



LTL HOLDINGS LIMITED

IPO Price – LKR 14.50

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Company Profile

LTL Holdings Limited (LTLH), originally founded as Lanka Transformers Limited in 1982, was established as a Public Private Partnership (PPP) between the Ceylon Electricity Board (CEB) and Bonar Long of Scotland (BLS). The company was created to manufacture and supply power distribution transformers to support Sri Lanka's electrification needs. Over the decades LTLH has become a major power sector conglomerate with a diverse portfolio. Its operations span across two continents, with investments in power generation (both renewable and conventional), engineering services for power plants as an EPC (Engineering, Procurement and Construction) and O&M (Operations & Maintenance) contractor, manufacturing of distribution transformers and electrical switchgear, and heavy engineering in steel fabrication and galvanizing. The company manages nine power plants with a total capacity of 894 MW in Sri Lanka, Bangladesh, and Nepal operates three manufacturing facilities in Sri Lanka and India and has a business support office in Singapore. LTLH exports its products to over 30 countries across Asia, the Middle East, Africa, Europe, and Australia.

Future Financial Performance

We project LTLH's earnings for FY25E to be LKR 4.0Bn, representing a 8.5%YoY decline from FY24 earnings of LKR 4.4Bn. The drop in the earnings is largely due to a 93.5%YoY increase in the cost of sales, attributed to the commissioning of the Sobadhanavi power plant in Aug-24. Initially, the plant will operate at 212MW under open cycle (diesel) for three months, impacting profitability and reducing gross profit margins by 1915bps, despite a significant 52.6%YoY revenue growth. Starting Mar-25, Sobadhanavi will expand to 312MW under combined cycle (diesel), and its gross profit margins are expected to normalize from FY26E onwards. The plant will reach its full capacity of 350MW with LNG operations once the necessary infrastructure is in place. Looking ahead, finance costs are anticipated to rise by 161.6%YoY in FY26E due to debt financing for the Sahasadhanavi power plant. The debt to total capital ratio is projected to average around 41.6% over the forecast period. However, this increase in finance costs will be offset by substantial revenue growth, projected at 62.4%YoY in FY26E and 25.8%YoY in FY27E, which should stabilize net margins. Additionally, we expect the company's EPS to increase progressively, reaching LKR 2.1/share by FY27E, reflecting a threefold increase along with stabilizing the LTLHs ROE.

Future Outlook

Capacity of secured pipeline projects: LTLH is spearheading the development of Sri Lanka's first gas-fired power plant, Sobadhanavi (SOBA), a 350 MW combined cycle dual fuel facility. It commenced open cycle operation from Aug-24 onwards and will shift to combined cycle mode in Mar-25, boosting revenues and margins from FY26E onwards. Lakdhanavi Ltd (LAKD), a subsidiary of LTLH, has received a Letter of Intent (LOI) to build a second 350 MW combined cycle power plant in Kerawalapitiya, enhancing LTLH's LNG-capable capacity to 1,000 MW. LAKD will handle the EPC and O&M for this project and part of the IPO proceeds will be invested in this project. IPO proceeds will also fund a 100 MW solar power project in Siyambalanduwa which is Rividhanavi Pvt Ltd. LTLH, as the lead member of a consortium, has been awarded the development of Sri Lanka's first large-scale solar power plant, a 100 MW project on a Build, Own, and Operate (BOO) basis. These initiatives will expand LTLH's total power capacity to over 1,200MW in the long run within 4 years.

Strong future pipeline in the manufacturing power distribution equipment and heavy engineering segments: LTLH is moving forward with plans to establish a transformer assembly plant in Tanzania to expand into the African market, targeting Tanzania, Uganda, Kenya, Mozambique, and Ethiopia. The project, costing USD 2.2Mn, has received CBSL approval. A local partnership will initially use an existing facility for assembly, with future plans to develop a fully-fledged manufacturing plant. Additionally, LTLH is exploring a JV to establish a facility for galvanizing / fabrication of steel structures in Bangladesh.

Risks surrounding the future growth potential of LTLH: Despite LAKD's strong cost controls, macro-economic factors might lead to overruns. LAKD plans to mitigate this with additional equity or loans. LTLH, awarded the Sahasadhanavi project by the CEB, faces the risk that the GoSL might not proceed. Sahasadhanavi is vital as the second LNG-powered combined cycle plant in Kerawalapitiya, contributing 350 MW and supporting GoSL's clean energy goals. **SUBSCRIBE**

LTLH Valuation

Year Ended 31st March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Earnings (LKR Mn)								
Revenue	17,510	20,965	40,129	53,785	59,753	91,153	148,050	186,185
Gross Profit	7,622	9,507	9,341	17,188	18,910	11,394	29,610	42,823
EBIT	11,835	9,219	21,136	19,922	13,048	12,789	32,226	46,164
Net Profit Attributable for Equity Holders	7,613	5,392	14,578	10,372	4,365	3,993	8,926	13,073
Adjusted EPS (LKR)	1.2	0.9	2.4	1.7	0.7	0.6	1.4	2.1
YoY Growth of EPS (%)	-	-29.2%	170.4%	-28.9%	-57.9%	-8.5%	123.5%	46.5%
Valuations								
Adjusted DPS (LKR)	0.6	0.2	0.6	-	0.5	-	-	-
PER (x)	11.8	16.6	6.1	8.6	20.5	22.4	10.0	6.9
PBV (x)	4.2	3.4	2.2	1.7	1.6	1.1	1.2	1.0
Adjusted NAVPS	3.4	4.2	6.6	8.8	9.2	12.6	12.6	14.8

Comparison of Listed Proxies

Listed Proxies	Installed Plant Capacity MW	Power Source	Share Price 03.09.24 (LKR)	Market Capitalization 03.09.24 (LKR Mn)	Revenue	EPS FY24 (LKR)	NAVPS FY24 (LKR)	PER	PBV
HPFL	5.0	Renewable	10.5	1,167	222	0.6	6.5	17.6	1.6
LVEF	267.0	Thermal/Renewable	4.2	2,935	419	-0.1	7.5	N/A	0.6
PAP	22.0	Renewable	3.8	2,313	1,415	0.2	3.6	23.8	1.1
HPWR	23.0	Renewable	21.2	1,827	1,119	4.3	27.2	4.9	0.8
VPEL	22.0	Renewable	8.8	6,575	1,475	0.9	2.7	9.8	3.3
VLL	49.0	Renewable	13.0	11,906	5,693	1.4	7.7	9.6	1.7
WIND	245.0	Renewable	19.5	26,340	5,852	1.1	17.0	17.0	1.1
LPL	44.9	Renewable	9.0	3,389	968	0.1	5.1	67.0	1.8
							Market Capitalization Weighted Average	16.6	1.5

LTL - Pre-IPO	894.0	Thermal/Renewable	14.5	69,617	59,753	0.91	11.2	15.9	1.3
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Valuation Outlook

LTL Holdings IPO offer price of LKR 14.5 amounts to PER of 16.0x of FY24 earnings at a broadly similar to the market capitalization weighted sector PER of 16.6x. However, the recently inaugurated Sobadhanavi power plant (312MW) has a significant impact on future earnings increasing LTL's combined installed capacity by 53.6% immediately adding 212MW amidst the commencing of the open cycle and adding further 100MW increasing total capacity to 312MW after the commencement of the combined cycle spiking earnings by 123.5% in FY26E and 46.5% in FY27E. Thereby, considering the significant influence of the Sobadhanavi power plant, we have considered an implied PER of 16.0x on FY26E earnings resulting in a fairvalue of LKR 24.0 for FY26E providing an annualized return of 37.7%.

However, on a conservative basis, we considered 2 further angles. Considering the time value of money and the current uncertainty, we believe an implied PER of 12x is justified amounting to a fairvalue of 17.0. Secondly, taking into account FY24 earnings, in order to capture the growth potential of Sobadhanavi power plant and its future profitability we have considered a premium PER of 20.0x on its depressed FY24 earnings amounting to a fairvalue of LKR 18.2. Thereby, considering the current fairvalue range of LKR 17.0-18.2, LTLH is at an attractive discount.

Issue Allotment Structure

Applicant Category	Percentage of Offer
Unit Trusts*	1.5%
Retail Individual	5.0%
Non-Retail Investors	93.5%
	100.0%

*Unit Trust Investors should be growth or balanced unit trusts operated by managing companies licensed by the SEC, where such unit trusts comprise of not less than 500-unit holders Resident in Sri Lanka who together hold at least 50% of that fund as per the SEC Directive dated March 10, 2011.

IPO Details

Issue Price	: LKR 14.50
Amount to be Raised	: LKR 16.0Bn (Initial issue: offer for subscription) LKR 4.0Bn (Further issue) LKR 20.0Bn (Total amount)
Total No. of Shares Offered	: 1,103,448,300 ordinary voting shares (Initial issue) 275,862,100 (Further issue) 1,379,310,400 (Total issue)
Issue Open Date	: September 10, 2024

Details of the issue

Estimated Utilization of Funds	Assuming full subscription for Initial Issue (LKR Bn)	Assuming full subscription for Total Issue (LKR Bn)
Part finance the construction of a 350 MW combined cycle power plant (Sahasadhanavi)	9.6	13.5
Part finance the construction of a 100 MW solar power plant (Rividhanavi)	6.0	6.0
Cost of the IPO	0.4	0.5
Total	16.0	20.0

Shareholding - Pre and Post IPO

Shareholders	Pre IPO		Post IPO	
	%	%	%	%
Ceylon Electricity Board	35.0%		27.2%	
West Coast Power (Pvt) Ltd	28.0%		21.8%	
Peradev Ltd	27.0%		21.0%	
Teckpro Investment Ltd	10.0%		7.8%	
Shareholding from IPO	-		-	22.3%
	100.0%		100.0%	



Appendix 1 Summarized Audited and Forecasted Statement of Financial Position

Statement of Financial Position (LKR Mn) As at 31st March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
ASSETS								
Non-Current Assets								
Property, Plant and Equipment	6,213	7,554	11,089	36,558	51,206	61,206	136,206	166,206
Right of Use Assets	350	337	451	390	505	516	526	536
Intangible Assets	39	46	47	42	50	51	52	53
Finance Lease Receivables	21,182	21,385	31,787	27,424	24,092	24,574	25,066	25,567
Other Non-Current Assets	3,541	3,641	3,637	11,367	10,602	10,684	10,768	10,854
Total Non-Current Assets	31,325	32,963	47,011	75,780	86,455	97,031	172,617	203,216
Current Assets								
Inventories	5,263	5,246	6,384	6,267	6,888	3,988	5,922	7,168
Trade and Other Receivables	5,654	5,193	21,031	20,967	19,340	13,673	14,805	18,619
Amounts due from related parties	1,192	1,081	4,161	9,274	4,675	4,731	4,788	4,846
Advances and prepayments	1,067	886	5,386	1,774	2,096	2,117	2,138	2,159
Other Current Assets	11,418	24,452	25,525	14,897	11,238	11,393	11,552	11,715
Cash and Bank Balance	2,016	4,389	12,964	6,974	2,889	53,262	17,139	5,647
Total Current Assets	26,609	41,246	75,452	60,154	47,126	89,164	56,344	50,154
Total Assets	57,934	74,210	122,464	135,934	133,582	186,195	228,961	253,370
EQUITY & LIABILITIES								
Equity								
Stated Capital	167	167	167	167	167	20,167	20,167	20,167
Reserves	12,916	13,524	21,335	27,914	26,152	26,675	27,209	27,753
Retained Earnings	8,208	12,487	19,415	26,057	30,292	31,285	30,211	43,284
Non-Controlling Interest	10,031	11,888	18,232	17,985	17,754	19,086	22,061	26,418
Total Equity	31,321	38,066	59,149	72,123	74,365	97,213	99,647	117,622
Non-Current Liabilities								
Other Non-Current Financial Liabilities	4,703	13,794	23,985	24,138	21,121	41,121	71,121	77,121
Deferred Tax Liabilities	395	269	259	373	322	322	322	322
Laese Payable	157	129	96	68	227	207	187	167
Defined Benefit Liability	168	176	138	187	306	310	313	317
Total Non-Current Liabilities	5,423	14,368	24,478	24,765	21,976	41,960	71,944	77,927
Current Liabilities								
Trade and Other Payables	4,588	3,668	17,611	9,856	4,741	11,964	12,682	13,443
Amount due to Related Parties	66	163	-	18	82	82	82	82
Dividends Payable	4,255	1,236	1,237	1,098	1,640	1,476	1,329	1,196
Lease Liabilities	98	91	153	136	76	69	63	57
Income Tax Liability	1,480	1,502	1,469	1,676	1,349	1,079	863	691
Other Current Financial Liabilities	10,703	15,117	18,365	26,263	29,352	32,352	42,352	42,352
Total Current Liabilities	21,190	21,776	38,836	39,046	37,240	47,022	57,370	57,820
Total Liabilities	26,613	36,144	63,314	63,811	59,216	88,982	129,314	135,747
Total Equity and Liabilities	57,934	74,210	122,464	135,934	133,582	186,195	228,961	253,370
Adjusted NAVPS	3.4	4.2	6.6	8.8	9.2	12.6	12.6	14.8

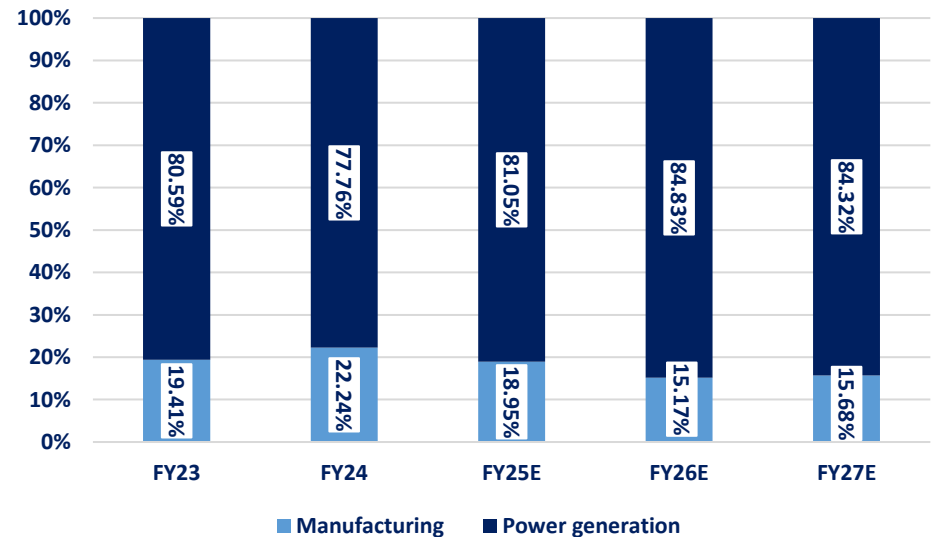
Statement of financial position has been forecasted considering the IPO funds and debt financing for the Rividhanavi and Sahasdhanavi power plants.

Appendix 2 Summarized Audited and Forecasted Income Statement

Income Statement (LKR Mn) Year ended 31st March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	17,510	20,965	40,129	53,785	59,753	91,153	148,050	186,185
Cost of Sales	(9,888)	(11,058)	(30,788)	(36,597)	(40,843)	(79,759)	(118,440)	(143,362)
Gross Profit	7,622	9,907	9,341	17,188	18,910	11,394	29,610	42,823
Other Operating Income	6,380	1,647	14,336	8,610	287	9,115	14,805	18,619
Administration Expenses	(322)	(163)	(320)	(359)	(348)	(547)	(888)	(1,117)
Selling and Distribution Expenses	(1,495)	(1,960)	(1,647)	(2,408)	(2,492)	(3,737)	(6,070)	(7,634)
Other Expenses	(350)	(212)	(574)	(3,109)	(3,310)	(3,437)	(5,231)	(6,526)
Profit from Operations	11,835	9,219	21,136	19,922	13,048	12,789	32,226	46,164
Net Finance Cost	(716)	(787)	(757)	(4,193)	(5,353)	(5,182)	(15,224)	(21,263)
Profit Before Taxation	11,119	8,432	20,379	15,729	7,695	7,606	17,001	24,901
Taxation	(1,235)	(949)	(1,553)	(2,496)	(1,945)	(2,282)	(5,100)	(7,470)
Net Profit for the Year	9,884	7,483	18,826	13,234	5,750	5,324	11,901	17,431
Net Profit Attributable for:								
Equity Holders	7,613	5,392	14,578	10,372	4,365	3,993	8,926	13,073
Non-controlling Interest	2,271	2,091	4,248	2,861	1,385	1,331	2,975	4,358
Adjusted EPS	1.2	0.9	2.4	1.7	0.7	0.6	1.4	2.1

Debt financing effect for the Rividhanavi and Sahasdhanavi have been considered when forecasting the finance cost for the period.

Appendix 3 Business Segment Wise Revenue Distribution



■ Manufacturing ■ Power generation



First Capital
A Janashakthi Group Company

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