



JF PACKAGING LIMITED

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IPO Price – LKR 11.60

Company Profile

JF Packaging Limited, established in 1987 as a family-owned business, evolved into a premier flexible packaging solutions company in Sri Lanka. In 2017, the company became a fully owned subsidiary of Lankem Ceylon PLC, which is a well-diversified chemicals, paints and consumer goods manufacturing company in Sri Lanka. JF Packaging primarily focuses on producing high-barrier, three-layer co-extruded polymer films for laminated packaging and serves both food and non-food industries. The company's product portfolio comprises reels, bags, stand-up pouches, spout bags, peelable lids, shrink sleeves and zipper bags. The acquisition of 3 subsidiaries; Kiffs Private Limited, Ceylon Tapes Private Limited and Alliance Five Private Limited has strengthened JF Packaging's footprint in Injection moulding, Blow moulding and Adhesive tape production. The company has >3,000t of annual capacity. Additionally, it currently employs >180.

Financial Performance: JF Packaging recorded net earnings of LKR 130.6Mn (+82.0%YoY) during FY25, largely due to the rise in revenue by 15.8%YoY. Despite the volatilities in raw material costs, which lead to challenges in pricing strategies and thin profit margins, the company's revenue was driven by higher production volumes from new orders across the group. We forecast LKR 288.9Mn of net earnings for FY26E increasing by 121.1%YoY, strengthened by a 16.8%YoY increase in net revenue to LKR 5.1Bn and expected reduction in finance expenses due to debt settlements. Moreover, Sri Lanka's packaging sector volume growth is expected to grow by 10.0%-12.0%, whereas packaging value will grow by 20.0%-25.0% during 2025/26. Thus, we anticipate a 15.0%YoY growth in Packaging Products segment of JF Packaging. Moreover, the involvement in consumer goods sector in Sri Lanka, proven by the accelerated CPI based inflation, will expand the Packaging production and increase the demand for Injection and Blow moulding processes.

Future Outlook:

Strategic roadmap for expansion: The company is leveraging on both inorganic and organic growth. The acquisition of Iceman Paper Products & Iceman Paper Tubes in Feb-25, which is specialized in manufacturing paper cones, canisters and tubes, helped JF Packaging's subsidiary; Ceylon Tapes to expand its existing paper tube business and enabled cross-selling and up-selling. Additionally, it enabled Alliance Five; a subsidiary of JF Packaging, to expand into manufacturing of thread cones, which now accounts for c.90.0% of its total revenue. Owing to above, we expect Injection and Blow moulding segment's revenue to increase by 21.0%YoY in FY26E. In terms of organic growth, the company launched Stretch and Cling film lines in 2024, aiming to tap into logistics and export markets, focusing on hospitality and food & beverage industries. Kiffs Private Limited commenced jar bottle manufacturing in 2024 and currently expanding into the production of PET bottles, targeting the oil and carbonated soft drinks industries. Building on the surge in country's consumer goods segment and supply to major multinational and FMCG companies in Sri Lanka, JF Packaging is poised to capture value from growth initiatives.

Strong growth prospects in the industrial landscape: The global Packaging market is expected to reach USD 1.4t by 2029, with a 5-year CAGR of 3.9%, largely supported by the growth in food & beverage, pharmaceutical, cosmetics, material science and e-commerce industries. Global flexible packaging market is projected to reach USD 257.6Bn by 2029. Moreover, Sri Lanka's flexible packaging market size is estimated at c. LKR 96.0Bn, which will be fueled by the urban population growth, higher demand for convenient packaging, rise in food & beverage spending and rebound in tourism sector. Packaging industry is expected to contribute to the country's GDP by 10.0%. Moreover, Sri Lankan government targets to position Sri Lanka as a regional packaging hub in the South Asian market, which has a market value of USD 1.8Bn. JF Packaging's current market position and focus on exports could support it to benefit from such improvements.

Valuations: JF Packaging is poised for significant growth, both within Sri Lanka and on the global stage. Given its potential, FCR projects earnings of LKR 288.9Mn for FY26E. FCR estimates a fair value of LKR 14.5 for FY26E compared to the IPO price of LKR 11.60 which is at a discount, with an upside of 25.1% based on a DCF valuation. The implied Price-to-Earnings (PER) value is 15.3x, based on Mar 2025 earnings. This valuation is broadly in line with the CSE Materials sector average PER of 15.8x. However, following an assessment of the domestic Packaging industry players market share, we believe that a PER of 6.3x, which is a discount of 40.0% to the sector PER, is appropriate in valuing JF Packaging. Applying the 6.3x PER multiple to the forecasted earnings for FY26E, we derive a fair value estimate of LKR 15.9 per share, indicating an upside potential of 37.1% from the IPO price. This margin of safety offers a compelling entry point for medium to long-term investors. **SUBSCRIBE**

JF Packaging Valuation

Year Ended 31st March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings (LKR 'Mn)							
Net Revenue	2,455	5,220	3,786	4,385	5,122	5,868	6,596
EBIT	78	1,475	566	608	595	661	711
Gross Profit	328	1,886	1,026	1,147	1,255	1,455	1,649
Net Profit	0	911	72	131	289	331	361
Adjusted EPS (LKR)	0.0	5.3	0.4	0.8	1.7	1.9	2.1
YoY Growth (%)	-100.1%	>100.0%	-92.1%	82.0%	121.1%	14.4%	9.1%
Valuations							
PER (x)	7,479.6	2.2	27.8	15.3	6.9	6.0	5.5
PBV (x)	(30.9)	2.8	2.4	1.8	1.0	0.9	0.7
Adjusted NAVPS	(0.4)	4.2	4.8	6.5	11.7	13.6	15.7

Valuation Outlook

Expected JF Packaging Price	FY26E
PER Valuation based target price	15.9
DCF Valuation based target price	14.5
Average Target Price	15.2
Target Price after Rounding off	15.0

DCF and PER Valuation

COE	FY26E	WACC	FY26E
Rf	9.0%	Ke	16.2%
Rm	18.0%	Kd	9.8%
Terminal Growth %	3.0%	D/E Assumption	60/40
β	0.80	Terminal Growth (%)	3.0%
Ke = Rf + β(Rm-Rf)	16.2%	WACC	13.6%
DCF based Valuation		PER based Valuation	FY26E
Enterprise Value	3,598	Earnings (LKR 'Mn)	289
(-) Debt	(1,249)	No. of Shares ('Mn)	172
(+) Cash	149	EPS	1.7
Total Value of Equity	2,498	Expected PER	9.5
No. of shares	172	Price at 9.5x Earnings	15.9
Target Price	14.5		

IPO Details

Issue Price	:	LKR 11.60
Amount to be Raised	:	LKR 600.0Mn (Offer for subscription)
Total No. of Shares Offered	:	51,724,144 Ordinary Voting Shares
Issue Open Date	:	Oct 30, 2025

Details of the issue

Estimated Utilization of Funds	Total Issue (LKR Mn)
Settlement of debt relating to specific term loans	439.5
Partial settlement of revolving import loans	160.5
Total	600.0

Shareholding - Pre and Post IPO

Shareholders	Pre IPO		Post IPO	
	No of Shares	%	No of Shares	%
Lankem Ceylon PLC	120,406,800	100.00%	120,406,800	69.95%
Shareholding from IPO			51,724,144	30.05%
	120,406,800	100.0%	172,130,944	100.0%

Issue Allotment Structure

Applicant Category	Percentage of Offer
Retail Individual	40.0%
Non-Retail	40.0%
Employees and Directors	10.0%
Unit Trusts	10.0%

Comparison of Listed Peers

Listed Peers	Market		TTM EPS (LKR)	NAVPS Jun 2025 (LKR)	P/E (x)	P/BV (x)
	Share Price 21.10.25 (LKR)	Capitalization 21.10.25 (LKR Mn)				
ACME Printing & Packaging PLC	6.5	627	(4.1)	(6.4)	N/A	N/A
Printcare PLC	60.0	5,158	(13.6)	79.1	N/A	0.8
Ex-Pack Corrugated Cartons PLC	15.1	5,100	1.1	10.4	13.9	1.5
			Peer Average		13.9	1.1

*JF Packaging - Post-IPO	11.6	1,997	1.7	11.7	6.9	1.0
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Appendix 1

Summarized Audited Statement of Financial Position

Statement of Financial Position (LKR Mn) As at 31 March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets							
Non - Current Assets							
Property, Plant & Equipment	711	650	755	895	906	918	930
Right of Use Assets	41	83	65	45	32	22	15
Intangible Assets - Computer Software	1	0	1	-	-	-	-
Intangible Assets - Goodwill	211	211	211	211	211	211	211
Equity Investments at FVOCI	2	2	328	556	556	556	556
Deferred Tax Assets	71	58	108	-	-	-	-
Total Non - Current Assets	1,037	1,004	1,467	1,706	1,704	1,706	1,712
Current Assets							
Inventories	453	901	738	815	1,005	1,169	1,336
Trade & Other Receivables	507	774	915	931	1,076	1,221	1,352
Amounts Due from Related Parties - Trade	25	161	101	94	94	94	94
Amounts Due from Related Parties - Non Trade	15	43	47	47	47	47	47
Loans Due from Related Parties	-	-	-	-	-	-	-
Income Tax Receivable	20	2	2	2	2	2	2
Investments at Amortised Cost	-	3	3	3	3	3	3
Short Term Deposits	2	-	-	-	-	-	-
Cash and Cash Equivalents	254	191	239	124	149	226	348
Total Current Assets	1,277	2,075	2,045	2,017	2,377	2,763	3,183
Total Assets	2,314	3,079	3,512	3,723	4,081	4,469	4,895
Equity							
Stated Capital	449	449	449	449	1,049	1,049	1,049
Revaluation Reserve	192	160	206	206	206	206	206
FVOCI Reserve	(0)	(1)	1	161	161	161	161
Retained Earnings	(706)	112	175	301	590	920	1,281
Total Equity	(65)	721	831	1,117	2,005	2,336	2,697
Non - Current Liabilities							
Interest Bearing Borrowings	652	780	947	642	642	642	642
Deferred Tax Liabilities	-	-	-	4	4	4	4
Retirement Benefit Obligations	35	27	44	57	57	57	57
Total Non - Current Liabilities	686	808	990	702	702	702	702
Current Liabilities							
Interest Bearing Borrowings	1,131	822	911	1,207	607	607	607
Trade & Other Payables	371	304	365	401	495	574	658
Amounts Due to Related Parties - Trade	0	2	8	9	9	9	9
Amounts Due to Related Parties - Non Trade	8	3	8	6	6	6	6
Income Tax Payable	39	234	72	44	44	44	44
Bank Overdraft	142	184	327	236	212	191	172
Total Current Liabilities	1,691	1,550	1,691	1,904	1,374	1,431	1,496
Total Liabilities	2,378	2,357	2,681	2,606	2,076	2,134	2,199
Total Equity and Liabilities	2,313	3,078	3,512	3,723	4,082	4,470	4,895
NAVPS	(0.4)	4.2	4.8	6.5	11.7	13.6	15.7

Appendix 2

Summarized Audited Income Statement

Income Statement (LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Year ended 31st March							
Total Revenue	2,455	5,220	3,786	4,385	5,122	5,868	6,596
Cost of Sales	(2,127)	(3,333)	(2,760)	(3,239)	(3,867)	(4,413)	(4,947)
Gross Profit	328	1,886	1,026	1,147	1,255	1,455	1,649
Other Income	12	1	2	7	10	12	13
Selling and Distribution Expenses	(103)	(175)	(188)	(206)	(253)	(304)	(359)
Administrative Expenses	(160)	(218)	(274)	(340)	(417)	(502)	(592)
Other Expenses	-	(20)	-	-	-	-	-
Operating Profit/(Loss)	78	1,475	566	608	595	661	711
Finance Income	134	72	20	16	17	17	18
Finance Expenses	(191)	(375)	(399)	(321)	(199)	(207)	(214)
Net Finance Income/(Expenses)	(57)	(303)	(378)	(305)	(183)	(189)	(196)
Profit/(Loss) Before Tax	21	1,171	188	303	413	472	515
Income Tax (Expense)/Reversal	(20)	(261)	(116)	(172)	(124)	(142)	(155)
Profit/(Loss) for the year	0.3	911	72	131	289	331	361
Adjusted EPS	0.0	5.3	0.4	0.8	1.7	1.9	2.1

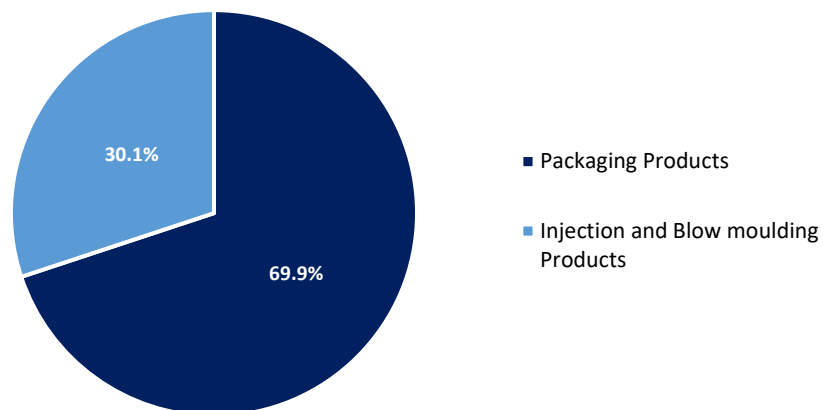
Appendix 3

EV/EBITDA Comparison

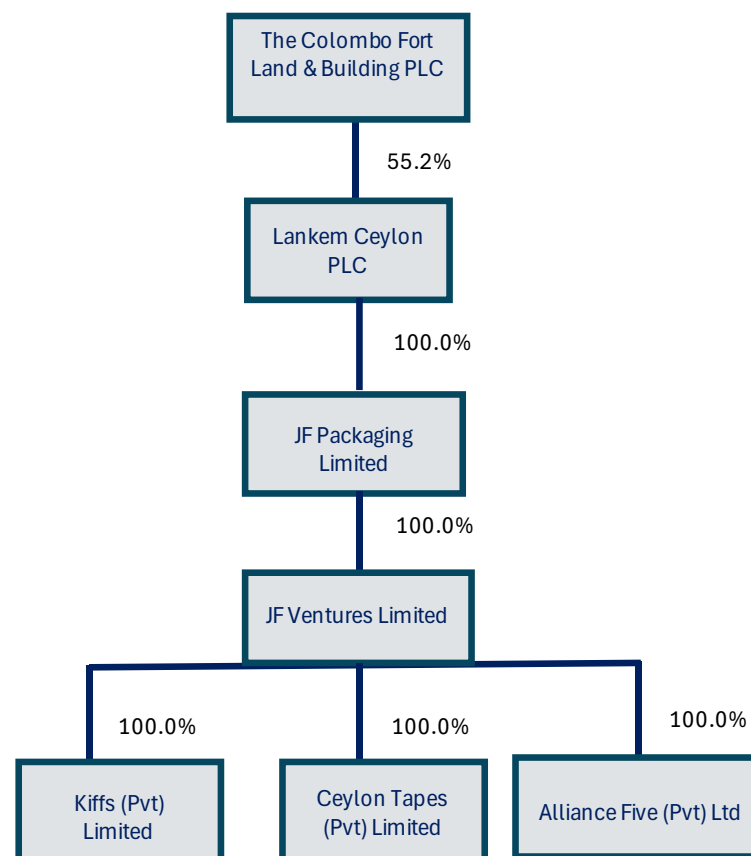
EV/EBITDA Calculation	PACK	CARE	AKME	JF Packaging*
Enterprise Value	9,026	6,018	2,355	3,933
EBITDA	933	611	(245)	718
EV/EBITDA	9.7	9.8	(9.6)	5.5

*JF Packaging EV/EBITDA based on annual results

Appendix 4 Revenue Contribution



Appendix 5 Group Structure





First Capital
A Janashakti 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	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Dilhari Dias	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866	Manusha Kandanaarachchi	+94 11 2639 866
		Salaama Sanoon	+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
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EQUITY SALES

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

UNIT TRUST SALES

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

Kandy	Kurunegala
CSE Branch Office, No. 88, Dalada Veediya,	No.174/B2, Negombo Road, Kurunegala.
Kandy 20000.	Kurunegala 60000.
Manager: Salinda Samarakoon	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930
Matara	Negombo
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.
Manager: Rohana Jayakody	Manager:
Tel: +94 41 2222 988	Tel: +94 31 4937 072

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