



MAHARAJA FOODS LIMITED

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IPO Price – LKR 5.00

Company Profile

Maharaja Foods Limited (MFL) operates in the food industry, specializing in a diverse range of products including rice-based and flour-based items, spices, and fish-based products. MFL has established itself as a leading exporter of "ethnic foods" catering primarily to Asian expatriates. The company's operations extend across key markets such as the United Kingdom, France, Germany, Switzerland, Nordic countries, Australia, and Singapore, where it serves a growing demand for authentic culinary experiences among Asian communities.

MFL is renowned for its robust product portfolio manufactured in-house and its role in exporting third-party consumables and household items. In Europe, particularly in France and the United Kingdom, MFL's products are distributed through both retail and wholesale channels, meeting the preferences of Indian and Sri Lankan expatriates who seek familiar tastes from home.

In June 2022, MFL Group expanded its footprint with the establishment of Maharaja Marketing (Pvt) Limited (MML), a wholly owned subsidiary. This strategic move underscores MFL's focus on optimizing operations by segregating domestic and export markets which accounts for 36.0% and 64.0% of overall revenue, respectively. Maharaja Marketing now oversees operations catering exclusively to the Sri Lankan market, ensuring MFL's products reach approximately 5,000 retail outlets across the country.

Future Outlook

Looking ahead, MFL is poised for growth and market expansion in the global food industry with a solid foundation in serving both local and overseas markets, particularly catering to the rising number of Asian expatriates in Europe, North America, Singapore, Scandinavia, Middle East, and Australia. The increasing trend among European and Australian consumers towards Asian-origin food products, particularly rice-based items, provides a favorable environment for MFL's continued success.

Through this IPO, MFL plans substantial capital expenditures to enhance its factory infrastructure and machinery, focusing on boosting the production of rice-based products. Accordingly, MFL Group plans to mitigate raw rice price fluctuations by establishing a raw rice plant with a daily capacity of 10 metric tons. This strategic move includes milling machines and a paddy dryer to process paddy directly sourced from farmers during peak seasons, thereby stabilizing costs and enhancing profit margins.

Furthermore, MFL is diversifying its product portfolio with the introduction of new items such as Gingelly Oil, aiming to broaden consumer choice and further solidify its market presence. MFL has procured machinery for its new Gingelly Oil production line, which will have a processing capacity of 20kg per hour. Financed on credit, the funds allocated from the IPO will settle this debt upon completion. Scheduled for commissioning in 1QFY25E, this semi-automated plant aims to meet demand from Asian, Sri Lankan, and Indian expatriates in local and overseas markets, enhancing cost efficiency through in-house production.

Currently, Maharaja products are sold in about 5,000 outlets across Sri Lanka. Over the next five years, MML aims to increase this presence tenfold to 50,000 outlets nationwide, targeting various customer segments. Plans include forming partnerships with major supermarket chains and reaching out to retail distributors in other regions, particularly in the Northern, Western, and Eastern provinces, where opportunities for expansion abound.

However, MFL has to navigate through a competitive export market which is dominated by Indian players. Nevertheless, the ongoing ban on exports of non-basmati white rice and broken rice in India creates an opportunity for MFL to capitalize. Moreover, fluctuations in the LKR may also impact the revenue of MFL given its high exposure in the export market. **SUBSCRIBE**

MFL Valuation

P/E 31 March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Earnings (LKR 'Mn)							
Revenue	93.2	158.4	397.1	497.0	576.5	634.2	665.9
Gross Profit	20.8	20.3	51.0	77.3	103.8	139.5	173.1
EBIT	4.4	14.2	32.2	51.2	73.8	106.5	136.3
Net Profit	(3.6)	3.1	20.1	31.1	51.5	78.6	104.0
Adjusted EPS (LKR)	(0.0)	0.0	0.2	0.2	0.4	0.6	0.8
YoY Growth (%)	63%	186%	558%	55%	66%	53%	32%
Valuations							
PER (x)	N/A	204.9	31.1	20.1	12.1	7.9	6.0
PBV (x)	N/A	21.3	10.1	6.7	2.3	1.8	1.4
Adjusted NAVPS	(0.1)	0.2	0.5	0.7	2.2	2.8	3.6

Peer Group Comparison

Peer company	Share Price 28.06.24 (LKR)	Market Cap 28.06.24 (LKR Mn ¹)	EPS FY24 (LKR)	NAVPS FY24 (LKR)	P/E (x)	P/BV (x)
HARI	4,400.0	8,446.2	118.1	907.2	37.3	4.8
SOY	873.3	2,401.4	88.8	969.5	9.8	0.9
KFP	157.3	4,009.9	-8.56	73.1	N/A	2.2
LAMB	389.5	12,230.3	20.54	95.4	19.0	4.1
LMF	29.1	11,639.4	44.05	54.7	0.7	0.5
BFL	171.5	3,018.4	24.76	330.0	6.9	0.5
MFL - Pre IPO	5.0		0.3	0.9	16.1	5.3
Food & Staples Retailing sector		153,055.2			15.1	2.4
Food, Beverage & Tobacco sector		1,038,722.2			7.5	1.6
Market		4,760,004.0			9.7	1.0

Valuation outlook

The target price for MFL for FY26E is estimated at LKR 7.2, based on a relative valuation method at a PE of 11.5x (discounted by 22.0% from the weighted average PE of 14.7x of peer companies). Accordingly, the stock provides an upside of 44.5% (Annualized return: 23.6%) at the issue price of LKR 5.0

IPO Details

Issue Price	:	LKR 5.00
Amount to be Raised	:	LKR 125.0Mn
No. of Shares Offered (Offer for Subscription)	:	25,000,000 Ordinary Voting Shares
Issue Open Date	:	July 04, 2024

Purpose of the issue

- Setting up of a Raw Rice Plant (LKR 26.5Mn) and a Rice Polishing Plant (LKR 17.5Mn).
- Payment for machinery purchased for Gingelly Oil Plant (LKR 6.0Mn).
- Working Capital Requirements (LKR 30.0Mn).
- Expansion of the building to increase warehouse capacity (LKR 25.0Mn).
- Partial settlement of borrowings (LKR 20.0Mn).

Post IPO

Shareholders	No of Shares	%
Existing Shareholders	100,000,000	80.0%
IPO Shareholders	25,000,000	20.0%
	125,000,000	100.0%

Issue Allotment Structure

Applicant Category	Percentage of Offer
Unit Trusts*	10.0%
Retail Individual	40.0%
Non-Retail	50.0%
	100.0%

**Unit Trust Investors should be growth or balanced unit trusts operated by managing companies licensed by the SEC. These trusts should have a minimum of 500-unit holders resident in Sri Lanka, collectively holding at least 50.0% of the fund.*



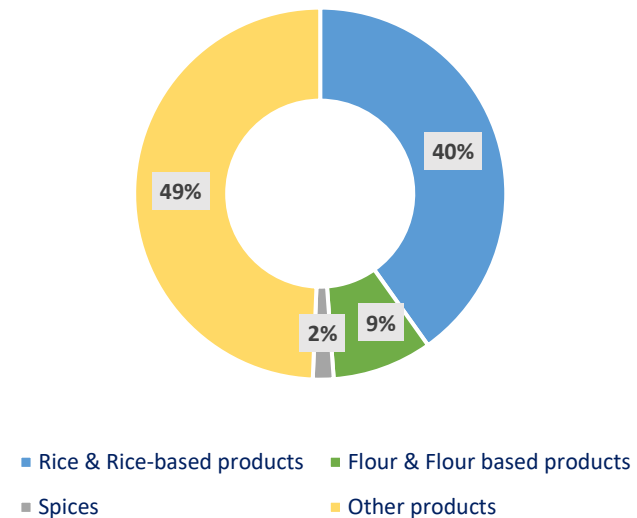
Appendix 1 Summarized Audited Statement of Financial Position

Statement of Financial Position (LKR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
As at 31st March							
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	69.5	73.8	90.0	101.8	131.2	135.0	138.9
Investments in Subsidiary	-	-	-	-	-	-	-
Investments - Maharaja Super Market (Pvt) Ltd.	-	10.0	10.0	10.0	10.0	10.0	10.0
Total Non-Current Assets	69.5	83.8	100.0	111.8	141.2	145.0	148.9
Current Assets							
Inventories	12.1	51.3	53.4	56.2	64.6	59.4	61.8
Trade and Other Receivables	9.4	9.9	37.1	113.0	124.3	118.0	125.1
Amount due from Related Parties	-	6.1	3.9	-	-	-	-
Cash and Cash Equivalents	0.3	5.1	4.2	25.3	104.0	185.6	282.5
Total Current Assets	21.8	72.5	98.7	194.4	292.8	363.1	469.4
Total Assets	91.3	156.3	198.7	306.2	434.0	508.1	618.3
EQUITY & LIABILITIES							
Equity							
Stated Capital	0.0	32.5	45.5	45.5	170.5	170.5	170.5
Retained Earnings / (Loss)	(15.9)	(12.8)	6.4	38.3	89.8	168.4	272.4
Revaluation Reserves	-	9.7	9.7	9.7	9.7	9.7	9.7
Equity attributable to Owners of the Company	(15.9)	29.4	61.7	93.5	270.0	348.6	452.6
Non-controlling Interest	-	-	0.8	-	-	-	-
Total Equity	(15.9)	29.4	62.5	93.5	270.0	348.6	452.6
Non-Current Liabilities							
Deferred Tax Liability	-	-	-	1.2	1.2	1.2	1.2
Defined Benefit Obligation	-	-	0.2	0.4	0.4	0.4	0.4
Lease Creditor	4.6	1.4	-	6.1	-	-	-
Bank Borrowings	54.5	45.4	22.1	8.6	8.6	8.6	8.6
Total Non-Current Liabilities	59.1	46.8	22.2	16.2	10.1	10.1	10.1
Current Liabilities							
Trade and Other Payables	5.8	21.5	42.2	49.4	56.8	52.3	58.5
Amount due to Related Parties	-	0.7	19.8	-	-	-	-
Current Tax Liability / (Asset)	-	-	0.2	4.5	4.5	4.5	4.5
Lease Liabilities	-	-	-	3.1	3.1	3.1	3.1
Bank Borrowings	-	16.1	35.3	88.3	68.3	68.3	68.3
Bank Overdraft	42.3	41.8	16.4	51.1	21.1	21.1	21.1
Total Current Liabilities	48.0	80.0	114.0	196.4	153.8	149.3	155.6
Total Liabilities	107.2	126.9	136.2	212.6	164.0	159.4	165.7
Total Equity and Liabilities	91.3	156.3	198.7	306.2	434.0	508.1	618.3
Adjusted NAVPS	(0.13)	0.24	0.49	0.75	2.16	2.79	3.62

Appendix 2 Summarized Audited Income Statement

Income Statement (LKR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Year ended 31st March							
Revenue	93.2	158.4	397.1	497.0	576.5	634.2	665.9
Cost of Sales	(72.3)	(138.1)	(346.1)	(419.7)	(472.7)	(494.7)	(492.8)
Gross Profit	20.8	20.3	51.0	77.3	103.8	139.5	173.1
Other Operating Income	-	3.8	3.0	1.7	1.7	1.8	1.9
Administration Expenses	(6.5)	(8.1)	(16.8)	(22.5)	(25.9)	(28.5)	(30.4)
Selling and Distribution Expenses	(2.3)	(1.8)	(4.9)	(5.2)	(5.8)	(6.3)	(8.3)
Other Expenses	(7.5)	-	-	-	-	-	-
Profit from Operations	4.4	14.2	32.2	51.2	73.8	106.5	136.3
Net Finance Cost	(8.0)	(11.2)	(12.0)	(14.6)	(13.3)	(14.0)	(14.0)
Profit Before Taxation	(3.6)	3.1	20.3	36.6	60.5	92.5	122.3
Taxation	-	-	(0.2)	(5.5)	(9.1)	(13.9)	(18.3)
Net Profit for the Year	(3.6)	3.1	20.1	31.1	51.5	78.6	104.0
Adjusted EPS	(0.03)	0.02	0.16	0.25	0.41	0.63	0.83

Appendix 3 Category-wise Revenue of MFL





First Capital
A Janashakthi Group Company

First Capital Holdings PLC

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Vinodhini Rajapoopathy	+94 11 2639 866	Nethmi Fernando	+94 11 2639 866
Tharusha Ashokgar	+94 11 2639 866		

GOVERNMENT SECURITIES SALES

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Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154		
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	
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Colombo			
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Nishantha Mudalige	+94 70 2910 041	Evelyn John	+94 77 779 2452
Anushka Buddhika	+94 71 4310 600	Yudheshan Kannadasan	+94 77 415 5809
Thushara Pathiraja	+94 70 2910 037	Negombo	
		Priyanka Anuruddha	+94 70 2910 035
		Priyantha Wijesiri	+94 70 2910 036

UNIT TRUST SALES

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

Kandy	Kurunegala
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Matara	Negombo
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