E	P/BV
<b>95% Export Oriented</b>					
HEXP	1,250.4	52.1	(1.1)	N/A	0.9
BPPL	5,676.6	18.5	(0.0)	N/A	1.4
MGT	19,070.6	46.0	6.1	7.5	1.9
TJL	28,858.3	40.0	1.6	25.7	1.0
<b>Manufacturing Peers</b>					
APLA	1,778.7	422.3	99.4	4.2	0.5
<b>CSLK</b>	<b>3,530.0</b>	<b>7.5</b>	<b>0.7</b>	<b>11.3</b>	<b>1.9</b>
KCAB	6,452.8	296.0	75.9	3.9	0.6
SIRA	19,884.7	10.9	1.4	7.7	1.2
<b>ACL (Parent Company)</b>	<b>19,980.5</b>	<b>83.0</b>	<b>12.1</b>	<b>6.8</b>	<b>0.7</b>
Average			21.8	9.6	1.1

Company Name	Market Cap (LKR Mn)	EV/EBITDA	Revenue/share	EBIT/share	NP/share	CFO/share
<b>95% Export Oriented</b>						
HEXP	1,250.4	9.47	213.55	9.68	(1.05)	(22.28)
BPPL	5,676.6	18.78	18.57	0.40	(0.04)	1.13
MGT	19,070.6	3.88	118.66	13.69	6.12	0.05
TJL	28,858.3	5.80	84.85	3.09	1.56	3.98
<b>Manufacturing Peers</b>						
APLA	1,778.7	1.75	563.42	123.22	99.38	27.93
<b>CSLK</b>	<b>3,530.0</b>	<b>5.68</b>	<b>6.85</b>	<b>1.04</b>	<b>0.56</b>	<b>(1.80)</b>
KCAB	6,452.8	0.43	649.91	97.93	75.88	42.02
SIRA	19,884.7	5.07	15.16	2.28	1.42	(1.26)
<b>ACL (Parent Company)</b>	<b>19,980.5</b>	<b>3.3</b>	<b>122.8</b>	<b>20.6</b>	<b>12.1</b>	<b>19.3</b>
Average		6.02	199.31	30.22	21.79	7.68

#### Valuation Outlook

Trading at a 1Yr FWD PE of 11.3x and a PBV 1.9x, we believe CSLK IPO price of LKR 7.50/share is at a premium. Considering the trading multiples of CSLK, which is valued at a premium compared to its parent (ACL Cables trading at 6.8x), ACL subsidiaries of KCAB and APLA, industry peers and the SL equity market PE of 10.0x, we believe IPO price of LKR 7.50/share is at a premium.

#### IPO Details

<b>Issue Price</b>	:	LKR 7.50
<b>Amount to be Raised</b>	:	LKR 110.0Mn (offer for subscription) LKR 495.9Mn (offer for sale)
<b>Total No. of Shares Offered</b>	:	80,786,000 Ordinary Voting Shares
<b>Issue Open Date</b>	:	July 23, 2024

#### Details of the issue

##### Funds raised through the offer for subscription (LKR 110.0Mn):

- Capex - Machinery requirements (LKR 90.0Mn)
- Working Capital Requirements (LKR 20.0Mn)
- Remaining LKR 495.6Mn will be allocated for existing shareholders through an offer for sale
- No underwriting arrangement has been made by the company for the share issue

#### Shareholding - Pre and Post IPO

Shareholders	Pre IPO		Post IPO	
	No of Shares	%	No of Shares	%
ACL Cables PLC	240,039,966	52.6%	240,039,966	51.0%
Mr. Pawan Tejwani	91,200,000	20.0%	91,200,000	19.4%
Insite Holdings (Pvt) Ltd	31,920,000	7.0%	31,920,000	6.8%
Ms. Jyoti Nand Tejwani	22,800,000	5.0%	-	-
Rosewood (Pvt) Ltd	22,800,000	5.0%	11,400,000	2.4%
Associated Electrical Corporation Limited	22,800,000	5.0%	-	-
Perera & Sons (Bakers) (Private) Limited	18,240,000	4.0%	9,120,000	1.9%
Tempest P E Partners (Pvt) Ltd	6,200,034	1.4%	6,200,034	1.3%
<b>Shareholding from IPO</b>	<b>-</b>	<b>-</b>	<b>80,786,600</b>	<b>17.2%</b>
	<b>456,000,000</b>	<b>100.0%</b>	<b>470,666,600</b>	<b>100.0%</b>

#### Issue Allotment Structure

Applicant Category	Percentage of Offer
Retail Individual Investors	40.0%
Unit Trusts Investors	10.0%
Employees and Directors	10.0%
Non-Retail Investors	40.0%
	<b>100.0%</b>



## Appendix 1 Summarized Audited Statement of Financial Position

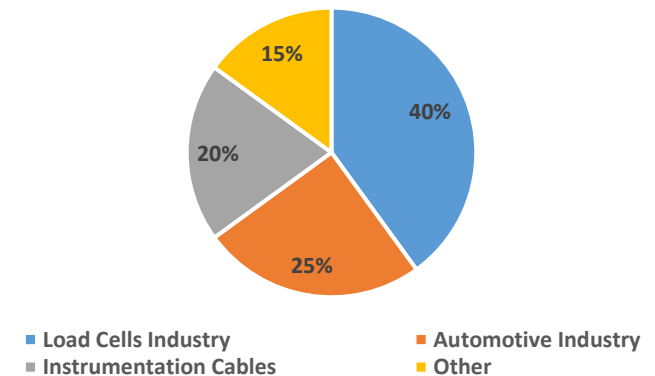
Statement of Financial Position (LKR Mn)	FY21	FY22	FY23	FY24	FY25E
<b>As at 31st March</b>					
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	465.9	498.5	783.3	696.6	786.6
Right of Use Assets	29.7	23.8	17.6	23.8	23.8
Intangible Assets	5.2	7.0	10.3	17.1	10.0
<b>Total Non-Current Assets</b>	<b>500.9</b>	<b>529.3</b>	<b>811.3</b>	<b>737.5</b>	<b>820.4</b>
<b>Current Assets</b>					
Inventories	313.8	480.8	635.3	594.6	606.5
Trade and Other Receivables	300.0	581.2	883.3	731.6	801.1
Amounts due from related parties	6.2	21.7	59.4	110.4	132.5
Income tax receivable	6.3	-	-	-	-
Cash and Bank Balance	79.5	15.6	74.8	148.3	242.2
<b>Total Current Assets</b>	<b>705.8</b>	<b>1,099.3</b>	<b>1,652.7</b>	<b>1,584.9</b>	<b>1,782.2</b>
<b>Total Assets</b>	<b>1,206.7</b>	<b>1,628.7</b>	<b>2,464.0</b>	<b>2,322.4</b>	<b>2,602.6</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	11.4	11.4	11.4	11.4	11.4
Exchange Equalization Reserves	-	-	-	377.3	384.8
Revaluation Reserves	106.8	106.8	106.8	106.8	106.8
Retained Earnings	494.3	603.1	1,604.8	1,151.2	1,381.4
<b>Total Equity</b>	<b>612.6</b>	<b>721.3</b>	<b>1,723.0</b>	<b>1,646.6</b>	<b>1,884.4</b>
<b>Non-Current Liabilities</b>					
Interest Bearing borrowings	79.6	75.5	50.4	42.8	44.1
Retirement benefit Obligations	14.0	17.0	23.1	27.6	27.6
Deffered tax Liability	31.4	38.6	35.6	32.8	32.8
Lease Liabilities	29.9	24.1	16.0	17.1	20.5
<b>Total Non-Current Liabilities</b>	<b>154.8</b>	<b>155.2</b>	<b>125.1</b>	<b>120.2</b>	<b>124.9</b>
<b>Current Liabilities</b>					
Trade and Other Payables	112.1	391.5	150.5	132.8	122.2
Amount due to Related Parties	55.7	124.1	10.0	35.8	63.2
Interest Bearing borrowings	266.7	129.8	239.6	301.2	316.2
Lease Liabilities	4.8	5.8	7.0	6.3	6.3
Income Tax Liability	-	13.0	62.9	19.5	19.5
Bank Overdraft	-	88.1	145.7	59.9	65.8
<b>Total Current Liabilities</b>	<b>439.2</b>	<b>752.1</b>	<b>615.8</b>	<b>555.6</b>	<b>593.3</b>
<b>Total Liabilities</b>	<b>594.1</b>	<b>907.3</b>	<b>740.9</b>	<b>675.8</b>	<b>718.2</b>
<b>Total Equity and Liabilities</b>	<b>1,206.7</b>	<b>1,628.7</b>	<b>2,464.0</b>	<b>2,322.4</b>	<b>2,602.6</b>
<b>Adjusted NAVPS</b>	<b>1.3</b>	<b>1.5</b>	<b>3.7</b>	<b>3.5</b>	<b>4.0</b>

## Appendix 2 Summarized Audited Income Statement

Income Statement (LKR Mn)	FY21	FY22	FY23	FY24	FY25E
<b>Year ended 31st March</b>					
Revenue	1,075.0	1,903.1	3,324.9	2,538.6	3,224.0
Cost of Sales	(754.8)	(1,355.1)	(2,240.5)	(1,792.8)	(2,224.5)
<b>Gross Profit</b>	<b>320.2</b>	<b>548.0</b>	<b>1,084.4</b>	<b>745.8</b>	<b>999.4</b>
Other Income	18.5	16.3	16.2	16.3	18.4
Administration Expenses	(132.7)	(183.1)	(279.4)	(397.7)	(419.1)
Selling and Distribution Expenses	(160.5)	(83.1)	(125.5)	(76.7)	(109.6)
<b>Profit from Operations</b>	<b>45.4</b>	<b>298.0</b>	<b>695.7</b>	<b>287.7</b>	<b>489.1</b>
Finance Expenses	(18.0)	(16.7)	(44.0)	(39.7)	(43.6)
<b>Profit Before Taxation</b>	<b>27.4</b>	<b>281.3</b>	<b>651.8</b>	<b>248.0</b>	<b>445.5</b>
Taxation	(6.0)	(48.0)	(108.7)	(37.2)	(133.6)
<b>Net Profit for the Year</b>	<b>21.4</b>	<b>233.3</b>	<b>543.1</b>	<b>210.8</b>	<b>311.8</b>
<b>Adjusted EPS</b>	<b>0.1</b>	<b>0.5</b>	<b>1.2</b>	<b>0.4</b>	<b>0.7</b>

## Appendix 3 Revenue Distribution

Industry Segmentation - Revenue





**First Capital**  
A Janashakthi Group Company

# 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	Zaeema Jihan	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Anjali Mathews	+94 11 2639 866
Vinodhini Rajapooopathy	+94 11 2639 866	Nethmi Fernando	+94 11 2639 866
Tharusha Ashokgar	+94 11 2639 866		

## GOVERNMENT SECURITIES SALES

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

## CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
--------------------	-------------------

## EQUITY SALES

		Equity Branches	
CEO	Jaliya Wijeratne	+94 71 5329 602	
		<b>Negombo</b>	Priyanka Anuruddha +94 77 4546 070 Priyantha Wijesiri +94 77 9065 779
<b>Colombo</b>			
Rasika Vidanalage		+94 77 7072 698	
Isuru Jayawardana		+94 76 7084 953	
Nishantha Mudalige		+94 77 3204 929	
Anushka Buddhika		+94 71 4310 600	
Thushara Pathiraja		+94 77 0076 314	
Anjelo LaBrooy		+94 77 7546 645	
Dillon Lowe		+94 76 6160 647	
Evelyn John		+94 77 779 2452	
Yudheshan Kannadasan		+94 77 415 5809	
		<b>Agents</b>	
		<b>Colombo</b>	Kithsiri Jayasinghe +94 77 7790 657 Amila Luwishewa +94 71 0628 195
		<b>Anuradhapura</b>	Nuwan Abeynayake +94 77 7288 274
		<b>Galle</b>	Ajith Ihalawatta +94 77 8477 530
		<b>Kandy</b>	Ruwan Wanniarachchi +94 77 3877 734
		<b>Embilipitiya</b>	

## UNIT TRUST SALES

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

### Disclaimer

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the accuracy, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or a connected person or associated person may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.

## BRANCHES

<b>Kandy</b>	<b>Kurunegala</b>
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.
<b>Manager: Salinda Samarakoon</b>	<b>Manager:</b>
Tel: +94 81 2236 010	Tel: +94 37 2222 930

<b>Matara</b>	<b>Negombo</b>
CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.

<b>Manager: Rohana Jayakody</b>	<b>Manager:</b>
Tel: +94 41 2222 988	Tel: +94 31 4937 072

### About us

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.