ANNEXURE - 9

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
AUDIT REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

TIBEBE MENGISTU CERTIFIED AUDIT FIRM
CHARTERED CERTIFIED ACCOUNTANTS (UK)
AUTHORIZED AUDITORS (ETH.)
ADDIS ABABA
ETHIOPIA

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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P.O.Box 292,Code 1065
Addis Ababa
Ethiopia
Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants & Authorized Auditors

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

REGISTERED OFFICE

Region	SNNPRS
Zone	Hawassa City - Admin
Woreda	Hawassa City
Kebele	Hawassa Industrial Park
House No.	SH-48/HIP
P.O.Box	P.O. Box 1936
	Ethiopia

MANAGEMENT

MR. Rudyard Dela Cruz	General Manager
MR. Errol Delos Santos	Finance Manager

AUDITORS

Tibebe Mengistu & Co.	Bole Sub City
Chartered Certified Accountants (UK)	Abyssinia Plaza
Authorized Auditors (ETH)	P.O.Box 292 Code 11065
	Addis Ababa
	Ethiopia

COMPANY REGISTRATION NUMBERS

Principal Registration Number	EIA/PC/2/0000349/2010
Tax Identification Number	0054721638
VAT Registration Number	13146190005

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ጥበበ መንግስቱ
የተፈቀደለት የኦዲት አገልግሎት
በቻርተር የተመሰከረላቸው የሂሳብ አዋቂዎች (ዩናይትድ ኪንግደም)
የተፈቀደላቸው ኦዲተሮች (ኢትዮጵያ)

TIBEBE MENGISTU
CERTIFIED AUDIT FIRM
Chartered Certified Accountants (UK)
Authorized Auditors (Ethiopia)

AUDITORS' REPORT TO THE SHAREHOLDERS OF SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY

We have audited the accompanying financial statements of Sumbiri Intimate Apparel private P.L.C, which comprise the Financial position as of 31 December 2020 the statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. As discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly the financial position of the Sumbiri Intimate Apparel Private Limited Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended.

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Charted Certified Accountants (UK)
Authorized Auditors (Eth.)

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06 May 2021
Addis Ababa
Ethiopia

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Addis Ababa, Behind Bole Medhanealem Church, Abyssinia Plaza, 6th Floor
Tel.0116 612005/0116 612029 Mob. 0911516027 P.O.Box 292 code1065
E-mail-tibebe@tibebemengistu.net - tibebemengistu@gmail.com - www.tibebemengistu.net

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.2020 USD	31.12.2019 USD
REVENUE	2c	1,142,819	1,113,874
COST OF SERVICE			
Cost of sales		713,457	786,704
Insurance		2,202	2,146
Freight, Port Handling, Customs and Other Export Charges		155,153	104,333
Loading and unloading		143	289
Packaging materials		-	73
		870,956	893,545
GROSS LOSS		271,863	220,329
OTHER INCOME		204,046	511
		475,909	220,840
OPERATING EXPENSES			
Selling and administrative	3	1,196,513	1,121,858
OPERATING PROFIT / (LOSS)		(720,603)	(901,018)
Gain or loss due to change in foreign currency exchange rate		311,804	54,952
		(1,032,407)	(955,970)
PROVISION FOR PROFIT TAX	11	-	-
		(1,032,407)	(955,970)

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	31.12.2020 USD	31.12.2019 USD
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	2d,4	1,210,347	1,782,535
CURRENT ASSETS			
Inventory	5	12,330	42,039
Trade and Other Receivables	6	351,912	290,971
Cash and Cash Equivalents	7	351,722	99,348
		715,964	432,359
TOTAL ASSETS		1,926,311	2,214,894
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid Up Capital	8	3,000,000	3,000,000
Retained Earning		(3,228,053)	(1,905,802)
		(228,053)	1,094,198
LIABILITIES			
NON CURRENT LIABILITY			
Long Term Loan	9	1,485,000	650,000
CURRENT LIABILITIES			
Trade and Other Payables	10	579,364	470,696
Current Maturity of Long Tem Loan	9	90,000	-
		669,364	470,696
TOTAL EQUITY AND LIABILITIES		1,926,311	2,214,894

Tibebe Mengistu Certified Auditor
Chartered Certified Accountants and Authorized Auditors

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Paid up Capital USD	Retained Earning USD	Total USD
Balance as at 31 December 2018	2,810,880	(949,832)	1,861,048
Capital Incremental	189,120	-	189,120
Loss for the Year	-	(955,970)	(955,970)
	-	-	-
Balance as at 31 December 2019	3,000,000	(1,905,802)	1,094,198
Prior Year Adjustments		(289,844)	(289,844)
Loss for the Year	-	(1,032,407)	(1,032,407)
Balance as at 31 December 2020	3,000,000	(3,228,053)	(228,053)

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 USD	2019 USD
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	12	(606,910)	(677,428)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-	-
TAXATION		-	-
INVESTING ACTIVITIES			
Purchase of Fixed Assets		(65,717)	(157,164)
NET CASH (OUTFLOW) BEFORE FINANCING		(672,627)	(677,428)
FINANCING			
Increase in Registered Capital		-	189,120
Term Loan		925,000	650,000
		925,000	839,120
		252,373	161,692
INCREASE IN CASH	13	252,373	161,692

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. BACKGROUND

Sumbiri Intimate Apparel Private Limited Company is a company being established in Ethiopia under Industrial Park Proclamation no.886/2015 of the Federal Democratic Republic of Ethiopia, Hawassa Industrial Park Shed No 48 for the ultimate objective of engaging in Manufacturing of wearing Apparel for

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The preparation of the financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accounting disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on managements experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

b) Functional Currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional Currency'). The financial statements are measured in Ethiopian Birr which is the company's functional currency and translated to US Dollar as presentation currency.

Transaction and Balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

c) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company when specific criteria have been met for each of the Company's activities.

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d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in accordance with Federal Income Tax Proclamation number 979/2016 and the related Regulation, on the written down value for assets acquired before July 8,2016. Fixed assets acquired subsequent to July 2016 are depreciated on a straight line basis as indicated below:

For assets purchased before 8/7/2016	%
Computer and accessories	25
Other fixed assets	20
For assets purchased after 8/7/2016	%
Computer and accessories	20
Other fixed assets	15

e) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resource. Contingent liabilities are not recognize but are disclosed in the notes to the accounts . Contingent assets are neither recognized nor disclosed in the financial statements.

f) Related party balance and transaction

A party is related to an entity if, inter alia;

(i) directly, or indirectly through one or more intermediaries, the party:
a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
b) has an interest in the entity that gives it significant influence over the entity; or
c) has joint control over the entity;

(ii) the party is an associate of the entity.

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3. ADMINISTRATIVE EXPENSE

	2020 USD	2019 USD
Salary and benefit	520,769	500,263
Printing and stationery	10,006	14,227
Courier Expenses	4,893	2,349
Travel and immigration	3,418	11,750
Utilities (telephone, water and electric)	8,820	9,741
Waste Water Treatment Cost	11,036	-
Expatriate expenses	23,047	11,641
Safety and cleaning	12,649	14,849
House rent	37,821	29,525
Air ticket	23,086	14,597
Insurance	9,336	10,683
License and registration	95	13
Vehicle rental	228,958	201,197
Canteen Expenses	119,409	121,079
Fuel and lubricants	3,598	4,204
Membership Expenses	15,000	15,000
Professional fee	13,951	10,785
Garment Testing Fee	444	64
Repair and maintenance	9,880	14,037
Depreciation	52,436	79,205
Accommodation	1,802	7,098
Management service fee	16,500	16,500
Bank and finance cost charges	43,249	13,244
Brokers commission	-	792
Security and guards	14,722	16,079
Entertainment/Company Events Expenses	4,158	-
Recruitment Expenses	2,330	-
Subscription Expenses	354	-
Miscellaneous	4,746	2,936
	1,196,513	1,121,858

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4. PROPERTY, PLANT AND EQUIPMENT

COST	Balance at 01.01.2020 USD	Addition USD	Foreign Exchange Adjustment USD	Balance at 31.12.2020 USD
Machineries and Equipment's	1,695,444	39,991	(505,857)	1,229,578
Motor vehicle	34,604	-	(10,800)	23,804
Office furniture and equipment	122,232	589	(37,133)	85,687
Computer and accessories	16,619	1,920	(5,125)	13,414
Other Equipment's	54,875	1,857	(16,516)	40,216
Lease improvement	78,434	21,361	(33,184)	66,611
	2,002,207	65,717	(608,615)	1,459,309
DEPRECIATION				
Machineries and Equipment's	132,804	85,816	(65,619)	153,000
Motor vehicle	10,381	6,921	(5,400)	11,902
Office furniture and equipment	46,422	24,490	(21,585)	49,327
Computer and accessories	4,524	3,534	(2,374)	5,684
Other Equipment's	15,191	11,195	(7,861)	18,525
Lease improvement	10,350	6,297	(6,123)	10,525
	219,672	138,252	(108,962)	248,962
NET BOOK VALUE	1,782,535			1,210,347

5. INVENTORY AND WORK IN PROGRESS

	2020 USD	2019 USD
Inventory - Consumable Materials	12,330	-
Goods in transit	-	26
Work in progress	-	42,014
	12,330	42,039

6. TRADE AND OTHER RECEIVABLES

	2020 USD	2019 USD
VAT Receivable	32,029	67,862
Trade Receivable	228,827	111,955
Staff Receivable	501	248
Deposits and Prepayments	90,555	89,219
Sundry Debtors	-	21,687
	351,912	290,971

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7. CASH ON HAND AND AT BANK

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less and are available to the company without any restriction.

	2020 USD	2019 USD
Cash in hand	562	-
Cash at bank		
Current account	30,681	5,918
USD account	320,479	93,430
	351,159	99,348
	351,722	99,348

8. SHARE CAPITAL

Share capital represents the value of 81,877 equity shares at Birr 1,000 par value per share contributed by the shareholders of the company allotted in US Dollar as follows:

	No. Shares	Par Value USD	2020 USD	2019 USD
PT Sumber Bitang Rejeki	49,126	36.64	1,800,000	1,800,000
Grand Asia Intertrade PTE Ltd	32,751	36.64	1,200,000	1,200,000
	81,877		3,000,000	3,000,000

9. TERM LOAN

Long-Term Loan

	2020	2019
Grand Asia Intertrade PTE Ltd	600,000	300,000
PT Sumber Bintang Rejeki	885,000	350,000
	1,485,000	650,000

Current maturity of Long Term Loan

	2020 USD	2019 USD
PT Sumber Bintang Rejeki	90,000	-
Total term loan	1,575,000	650,000

The company has entered in to the followings foreign loan agreement. All loans are approved by National Bank of Ethiopia

Lenders	Outstanding balance USD	Repayment date	Interest
1st Grand Asia Intertrade PTE Ltd	300,000	On or before 31 January 2023	LIBOR plus 3%
2nd Grand Asia Intertrade PTE Ltd	300,000	On or before 30 June 2024	LIBOR plus 3%
1st PT Sumber Bintang Rejeki	350,000	On or before 31 December 2023	LIBOR plus 3%
2nd PT Sumber Bintang Rejeki	400,000	On or before 31 December 2023	LIBOR plus 3%
3rd PT Sumber Bintang Rejeki	90,000	On or before 31 December 2021	LIBOR plus 2%
4th PT Sumber Bintang Rejeki	135,000	On or before 31 January 2022	LIBOR plus 2%
	1,575,000		

10. TRADE AND OTHER PAYABLES

	2020	2019
Trade creditors	45,848	122,489
Accrued Payable	455,169	134,569
Other payable	4,460	204,457
Unclaimed salary	49,150	-
Withholding tax Payable	14,874	718
Pension Contribution Payable	5,828	5,050
Employment Income tax Payable	4,035	3,412
	579,364	470,696

11. PROVISION FOR PROFIT TAX

According to Federal Democratic Republic of Ethiopia Investment Regulation No. 312/2014 and Investment Regulation No. 270/2012, Sumbiri Intimate Apparel Private Limited Company is entitled to tax exemption from income tax for 6 years starting from the Company becomes operational on January 2018. Additional income tax exemption for 4 years granted for the reason that the company exports 80% of its products abroad.

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12. RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020 USD	2019 USD
(Loss) for the year	(1,032,407)	(955,970)
Adjustment to Property, plant and equipment	499,653	(43,584)
Depreciation	138,252	145,675
Prior period adjustment	(289,844)	18,574
(Increase) in trade and other receivables	(60,941)	(131,861)
Increase in trade and other payables	108,668	180,504
Decrease in Inventory	29,710	109,233
Net cash outflow from operating activities	(606,910)	(677,428)

13. ANALYSIS OF THE BALANCE OF CASH AS SHOWN IN THE FINANCIAL POSITION

	Balance at 01.01.2020 USD	Balance at 31.12.2020 USD	Change in the Year USD
Cash and Cash equivalents	99,348	351,722	252,373

14. CONTINGENT LIABILITIES

As per the information furnished to us and based on the audit work carried out the Company doesn't have contingent liability.

15. SUBSEQUENT EVENTS

The shareholders of the company agreed to increase the registered capital of the company by converting the following loans to equity during the shareholder's meeting on 03 March 2021;

Lenders	Loan Amount USD	Equivalent ET Birr Amount of Loan Birr
2nd Grand Asia Intertrade PTE Ltd	300,000.00	10,281,335.00
4th PT Sumber Bintang Rejeki	135,000.00	5,106,361.50
	435,000.00	15,387,696.50

Shareholders minutes of meeting for the conversion of loans to equity is authenticated and registered in Ethiopian Investment Commission on March 10, 2021.

No other material post balance sheet events that require adjustment or disclosure to the financial statements.

ANNEXURE 10

RESEARCH REPORT

ANNEXURE - 10

Thursday, 25 November 2021
(Valuation date: Thursday, 30 September 2021)

Hela Apparel Holdings Limited

Research Report to The Board of Directors and Shareholders of Hela Apparel Holdings Limited on the Proposed IPO

Prepared by

CAPITAL ALLIANCE PARTNERS LIMITED
Level 05, "Millennium House",
46/58, Nawam Mawatha,
Colombo 02,
Sri Lanka.

CT CLSA CAPITAL (PRIVATE) LIMITED
(A CT Holdings Group and CLSA Group Company)
#4-15, Majestic City,
10, Station Road,
Colombo 04,
Sri Lanka.

We, Capital Alliance Partners Limited ("CAL") and CT CLSA Capital (Private) Limited, hereby jointly declare that we possess the requisite expertise to perform reports of this nature involving a quoted company categorised under the GICS Sector Classification: Consumer Durables & Apparel.

We further jointly declare that the Research Report has been prepared in conformity with the disclosures stated in the 'Guidance Note' pertaining to the preparation of a Valuation/Research report.

ANNEXURE - 10

The Board of Directors,

Hela Apparel Holdings Limited,
No. 35,
Balapokuna Road,
Colombo 05,
Sri Lanka.

Dear Sir/Madam,

Valuation Report to the Board of Directors and Shareholders of Hela Apparel Holdings Limited on the proposed Initial Public Offering

We, Capital Alliance Partners Limited and CT CLSA Capital (Private) Limited, in the capacity of Joint Managers and Financial Advisors to the Initial Public Offering (IPO) of Hela Apparel Holdings Limited (hereinafter referred to as "Managers to the Issue"), wish to submit the enclosed Research Report in accordance with Section 3.1.4 (c) of the Listing Rules of the Colombo Stock Exchange.

Please find enclosed herewith the detailed Research Report for your reference.

Thank you,
Yours faithfully,

CAPITAL ALLIANCE PARTNERS LIMITED
Sgd
Vishnu Balachandran
Executive Vice President
Head of Investment Banking

CT CLSA CAPITAL (PRIVATE) LIMITED
Sgd
Zakir Mohamedally
Director
Chief Executive Officer

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GLOSSARY OF TERMS AND ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CAL	Capital Alliance Partners Limited
Capex	Capital Expenditure
Comps	Comparable Companies to Hela Apparel Holdings Limited
CM	Cut and Make
CSE	Colombo Stock Exchange
CT CLSA	CT CLSA Capital (Private) Limited
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest & Tax
EBIT (1 – T)	Tax Adjusted Earnings Before Interest & Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortization
EPS	Earnings per Share
ESOS	Employee Share Option Scheme
ETB	Ethiopian Birr
EV	Enterprise Value
FCFF	Free Cashflow to Firm
FOB	Free On Board
FY	Financial Year
IPO	Initial Public Offering
JV	Joint Venture
KES	Kenyan Shilling
LKR	Sri Lanka Rupee
LKR Bn	Sri Lanka Rupee (in billion)
LKR Mn	Sri Lanka Rupee (in million)
Managers to the Issue	CAL and CT CLSA as Joint Managers and Financial Advisors
Market Cap	Market Capitalisation

NAV	Net Asset Value
Ordinary Voting Shares	Ordinary Voting Shares of Hela Apparel Holdings Limited
PAT	Profit After Tax
P/BV	Price to Book Value
PER	Price to Earnings Ratio
Point Valuation	A single price point arrived at using a single basis
RM	Raw Material
Safeguard	Safeguard Workwear EPZ Limited
SEC	Securities & Exchange Commission of Sri Lanka
Shareholders	Shareholders of Hela Apparel Holdings Limited
SOTP	Sum of the Parts
Sumbiri	Sumbiri Intimates Apparel PLC
the Assignment	Provide an independent valuation to be included in the IPO Prospectus of Hela Apparel Holdings Limited
the Board	The Board of Directors of Hela Apparel Holdings Limited
TTM	Trailing Twelve Months
USD	United States Dollar
USD Bn	United States Dollar (in billion)
USD Mn	United States Dollar (in million)
USD Tn	United States Dollar (in trillion)
Valuation Date	Thursday, 30 September 2021
WACC	Weighted Average Cost of Capital
Hela	Hela Apparel Holdings Limited

1 Introduction

1.1 EXECUTIVE SUMMARY

CAL and CT CLSA valued Hela Apparel Holdings Limited ("Hela") by adopting two fundamental valuation methods: The Sum of the Parts ("SOTP") valuation using Discounted Cash Flow ("DCF") analysis and PER relative. Based on our primary valuation metric – the SOTP using DCF, we conclude the value of Hela is LKR 19.25 per share.

We would also like to bring to the reader's attention that the IPO price of LKR 15.00 per share is at a 22.1% discount to our reference point valuation, based on the DCF, of LKR 19.25. This IPO discount is provided to investors in order to provide a potential upside on the investment. In this case, the implied PER based on the expected FY22 earnings attributable to equity shareholders, of LKR 1,570 Mn, is at 10.54x[1].

Valuation Methodology	Price per Share (LKR)	Discount
Discounted Cash Flows	**19.25*[a]**	**22.1%**
PER – Forward	18.38**[b]	18.4%

a Based on the sum of total number of shares in issue post IPO and unissued ESOS shares

b Based on the weighted average number of diluted ordinary shares for FY22E

***The DCF value per share set out herein, is subject to the viability of the said forecasts/assumptions made in Section 4 of this Research Reports**

****The Market Based Valuation set out herein of the Company, is dependent upon the relative size of the peer entities identified under Section 6.2 of the Research Report, in comparison to the Company.**

However, we offer the following cautions to investors:

Point valuations are highly subjective. We considered a few methods to provide balance, but concluded that a DCF valuation was more appropriate vis-à-vis the available alternatives for the following reasons.

a. Hela has significant investments in several companies in Sri Lanka and overseas, consolidated as Subsidiaries and Joint Venture Partnerships, and is positioned to take advantage of the growth potential in Africa. Thus, we believe SOTP valuation using DCF analysis is the best model to grasp the full value of Hela as it captures the future potential and profitability of the Group.

b. We have considered a limited number of CSE-listed peers for our Forward PER valuation. The 'Consumer Durables and Apparel' Sector Peers as per the GICS classification on the CSE – includes Teejay Lanka PLC and Hayleys Fabric PLC – both of which are listed companies engaged in the manufacturing of fabrics. These companies are operationally comparable to Hela as they are in the apparel space, however, they are not directly comparable as both companies are placed in a different level when considering the value chain of the apparel sector. Both peers are involved in manufacturing of fabrics and textiles, whereas Hela manufactures garments which is the final product in the apparel sector value chain, making Hela much closer to the end-consumer. However, we have considered a Forward PER valuation as a secondary valuation method.

[1] Implied PER= IPO Price / FY22E Diluted EPS

We have used the Forward PER valuation method as opposed to trailing PER valuation method as profitability in FY21 was heavily impacted by the economic impact of the COVID-19 pandemic. Therefore, the FY21 results do not accurately reflect the Company's earnings capability.

c. The NAV was not considered as a valuation basis. Given the NAV of the individual companies is not directly related to the earnings capacity of the respective entities based on the nature of operations, we have not considered this valuation method.

1.2 BACKGROUND TO THE ASSIGNMENT

Hela is one of the fastest growing sustainable apparel manufacturing companies in the world. The company incorporates a competitive manufacturing footprint across 5 countries employing over 18,000 workers, as well as design offices in Sri Lanka, the United States, the United Kingdom and France. Hela has successfully built long-term strategic relationships with leading global apparel brands in the intimate wear, kidswear, activewear and medical wear product categories.

At this juncture, the Company hopes to publicly list its shares on the Colombo Stock Exchange by way of an IPO to raise a total of LKR 4,006,634,970. This will be used to fund and invest in the following projects:

Description		Fund Utilization (LKR)	Expected Utilization Timeline
Fabric Mill Investment		**999,761,063**	**2nd Quarter FY23**
Funding the Implementation of a New Enterprise Resource Planning (ERP) System		**596,266,801**	**2nd Quarter FY23**
Investment into Subsidiaries of the Group		**2,410,607,106**	**4th Quarter FY22 - 3rd Quarter FY23**
Of which:	Retirement of Short-Term Debt	1,999,899,920*	4th Quarter FY22
	Productivity-Enhancing Capital Expenditure	410,707,186*	4th Quarter FY22 - 3rd Quarter FY23
Total Funds Raised		**4,006,634,970**	

**Converted using CBSL indicative Exchange Rate of 199.99 as at 30 September 2021. LKR value of USD denominated debt & capex will change with the volatility of exchange rates.*

Thus, the Board of Directors of Hela have appointed us, as the Managers to the Issue, to conduct a valuation of Hela shares.

1.3 TERMS OF REFERENCE

Our terms of reference in respect to this Assignment involve presenting to the Board of Directors and Shareholders of Hela (the "Shareholders") the value of Hela shares at the point of the IPO.

2 Overview - Hela Apparel Holdings Limited

Hela Apparel Holdings Limited ("Hela") operates as the holding company for the Hela Group and provides sustainability-focused apparel supply chain solutions through its subsidiaries. Hela works closely with reputed global brands, from design to delivery, in the intimate wear, kidswear, activewear and medical wear product categories. With 11 directly-operated factories across Sri Lanka, Kenya and Ethiopia, as well as partnered capacity in Tanzania and Mozambique, and a workforce of over 18,000 across the globe, Hela is one of the world's leading apparel players with a focus on ethical and sustainable working practices.

Hela is known for its high-level of client orientation and capability of delivering value-added services beyond the basic 'cut and sew' services. As a result, in addition to manufacturing, Hela is constantly focusing on providing new value-added services to its clients. This has enabled the Company to maintain long-term relationships with key premium global brands such as Tommy Hilfiger, Calvin Klein, and Michael Kors, who consider Hela as a strategic partner, as evidenced through the multiple awards the company has won from these customers. The company is also adding a number of emerging brands such as Ellesse and Karl Lagerfeld to build a robust portfolio of global brands that will ensure a sustainable future demand pipeline.

In addition, Hela has an attractive multi-country origin manufacturing offering to meet the varying needs of its customers and is a pioneer in the rehabilitation of East Africa's apparel manufacturing sector. The Company entered East Africa in 2016 with the commencement of manufacturing in Kenya, which was closely followed by the establishment of a manufacturing facility in Ethiopia. This was further strengthened in 2020 with the signing of an Investment Agreement to acquire 50% of Sumbiri Intimates Apparel PLC, one of the largest bra manufacturing plants in East Africa, followed by the establishment of a joint venture in Kenya in 2021 focusing on the production of medical personal protective equipment. Hela is now among the largest apparel manufacturers in Africa, accounting for approximately 19%[2] of apparel exports in Kenya, and in FY22, 50% of the Hela Group's revenue is expected to be generated from Africa.

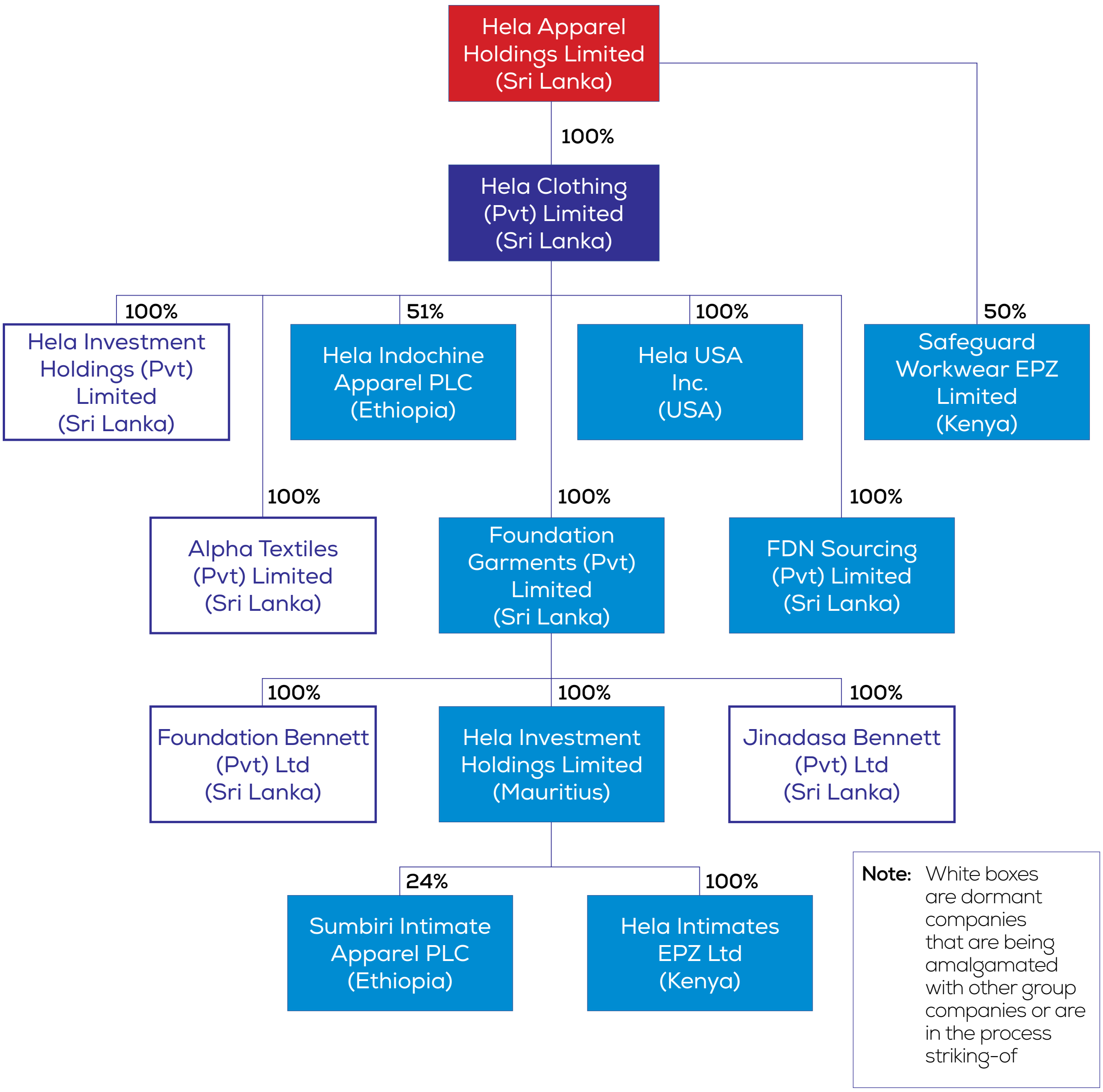
As a result of its recent growth, Hela has built a core competency and proven track record in turning distressed apparel manufacturers profitable across diverse countries. The company houses one of the most experienced and skilled turnaround leadership teams in the apparel industry who have been involved with multiple acquisitions over the past 5 years. While the company's first Kenyan manufacturing facility took 22 months to breakeven, the initial Ethiopian plant took only 13 months and the second plant just 8 months.

Hela's immediate expansion plans are focused on strengthening its manufacturing base in Sri Lanka, while pursuing further expansion opportunities in Africa. In particular, the company is pursuing the establishment of an additional manufacturing facility in Egypt by early 2022 to offer a nearshoring option for its customers with significantly reduced lead times for deliveries to Europe and North America.

[2] In 2020, according to trade data from www.trademap.org (accessed on 24th November 2021), Kenya exported USD 307Mn worth of apparel and for the same period Hela exported apparel worth USD 57Mn. Hence, Hela's share of exports from Kenya is 19% in 2020.

Hela Apparel Holdings Limited – Group Structure

Hela Group Structure as of 1st September 2021



Note:

- Sumbiri Intimate Apparel PLC ("Sumbiri") and Safeguard Workwear EPZ Ltd ("Safeguard") are two joint ventures ("JVs") Hela has entered into in December 2020 and June 2021 respectively. The two JVs are not consolidated under the Hela Group
- Hela is currently in the process of increasing its stake to 50% in Sumbiri through its fully owned subsidiary, Hela Investments Holdings Limited. This is expected to be completed by the end of FY22.

ANNEXURE - 10

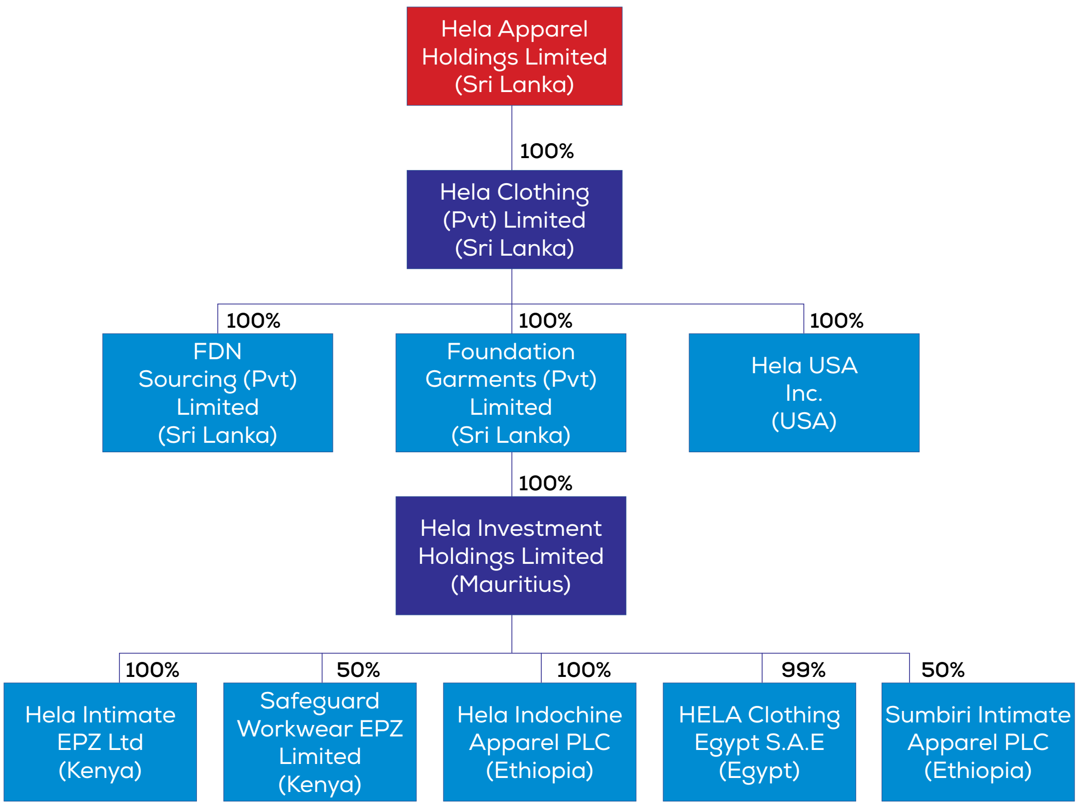
2 Overview - Hela Apparel Holdings Limited

Hela is currently in the process of carrying out a group restructuring exercise. This is being carried out to achieve the following primary objectives;

1) Streamlining the group structure by amalgamating or striking off group companies that are dormant or do not serve a standalone function.

2) Bringing all African entities under an intermediary holding company in Mauritius (Hela Investments Holdings Ltd) in order to facilitate expansions in Africa through foreign currency borrowing.

Upon completion of the proposed group restructuring process, the envisioned group structure of Hela is as follows.

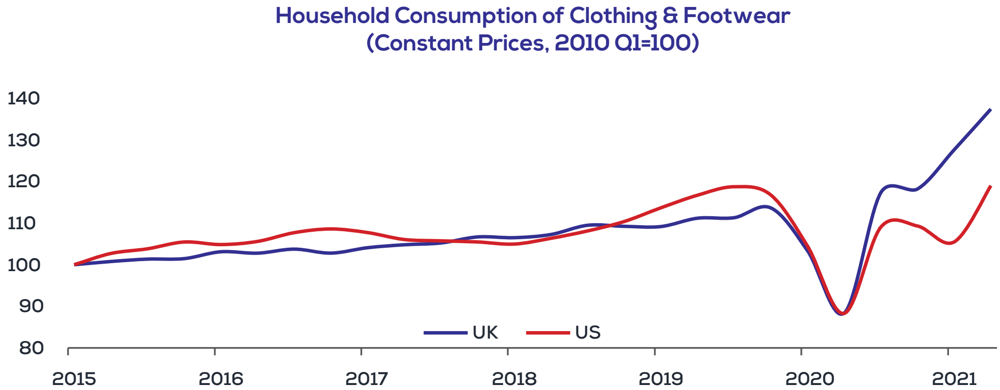


3 Industry Overview

3.1 DEMAND FOR APPAREL PRODUCTS

The collapse in global economic activity in early 2020 triggered by the COVID-19 pandemic and the resultant lockdowns drove a sharp drop in consumer spending across discretionary product categories, including apparel. In the US, household spending on clothing and footwear fell by more than 20% year-on-year in the second quarter of 2020 and the falls in particular apparel product categories, such as formalwear, were even larger as consumers adjusted to staying at home. However, following the initial demand shock, demand for apparel has rebounded rapidly in key markets. This is particularly the case in the developed world where extraordinary government stimulus policies have protected household income and supported spending, albeit with a shift in composition towards casual clothing and digital retail channels.

While the recovery in consumer demand is uneven across different countries and regions due to sporadic surges in infections, it is expected to broaden and strengthen into 2022 as the rollout of vaccinations globally accelerates. As such, while global spending on clothing and footwear fell by more than 10% in 2020, it is expected to recover most of this ground in 2021.

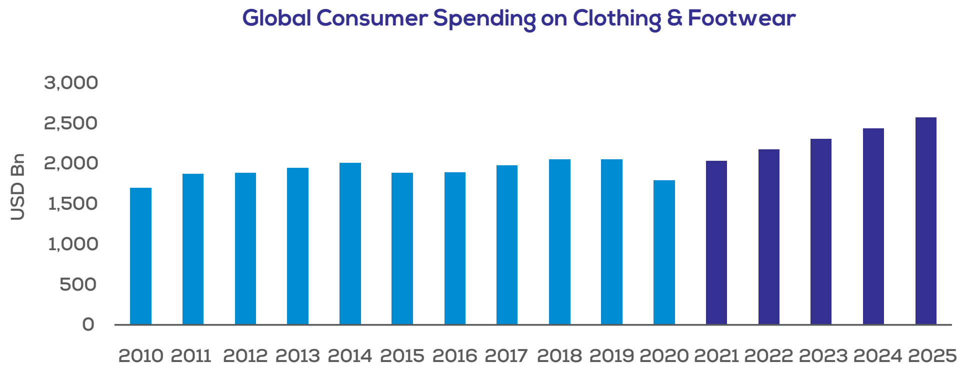


Source: US Bureau of Economic Analysis & UK Office for National Statistics[3]

Going forward, global spending on clothing and footwear is expected to grow at a CAGR of c. 6.1% between 2021 and 2025 to exceed USD 2.5 Tn as the world economy shakes off the effects of the pandemic[4]. This will be driven by the resumption of growth in population, disposable income and urbanization across developing economies, as well as robust demand in advanced economies. While the trend towards more responsible consumption will continue to gather steam, innovative solutions such as circular products using recycled fabrics are expected to continue driving consumer spending on apparel products.

[3]https://fred.stlouisfed.org/series/DCLORC1Q027SBEA, https://www.ons.gov.uk/, 24th November 2021
[4]https://www.statista.com/forecasts/1161735/fashion-consumer-spending-forecast-in-the-world, 24th November 2021

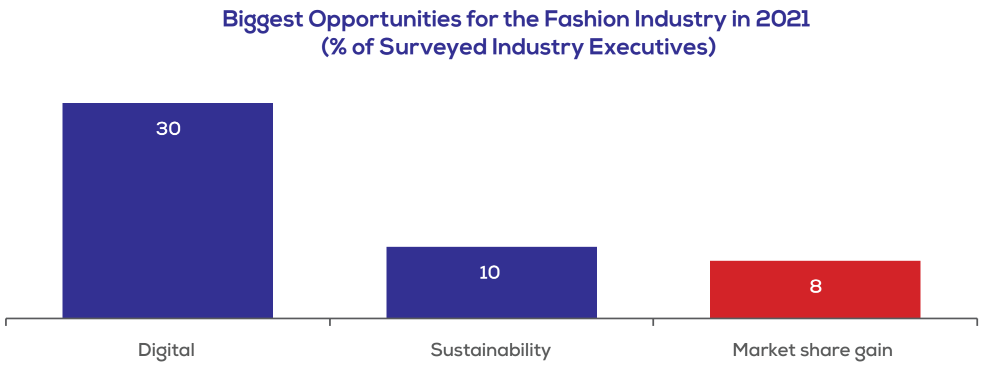
3 Industry Overview



Source: Statista[5]

3.1.1 Key Trends Driving Apparel Demand

The COVID-19 pandemic accelerated a number of existing trends in the global apparel industry and the changes this has triggered are likely to be sustained even as the effects of the pandemic fade. The shift towards the digitalization of industry and a greater focus on sustainability are the most pressing trends, but other changes in the expectations apparel brands have from their supply chain vendors will also play a key role in shaping the industry over the next decade.



Source: McKinsey State of Fashion Report 2021[6]

[5] https://www.statista.com/forecasts/1161735/fashion-consumer-spending-forecast-in-the-world, 24th November 2021
[6]https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2021/the-state-of-fashion-2021-vf.pdf, 24th November 2021

Digitalization

Adoption of digital tools soared during the pandemic across the apparel supply chain as alternatives to in-person interactions became essential. The shift to ecommerce platforms, in particular, had been ongoing for a number of years, but was turbocharged as it became the primary means for brands to reach their consumers. Similarly, apparel manufacturers increased their adoption of digital platforms to maintain regular communications with their customers as travel ground to a halt and the world shifted to working from home. Hela took a proactive approach to this change and accelerated the rollout of 3D design and sampling to reduce sampling lead times and avoid logistical bottlenecks in the delivery of physical samples.

Digitalization and automation of manufacturing processes is an additional aspect that saw renewed focus during the pandemic. Manufacturing facilities with higher levels of automation, and therefore a reduced requirement for human interactions, saw fewer disruptions. Such investments also allow for greater consistency in the final product, concentration of labour in more intricate value-adding processes, and help to reduce wastage from the manufacturing process [7]. This trend is likely to continue and, according to research carried out by Brother Machinery (Asia) Limited, around 75% of apparel manufacturers are planning to adopt artificial intelligence technologies to improve their supply chain's flexibility[8].

Keeping in line with the industry trends, Hela is planning to invest USD 2 Mn of the funds raised through the IPO in productivity enhancing automation machinery and other upgrades. In addition, a further USD 3 million of the IPO proceeds will help to fund the Company's new ERP system, which will create a future-proof digital core for Hela's operation that can be integrated with customer and supplier platforms.

Sustainability

Another important shift in consumer behaviour has been an increased focus on sustainability. Consumers are increasingly seeking to purchase more sustainable and eco-friendly apparel items that incorporate ethically-sourced materials. According to research conducted by Capgemini Research Institute, this has been more apparent post-COVID with a significant majority of consumers (c. 79%) changing their purchase preferences based on sustainability consideration[9]. This reflects greater awareness among consumers on issues such as climate change, biodiversity loss, pollution and the general well-being of the planet around us, which has fed through to their purchasing decisions. As a result, many apparel brands are increasingly focusing on producing more sustainable product lines and manufacturers have an important role to play.

[7] Nitish Varshney – Apparel Resources, 2021
[8] Shingo Kasumoto – YCP Solidiance, 2020
[9] How Sustainability is fundamentally changing consumer preferences – Capgemini Research Institute, 2020

3 Industry Overview

Sustainability is an integral part of operations at Hela, from sourcing to human resource management, and it is well placed to capitalize on this trend. For example, c. 41% of the electricity used by the Hela Group is already derived from renewable sources and this is set to increase with six of Hela's manufacturing facilities on course to produce solar power by the end 2022. Similarly, Hela is supporting the development of local apparel supply chain solutions in East Africa to reduce the environmental impact of transporting fabrics around the world. This will further cement Hela's position as one of the leading apparel manufacturers in Africa with a "Africa-for-Africa Supply Chain", which will also attract brands moving away from Far Eastern fabric.

Hela has also adopted several initiatives to improve the lives and communities of their employees. For instance, to counter shortage of clean drinking water – Hela Kenya provides each team member with a 20L can of drinking water per day as a part of the Hela Freshi project. To date, the company has provided over 5mn litres to its employees, positively affecting thousands of families. Furthermore, Hela was one of the first apparel manufacturers to roll out the Personal Advancement & Career Enhancement (P.A.C.E.) programme in Ethiopia, which is an evidence based comprehensive learning programme for female apparel workers that covers topics such as communication, problem solving and decision making, time and stress management, as well as water, sanitation and hygiene, health, and legal and financial literacy. The Company is targeting 5,690 P.A.C.E certified employees by 2023.

Other Key Tends

Speed - The need for manufacturers to offer greater flexibility and speed will continue, as brands place more emphasis on reducing inventories to increase full-price sell through. Fashion brands are expected to define clear, long-term ambitions, while demonstrating enough flexibility, speed and agility to navigate an uncertain short-term future. Further, efforts will be taken to reshape operating models to adapt to the faster pace of change and sustain those effective new working practices that have emerged from the pandemic. Brands will also focus on accelerating speed to market and on aligning launches and product drops with their customers' needs rather than the traditional fashion calendar. This will lead to a permanent change in how apparel manufacturers that supply to these fashion brands operate.

Deeper Partnerships - By exposing the vulnerability of procurement partners, the weakness of contracts and the risks of a concentrated supplier footprint, the COVID-19 pandemic accelerated many of the changes that fashion brand were already making to rebalance their supply chain. To mitigate future disruptions, fashion players are moving away from transactional relationships in favour of deeper partnerships that bring greater agility and accountability. As a result, strategic suppliers with longer-term relationships will also take on more responsibilities, including co-design and quality control.

Inclusive Culture - Consumer and brand pressure continues to push manufacturers to embrace more inclusive practices across their businesses, products and supply chains. With garment workers and other lower-paid workers operating at the sharp end of the pandemic, consumers have become more aware of the plight of vulnerable employees in the fashion value chain. As momentum for change builds alongside campaigns to end exploitation, consumers will expect companies to offer more dignity, security and justice to workers throughout the global industry. Apparel manufacturers who at the forefront of ethical working practices, such as Hela, stand to benefit from this trend.

Material revolution - Alternative materials and sustainable substitutes are on their way to adoption at large scale. The increasing emphasis on the use of sustainable material is also reflected in consumer sentiment. More than three in five consumers in a McKinsey survey[10] performed in May 2020 said brands' promotion of sustainability was an important factor in their purchasing decisions. In response, numerous companies are stepping up their sustainability efforts. Timberland is aiming to source all of its natural materials from regenerative agriculture by 2030, while British department store Selfridges has unveiled bold new sustainability goals, promising to stop stocking products that are not compliant with its new sourcing standards by 2025, and Allbirds has started labelling the carbon footprint of each of its products[11].

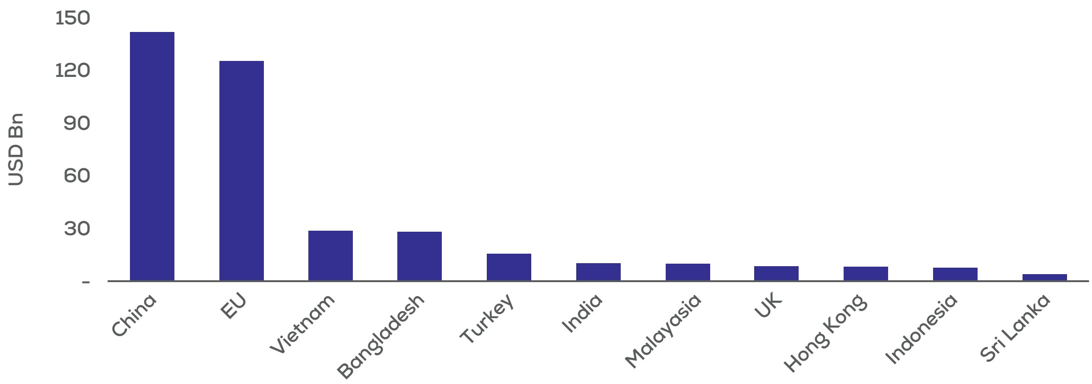
Casualization - The shift towards casual clothing was supercharged by the pandemic and is likely to remain a dominant force driving growth in the athleisure and loungewear segments. The casualization trend that was already in motion before the pandemic and accelerated throughout 2020 is likely to emerge as a dominant force across many fashion categories in 2021. Indeed, companies that were able to ride the surge in demand for casual or athletic clothing fared better than many expected. With more flexible working arrangements on the horizon for the year ahead, casualwear is only set to grow in importance for many fashion players.

Brand Consolidation – Performance polarization in the fashion industry accelerated during the pandemic as the gap widened between the best-performing companies and the rest. With some players already bankrupt and others kept afloat by government subsidies, M&A activity is likely to remain high in apparel industry as companies manoeuvre to take market share, unlock new opportunities and expand capabilities.

3.2 TRENDS IN GLOBAL APPAREL SOURCING

Asia remains the dominant supplier of apparel products to the world and China is the single largest apparel exporter, shipping over USD 120 Bn worth of finished garments in 2020[12]. Vietnam and Bangladesh have also emerged as key locations in global apparel sourcing, while the European Union maintains an important role – reflecting the importance of nearshoring.

Top 10 Apparel Sourcing Destinations Vs Sri Lanka (2020)



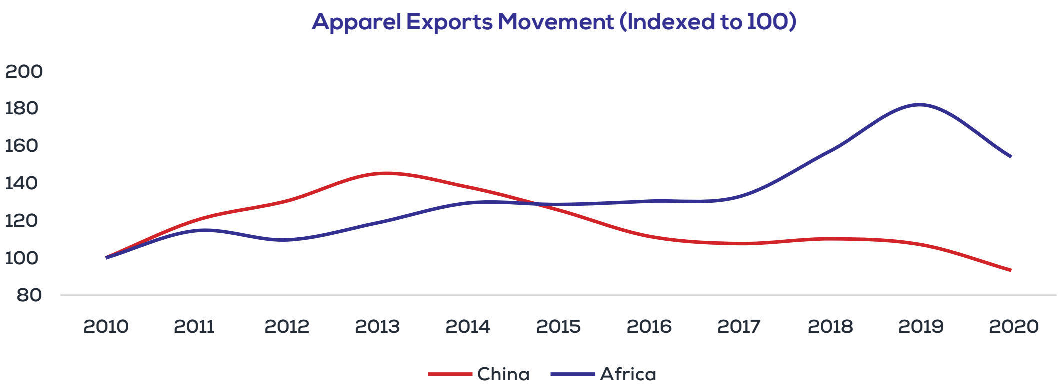
Source: Dr.Sheng Lu – University of Delaware, 2021[13]

[10]https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2021/the-state-of-fashion-2021-vf.pdf, 24th November 2021
[11]https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2021/the-
[12]state-of-fashion-2021-vf.pdf, 24th November 2021
https://shenglufashion.com/tag/wto/, 24th November 2021
[13]https://shenglufashion.com/tag/wto/, 24th November 2021

3 Industry Overview

Two factors, in particular, have historically contributed to Asia's competitiveness as a preferred apparel sourcing base – price competitiveness and technical capability. Asia's large supply of labour, highly integrated regional supply chains and its vast production capacity have shaped its competitiveness in these two aspects.

However, many fashion brands are gradually diversifying their geographical sourcing bases. Reducing dependence on sourcing from China, catering to the increasing demand for speed to market, and fulfilling market expansion needs, are among the top-cited reasons for apparel companies' sourcing diversification strategies. As the direction of US-China relations becomes ever more concerning, U.S. fashion companies in particular have sought to accelerate the diversification of their sourcing mix from China. China's total apparel exports have been declining since 2013 and even though it remains the top apparel supplier for the U.S. market, in the first quarter of 2021 China's market shares fell to c. 32.1% in quantity (from c. 36.6% in 2020) and c. 20.2% in value (from c. 23.7% in 2020)[14]. Furthermore, the latest data suggests that concerns around the use of forced labour in textile supply chains is further damaging China's reputation as the world's foremost apparel sourcing destination. Measured by value, only c. 11.9% of U.S. cotton apparel came from China in April 2021, a new record low since the implementation of the US Customs and Border Protection agency's ban on any cotton and cotton apparel made in the Xinjiang region[15].



Source: AGOA.info[16], UN Comtrade[17]

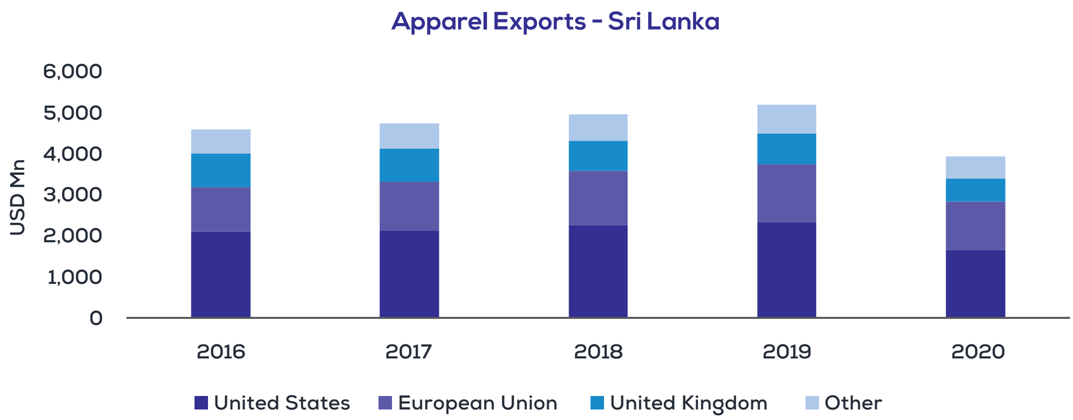
[14]Dr.Sheng Lu – University of Delaware, 2021
[15]Dr.Sheng Lu – University of Delaware, 2021
[16]https://agoa.info/data/apparel-trade.html, 24th November 2021
[17]https://comtrade.un.org/data/, 24th November 2021

With many suppliers moving away from China, other apparel manufacturing destinations, especially those in Asia and Africa are poised to benefit. Sub-Saharan Africa in particular is viewed as a potential future hub for apparel sourcing. The Africa Growth and Opportunity Act (AGOA) provides duty free access to the US with no restrictions on the use of imported fabrics. Similarly, Europe's GSP scheme and network of Economic Partnership Agreements allows uninhibited access to the European Union and UK markets. Many African countries also benefit from duty free access to other markets, including Canada, Australia and Japan. This allows apparel brands to make savings of up to 32% compared to sourcing from other regions. In addition, major African governments (including in Kenya and Ethiopia) have identified apparel manufacturing as crucial to their next stage of development and are pursuing a range of supportive polices. Hela is in a unique position to capitalize on this trend as customers seek reliable, established and high-quality suppliers in the African region to enable them to benefit from the cost and duty benefits of sourcing from the region.

3.3 INDUSTRY STATUS AND PROSPECTS BY COUNTRY

3.3.1 Sri Lanka

Over the last four decades, the Sri Lankan apparel industry has enjoyed significant growth and transformed itself to become one of the country's primary foreign exchange earners, accounting for c. 45% of the country total goods exports. The importance of the sector is further demonstrated by the fact that Sri Lanka has one of the highest apparel exports per capita rates of any exporting nation in the region and two of its three largest companies are apparel manufacturers[18]. This sector has succeeded in evolving from basic manufacturing to providing sophisticated solutions, offering creativity and expertise in BPO services, fashion, R&D, and innovation. The high level of technical and management skills in the local industry means that many Sri Lankans are being employed in other emerging apparel sourcing locations around the world.



Source: CBSL[19]

[18]Sri Lanka Export Development Board
[19]https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2020/en/15_Appendix.pdf, 24th November 2021

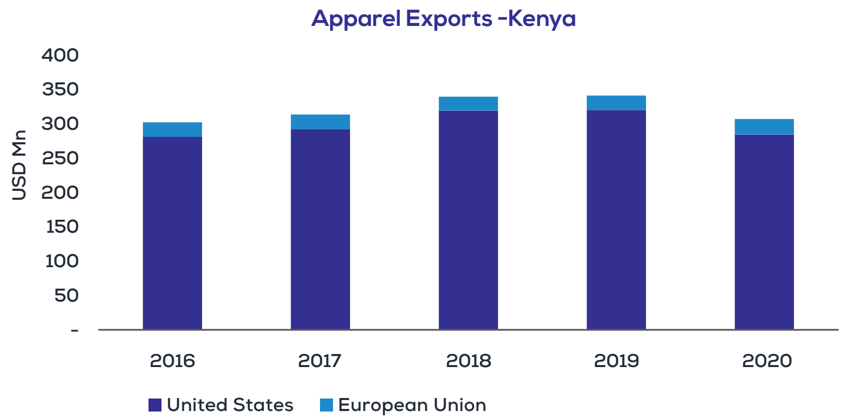
3 Industry Overview

Sri Lanka is particularly well known as an ethical and socially responsible sourcing location and is one of the only major apparel manufacturing countries in Asia to ratify all 27 ILO (International Labour Organization) conventions. The apparel sector in Sri Lanka is free of discrimination, sweatshop practices and child labour, and the guiding force behind this commitment to Ethical Business and Manufacturing is the home-grown "Garments Without Guilt" code that exceeds leading industry compliance standards.

Recently, concerns have been raised about the impact of potential loss of the GSP+ benefit, which provides duty concessions for Sri Lanka's apparel exports to EU. Apparel exports to the EU accounted for c. 30% of Sri Lanka's total apparel exports in 2020 and GSP+ provides apparel brands with a cost saving of up to 12% compared to sourcing from other locations without duty benefits. However, the Sri Lankan apparel sector's success is built on more than cost competitiveness, such as the factors mentioned above. Indeed, even though apparel is the main product category that benefits from GSP+, there was no major spike in exports to the EU between 2016 and 2019 following the reinstatement of GSP+ in May 2017. In addition, Sri Lanka's apparel exports to the US have continued to grow despite not having similar duty benefits to this market. As such, while it will affect some manufacturers significantly, the impact on the Sri Lankan apparel industry as a whole from the removal of GSP+ is likely to be subdued. It is also worth bearing in mind that Sri Lanka was already on course to lose the GSP+ benefit in the coming years due to its graduation to Upper-Middle Income status.

3.3.2 Kenya

Apparel production is the second biggest manufacturing activity in Kenya, providing a stable livelihood to approximately 200,000 households and generating over USD 300 Mn in export revenue. The US is the country's largest market, accounting for almost c. 91% of Kenya's apparel exports[20]. This is partially due to the duty-free access to the US market provided by AGOA, though Kenya also benefits from duty free access to the EU and UK markets.



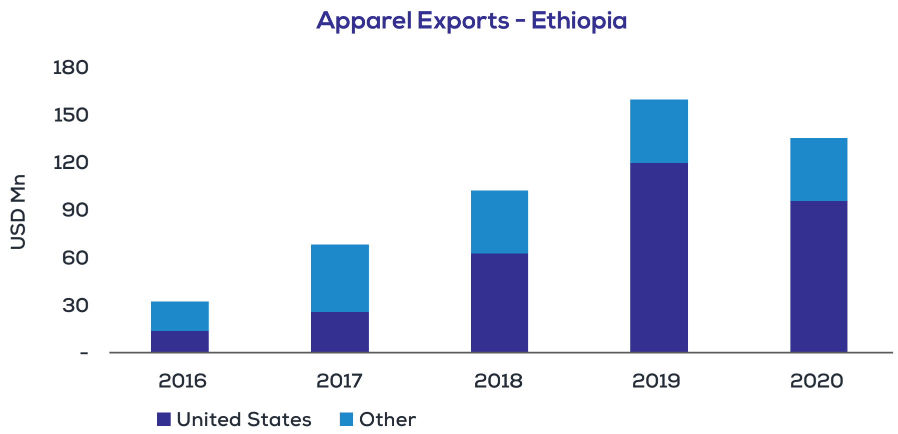
Source: UN Comtrade[21]

[20] https://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/PIGA/Kenya_CTA_4pager_20201102_web_pages.pdf, 24th November 2021
[21] https://comtrade.un.org/data/, 24th November 2021

In addition to duty benefits, Kenya's rapidly growing working-age population and reputation for political stability have made it an attractive location for apparel manufacturing. The Kenyan government is also keen to support the development of the sector to generate additional employment opportunities and offers a number of favourable incentives for investment through its network of Export Processing Zones and Special Economic Zones. Authorities are also prioritizing the development of the textile supply chain in the region as a means of generating greater value-added domestically.

3.3.3 Ethiopia

Apparel manufacturing is a relatively new industry to Ethiopia, but it has grown rapidly in recent years due to competitive labour rates, extensive duty-free benefits and strong government support. Ethiopia's apparel exports grew fivefold from just over USD 30 Mn in 2016 to over USD 150 Mn in 2019, before falling back slightly in 2020 due to the impact of the pandemic[22] . The US is the largest destination for Ethiopia's apparel exports, accounting for around 75% of shipments.



Source: UN Comtrade[23]

Ethiopia's large labour force and rapidly developing infrastructure have also helped to drive investor interest. In addition, it benefits from duty-free market access to the US via AGOA, as well as a number of other markets around the world, including the EU, UK, Australia, Japan & Canada. The Ethiopian government has high expectations on the prospects of the industry[24], and have shown support in the form of investment and tax incentives, as well as the construction of purpose-built industrial parks[25].

[22]https://comtrade.un.org/data/, 24th November 2021
[23]https://comtrade.un.org/data/, 24th November 2021
[24]MDS- The Global Fashion Business Journal
[25]Wazir Advisors – The Edge

4 Financial Forecasts and Assumptions

We have forecast the financial statements of Hela based on the audited accounts for the period ending 31st March 2021 while taking into consideration the actual results up to 30th September 2021. Key management inputs were also obtained in order to better understand the business operations of the Company. The forecasted financial performance considered the future outlook of the apparel sector in the post-COVID environment, which is illustrated in Section 3 – Industry Overview.

CT CLSA and CAL have established that the assumptions used in the forecasts and outlook given in this report are fair and reasonable to the best of our knowledge.

Both FY20 and FY21 performance of the Group were negatively impacted by the COVID-19 pandemic as a result of the company's key markets going into multiple lockdowns to curtail the spread of the virus, which affected consumer spending. However, Hela's robust and strategic customer relationships supported a rebound in demand across the second half of FY21. This has allowed the Company to add USD 4.6 Mn to its bottom-line and conclude the year with increased profitability.

The Company also incurred USD 1.3 Mn in additional costs as a result of the pandemic, such as increased spending on employee safety, which affected both FY21 and first quarter of FY22E profits. Despite these incremental expenses, Hela has achieved USD 7.7 Mn profits by the end of 30th September 2021 (TTM September 2021).

USD 000'	1Q FY21	2Q FY21	1Q FY22	2Q FY22	FY21	TTM September 2021
Revenue	21,383	41,730	57,406	74,558	171,101	239,952
Gross Profit	1,167	7,285	7,954	11,117	30,515	41,134
Operating Profit	(685)	2,776	2,030	3,930	10,429	14,299
Profit Before Tax	(1,860)	1,438	347	2,234	4,853	7,856
Profit for the Year	(1,926)	1,377	291	2,178	4,638	7,656
Gross Profit Margin	5.5%	17.5%	13.9%	14.9%	17.8%	17.1%
Operating Profit Margin	-3.2%	6.7%	3.5%	5.3%	6.1%	6.0%
Net Profit Margin	-9.0%	3.3%	0.5%	2.9%	2.7%	3.2%

4.1 FORECASTED STATEMENT OF FINANCIAL PERFORMANCE

Hela's current operations can be divided into four clusters based on their product focus and country of operation: (i) Intimates–Sri Lanka; (ii) Intimates–Ethiopia; (iii) Intimates–Kenya; and, (iv) Kidswear. Each cluster caters to different customer pillars as identified below:

- **North American Brands:** Established North American brands that have an extensive presence across multiple distribution channels;
- **Active Brands:** Sports and athleisure wear brands;
- **Lifestyle Brands:** Design-driven premium brands seeking to increase their market penetration;
- **Value Brands:** Mass-market brands focused on quality and price competitiveness.

The Company's product portfolio has also been diversifying in recent years and, due to the increased focus on Athleisure and Performance Wear within the Intimates cluster, Hela is in the process of establishing Activewear as a separate cluster from FY22. However, for the purposes of forecasting the financial performance of the Company, the Activewear cluster has been considered as part of Intimates-Sri Lanka and Intimates-Kenya. In addition to the four main operational clusters, Hela also has two joint venture partnerships in Africa which provide Hela with access to one of the largest bra manufacturing facilities in East Africa (through Sumbiri Intimate Apparel PLC) and the Medical Wear product category (through Safeguard Workwear EPZ Limited).

The statement of financial performance of the Hela Group has been forecasted based on each of the four clusters up to gross profit level, and the remaining line items have been forecasted at a group level. The two joint venture partnerships have been forecasted separately and the share of profits from the joint venture partnerships have been included in the Hela Group's final Forecasted Statement of Financial Performance as illustrated below.

We have used following key metrics which are widely used in the apparel sector in carrying out our valuation:

Total Standard Hours: The total amount of work achievable, at the expected level of efficiency, in a financial year.

Efficiency: Efficiency is calculated using the following formula.

$$\text{Efficiency} = \frac{\text{Standard Hours}}{\text{Clocked Hours}}$$

Clocked Hours: The total number of hours spent by available direct workers during the year.

Revenue Per Minute: Revenue per minute is calculated as follows,

$$\text{Revenue per minute} = \frac{\text{Total Revenue Earned by the Segment}}{\text{Standard Hours} \times 60}$$

4 Financial Forecasts and Assumptions

Hela Group

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**183,502**	**171,101**	**269,997**	**283,373**	**308,323**	**342,437**	**362,800**
Cost of Sales	(153,331)	(140,586)	(229,373)	(235,639)	(256,326)	(284,344)	(301,211)
Gross Profit	**30,171**	**30,515**	**40,624**	**47,735**	**51,997**	**58,093**	**61,589**
Distribution Costs	(3,297)	(3,185)	(5,020)	(5,179)	(5,634)	(6,258)	(6,630)
Administration Expenses	(17,052)	(18,738)	(21,290)	(22,814)	(23,149)	(24,051)	(25,311)
Other Income	797	1,399	511	536	583	648	687
Other gains/(losses) - net	477	439	692	727	791	878	930
Operating Profit	**11,096**	**10,429**	**15,518**	**21,005**	**24,588**	**29,310**	**31,265**
Finance Income	59	54	130	251	296	384	482
Finance Cost	(6,582)	(5,630)	(6,920)	(7,103)	(7,160)	(7,500)	(7,759)
Profit/(Loss) Before Tax	**4,573**	**4,853**	**8,727**	**14,153**	**17,724**	**22,194**	**23,988**
Share of Profit from JV	-	-	(146)	512	1,170	1,632	1,812
Net Profit/(Loss) Before Tax	**4,573**	**4,853**	**8,582**	**14,665**	**18,894**	**23,826**	**25,800**
Income Tax Expense	(289)	(215)	(480)	(1,376)	(1,724)	(2,158)	(2,333)
Profit for the Year	**4,284**	**4,638**	**8,102**	**13,289**	**17,170**	**21,668**	**23,467**
Profit attributable to:							
Owners of Hela	4,491	4,081	7,697	13,289	17,170	21,668	23,467
Non-Controlling Interests	(207)	557	405	-	-	-	-
Profit for the Year	**4,284**	**4,638**	**8,102**	**13,289**	**17,170**	**21,668**	**23,467**

Joint Venture - Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**3,633**	**4,158**	**4,644**	**5,140**	**6,026**
Cost of Sales	(3,359)	(3,177)	(3,408)	(3,593)	(4,244)
Gross Profit	**274**	**982**	**1,237**	**1,546**	**1,782**
Administration Expenses	(586)	(656)	(731)	(812)	(893)
Other Income	3	4	4	5	6
Operating Profit	**(308)**	**329**	**510**	**739**	**895**
Finance Income	-	-	-	-	-
Finance Cost	-	-	-	-	-
Profit/(Loss) Before Tax	**(308)**	**329**	**510**	**739**	**895**
Income Tax Expense	-	-	-	-	-
Profit for the Year	**(308)**	**329**	**510**	**739**	**895**

Joint Venture – Safeguard Workwear EPZ Limited

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**896**	**3,974**	**8,158**	**10,459**	**10,720**
Cost of Sales	(787)	(2,725)	(5,277)	(6,613)	(6,646)
Gross Profit	**109**	**1,249**	**2,881**	**3,846**	**4,074**
Distribution Costs	(136)	(477)	(979)	(1,255)	(1,286)
Administration Expenses	(26)	(36)	(38)	(40)	(42)
Other Income	-	-	-	-	-
Operating Profit	**(53)**	**736**	**1,864**	**2,551**	**2,745**
Finance Income	-	-	-	-	-
Finance Cost	(20)	(41)	(34)	(26)	(17)
Profit/(Loss) Before Tax	**(73)**	**695**	**1,830**	**2,525**	**2,728**
Income Tax Expense	-	-	-	-	-
Profit for the Year	**(73)**	**695**	**1,830**	**2,525**	**2,728**

ANNEXURE - 10

4 Financial Forecasts and Assumptions

4.2 FORECASTED STATEMENT OF FINANCIAL POSITION

Hela Group

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Assets							
Non-Current Assets							
Property, Plant and Equipment	19,529	17,890	19,170	21,033	22,535	22,489	22,638
Investment Property	1,660	1,712	1,712	1,712	1,712	1,712	1,712
Right-of-use-assets	2,050	2,827	2,827	2,827	2,827	2,827	2,827
Intangible assets	37,028	36,533	38,522	38,623	37,923	37,457	37,146
Capital work-in-progress	432	213	213	213	213	213	213
Investment in JV	-	-	2,504	3,017	4,187	5,819	7,630
Deferred tax assets	1,590	1,459	1,459	1,459	1,459	1,459	1,459
Other financial assets	1	0	0	0	0	0	0
	62,290	**60,634**	**66,407**	**68,883**	**70,856**	**71,976**	**73,625**
Current Assets							
Inventories	20,323	27,397	42,732	38,735	42,136	46,741	49,514
Trade and other receivables	25,806	26,569	40,315	38,818	42,236	46,909	49,699
Other financial assets at amortised cost	8,474	4,582	7,493	7,860	8,544	9,478	10,036
Other assets	-	5,199	7,397	7,764	8,447	9,382	9,940
Income tax receivables	83	32	32	32	32	32	32
Cash and cash equivalents	9,924	9,528	14,935	16,249	24,535	34,803	45,095
	64,609	**73,307**	**112,904**	**109,458**	**125,930**	**147,345**	**164,315**
Total Assets	**126,899**	**133,941**	**179,311**	**178,341**	**196,786**	**219,321**	**237,940**
Equity							
Stated Capital	9,661	9,661	29,661	29,661	29,661	29,661	29,661
Revaluation reserve	(6)	20	20	20	20	20	20
Share based payment reserve	-	438	438	438	438	438	438
Currency translation reserve	996	963	963	963	963	963	963
Accumulated reserve	3,028	6,917	11,699	20,558	32,005	46,450	62,094
Other Reserves	-	-	-	-	-	-	-
NCI	1,364	1,945	-	-	-	-	-
Total Equity	**15,042**	**19,944**	**42,781**	**51,640**	**63,087**	**77,532**	**93,176**
Non-Current Liabilities							
Borrowings	12,325	11,506	11,547	13,884	12,088	7,902	6,898
Deferred Income Tax Liabilities	2,076	1,796	1,796	1,796	1,796	1,796	1,796
Lease Liabilities	570	2,756	2,756	2,756	2,756	2,756	2,756
Employee Benefit Obligations	1,801	2,195	2,622	3,039	3,475	3,949	4,426
	16,772	**18,253**	**18,721**	**21,475**	**20,115**	**16,404**	**15,876**
Current Liabilities							
Trade and other payables	23,691	30,699	40,999	41,769	44,735	48,849	51,456
Income tax liabilities	-	8	8	8	8	8	8
Lease Liabilities	1,671	371	371	371	371	371	371
Borrowings	69,723	64,665	76,430	63,077	68,470	76,156	77,053
	95,085	**95,744**	**117,809**	**105,226**	**113,584**	**125,385**	**128,888**
Total Equity & Liabilities	**126,899**	**133,941**	**179,311**	**178,341**	**196,786**	**219,321**	**237,940**

The stated capital in the Forecasted Statement of Financial Position has increased from FY21 to FY22 by USD 20 Mn due to the proceeds amounting to USD 20 Mn expected to be raised via the Initial Public Offering.

Joint Venture - Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Assets					
Non-Current Assets					
Property Plant and Equipment	2,378	2,278	2,183	2,091	2,003
	2,378	**2,278**	**2,183**	**2,091**	**2,003**
Current Assets					
Inventory	64	61	65	69	81
Trade Receivables	149	171	191	211	248
Cash and Cash Equivalents	384	438	488	1,053	2,013
	598	**670**	**745**	**1,333**	**2,342**
Total Assets	**2,976**	**2,948**	**2,927**	**3,424**	**4,346**
Equity					
Ordinary Shares	5,235	5,235	5,235	5,235	5,235
Retained Earnings	(3,537)	(3,208)	(2,698)	(1,959)	(1,064)
Total Equity	**1,698**	**2,027**	**2,537**	**3,276**	**4,171**
Non-Current Liabilities					
Long Term Loan	790	250	-	-	-
	790	**250**	**-**	**-**	**-**
Current Liabilities					
Trade Payables	138	131	140	148	174
Related Party Payables	-	-	-	-	-
Other Current Liabilities	350	540	250	-	-
	488	**671**	**390**	**148**	**174**
Total Equity & Liabilities	**2,976**	**2,948**	**2,927**	**3,424**	**4,345**

4 Financial Forecasts and Assumptions

Joint Venture - Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Assets					
Non-Current Assets					
Property, Plant & Equipment	576	537	654	697	672
	576	**537**	**654**	**697**	**672**
Current Assets					
Inventory	132	262	539	690	708
Trade Receivables	179	353	702	894	915
Cash & Cash Equivalents	253	614	1,630	3,686	6,305
	563	**1,229**	**2,871**	**5,270**	**7,928**
Total Assets	**1,140**	**1,766**	**3,525**	**5,967**	**8,600**
Equity					
Ordinary Shares	800	800	800	800	800
Retained Earnings	(73)	622	2,453	4,978	7,706
Total Equity	**727**	**1,422**	**3,253**	**5,778**	**8,506**
Non-Current Liabilities					
Borrowings	336	257	171	76	76
	336	**257**	**171**	**76**	**76**
Current Liabilities					
Trade Payable	5	8	15	18	18
Borrowings	72	79	87	95	-
	76	**86**	**101**	**114**	**18**
Total Equity & Liabilities	**1,140**	**1,766**	**3,525**	**5,967**	**8,600**

4.3 REVENUE FORECASTS AND ASSUMPTIONS

Total Group Revenue

The Hela Group recorded revenue of USD 171 Mn in FY21, a decline of c. 6.8% on the previous year, primarily reflecting the impact of the COVID-19 pandemic. In particular, the company's factories in Sri Lanka were shut down for a large part of April 2020 and operating at reduced capacity in the subsequent months as a result of reduced consumer demand, which had a significant impact on revenue generation during this period. Nonetheless, Hela's robust and strategic customer relationships supported a rebound in demand across the second half of the financial year. This allowed the company to add USD 4.6 Mn to its bottom-line in FY21 and conclude the financial year with increased profitability.

Continuing its strong performance in the second half of FY21, Hela has been able to secure its order pipeline up to December 2021, with USD 199 Mn worth of orders, and the Group is on course to record USD 270 Mn in top-line for FY22E. Total revenue of the Group is expected to grow at a 5-year CAGR of c. 7.7% during the forecast period.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Intimates							
Sri Lanka	72,421	54,387	77,766	79,069	92,716	111,472	116,340
Ethiopia	12,425	13,514	22,004	22,796	23,572	24,321	25,286
Kenya	60,420	60,393	113,756	118,026	123,523	132,201	142,139
Total Intimates	**145,267**	**128,293**	**213,526**	**219,891**	**239,811**	**267,993**	**283,765**
Kids wear	**37,715**	**41,546**	**53,532**	**56,352**	**58,461**	**60,606**	**62,789**
Sumbiri	**-**	**-**	**2,939**	**7,130**	**10,051**	**13,838**	**16,246**
Local Sales	**520**	**1,262**	**-**	**-**	**-**	**-**	**-**
Total Revenue	183,502	171,101	269,997	283,373	308,323	342,437	362,800

We have considered the growth in revenue for each cluster based on management expectations while taking into consideration the actual results up to 30th September 2021 when forecasting the Group's revenue.

Intimates – Sri Lanka

The Sri Lankan Intimates cluster manufactures under North American, Lifestyle, Active and Value brands. With the required labour growth and efficiency ramp up within the forecast period, the total available standard hours are expected to grow at CAGR of c. 9.3% from FY22E (this includes an expected absenteeism and labour turnover rate of 7.0%). Overall, revenue is expected to grow at a slightly faster CAGR of c. 10.6% from FY22E, which is primarily attributed to the shift in focus to high end and more complex products with higher revenue and earnings per minute. In particular, Value brands are expected to be discontinued in Sri Lanka due to the increased focus on Active brands and would be transferred to Kenya from FY22E.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
North American Brands	43,161	28,486	41,918	40,832	42,959	45,884	47,890
Active Brands	-	860	3,904	6,488	14,609	24,955	26,046
Lifestyle Brands	27,413	23,793	31,177	31,750	35,147	40,633	42,405
Value Brands	1,288	1,248	768	-	-	-	-
Others	560	-	-	-	-	-	-
Total Revenue	**72,421**	**54,387**	**77,766**	**79,069**	**92,716**	**111,472**	**116,340**

Number of direct workers: Implementation of double shifts in the Sri Lankan Intimates factories will require an increase in the employee headcount by 920 in FY22E and thereafter it is forecast to grow at c. 11.0% and c. 15.0% respectively in FY24E and FY25E due to the expansion of orders from existing customers and new Active brands that are expected to be added to customer portfolio from FY23E.

Efficiency Rate: The expansion of the Activewear customer portfolio would reduce the efficiency rate to 54.0% in FY22E due to the more complex nature of the products (vs. c. 55.0% in FY21). Efficiency is gradually expected to improve thereafter, from c. 54.0% in FY22E to c. 59.5% in FY26E, due to the development of skills and experience in these product categories over time.

4 Financial Forecasts and Assumptions

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	3,502	2,628	3,548	3,572	3,965	4,560	4,605
YoY Growth	-3.7%	-25.0%	35.0%	0.7%	11.0%	15.0%	1.0%
Efficiency	48.0%	55.0%	54.0%	54.0%	56.0%	57.5%	59.5%
Internal Standard Hours (000')	3,025	2,602	3,261	3,283	3,779	4,462	4,664
External Subcontract Hours (000')	89	138	172	173	199	237	241
Total Standard Hours (000')	**3,114**	**2,739**	**3,432**	**3,456**	**3,978**	**4,699**	**4,905**

Revenue Per Minute: The change in customer mix between North American, Lifestyle and Value brands and addition of active brands will grow overall revenue per minute by c. 14.1% YoY in FY22E and it is expected to gradually increase within the range of c. 1.0% to c. 1.9% during the remainder of the forecast period as a result of allocating more standard hours to high end customers. Brand-wise Revenue Per Minute is expected to remain constant from FY22E during the forecast period.

USD	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue Per Minute							
North American Brands	0.41	0.32	0.35	0.35	0.35	0.35	0.35
Active Brands	-	0.42	0.48	0.48	0.48	0.48	0.48
Lifestyle Brands	0.36	0.35	0.42	0.42	0.42	0.42	0.42
Value Brands	0.30	0.27	0.34	-	-	-	-
Others	0.28	-	-	-	-	-	-

Intimates – Ethiopia

The Ethiopian Intimates cluster manufactures undergarments for customers under the North American Brands cluster and currently operates on a double shift. With labour growth in FY22E and an efficiency ramp up within the forecast period, the total available standard hours are expected to grow at a CAGR of c. 3.5% from FY22E (this includes an expected absenteeism and labour turnover rate of 10.0%). Overall, revenue is expected to grow at a CAGR of c. 3.5% from FY22E. This is mainly due to changes in the customer mix with the inclusion of a higher revenue brands coupled with the expected improvements in efficiency.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
North American Brands	12,425	13,514	22,004	22,796	23,572	24,321	25,286
Total Revenue	**12,425**	**13,514**	**20,954**	**22,796**	**23,572**	**24,321**	**25,286**

Number of direct workers: Expected to grow c. 48.3% YoY in FY22E to 1,779 and remain at same level for the forecast period due to the existing manufacturing facility reaching full capacity.

Efficiency Rate: The three-year historic average of c. 49.0% is expected to ramp up to a range of 57.0% - 65.5% in the forecast period as employees become more efficient as a result of accumulated experience in the production of basic undergarments over multiple years.

Revenue Per Minute: Expected to grow by c. 4.9% YoY in FY22E and remain constant in the forecast period. The increase in FY22E is due to the addition of a new customer with higher revenue per minute relative to existing customers in the Ethiopian customer portfolio.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	1,132	1,200	1,779	1,779	1,779	1,779	1,779
YoY Growth	16.1%	6.0%	48.3%	0.0%	0.0%	0.0%	0.0%
Efficiency	46.0%	49.0%	57.0%	59.1%	61.1%	63.0%	65.5%
Internal Standard Hours (000')	1,101	1,243	1,930	2,000	2,068	2,133	2,218
Total Standard Hours (000')	**1,101**	**1,243**	**1,930**	**2,000**	**2,068**	**2,133**	**2,218**
Revenue Per Minute							
North American Brands (USD)	0.19	0.18	0.19	0.19	0.19	0.19	0.19

Intimates – Kenya

The Kenyan Intimates cluster manufactures clothing for the North American, Lifestyle, Active and Value brands and currently operates on a double shift. Given the required labour growth in the forecast period and an expected ramp up in efficiency, the total available standard hours are expected to grow at a CAGR of c. 5.9% from FY22E (this includes an absenteeism and labour turnover rate of 10.0%). Overall, revenue is expected to grow at a CAGR of c. 5.7% from FY22E. This is mainly attributable to the increased focus on Active brands while expanding the existing portfolio. Value brands are expected to decline by c. 78.0% as a result of discontinuation of an existing brand under this segment in the first half of FY22E. However, Kenya is expected to fulfil the demand of Value brands which were supplied through the Sri Lankan cluster starting from FY23E.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
North American Brands	35,174	28,571	62,020	54,440	56,849	60,068	64,584
Active Brands	-	-	32,713	42,635	43,952	45,772	49,213
Lifestyle Brands	224	4,053	13,640	11,168	12,078	13,544	14,562
Value Brands	24,849	24,457	5,383	9,782	10,644	12,817	13,780
Others	173	3,312	-	-	-	-	-
Total Revenue	**60,420**	**60,393**	**113,756**	**118,026**	**123,523**	**132,201**	**142,139**

Number of direct workers: Kenya's direct cadre is expected to increase by c. 41.0% in FY22E and rise gradually thereafter across the forecast period. The inclusion of Activewear in the existing production portfolio is one of the major drivers of the growth in direct workers.

Efficiency Rate: Following the change in customer/product mix and the addition of Activewear under the Kenyan cluster, the efficiency rate is expected to improve from c. 54.5% in FY22E to c. 59.5% in FY26E due to the accumulated experience of the factory workers over this period.

4 Financial Forecasts and Assumptions

Subcontract Hours: c. 19.5% of total standard hours for the cluster were subcontracted in FY21. Subcontracted hours are expected to increase to 37.5% in FY22E as an increased portion of orders from a major customer would be subcontracted, and will increase to 40.1% from FY23E onwards as the full order book from the same customer is expected to be subcontracted. This reflects the intention to specialize the Kenyan production facility in the manufacture of men's boxers and thereby achieve higher overall efficiency.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	2,970	2,724	3,841	3,863	3,901	4,190	4,316
YoY Growth	-7.5%	-8.3%	41.0%	0.6%	1.0%	7.4%	3.0%
Efficiency	56.0%	51.0%	54.5%	54.5%	56.0%	57.0%	59.5%
Internal Standard Hours (000')	3,143	2,625	3,561	3,581	3,716	4,063	4,368
External Subcontract Hours (000')	321	634	2,136	2,400	2,535	2,614	2,811
Total Standard Hours (000')	**3,464**	**3,259**	**5,697**	**5,981**	**6,251**	**6,677**	**7,179**

Revenue Per Minute – Changes in customer mix between North American, Lifestyle and Value brands, as well as the addition of Activewear, will grow overall revenue per minute by c. 7.8% YoY in FY22E and it is expected to remain stable thereafter.

USD	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue Per Minute							
North American Brands	0.33	0.35	0.35	0.35	0.35	0.35	0.35
Active Brands	-	-	0.29	0.29	0.29	0.29	0.29
Lifestyle Brands	0.36	0.40	0.41	0.41	0.41	0.41	0.41
Value Brands	0.25	0.27	0.29	0.33	0.33	0.33	0.33
Others	0.28	0.27	-	-	-	-	-

Kidswear

The Kidswear cluster manufactures apparel primarily for European customers. Given its expected labour growth in FY22E & FY23E and an efficiency ramp up in the forecast period, the total available standard hours are expected to grow at a CAGR of c. 4.1% from FY22E to FY26E (this includes an absenteeism and labour turnover rate of 7.0%). Overall, revenue is expected to grow at a CAGR of c. 4.1% from FY22E to FY26E as demand from the key customers of the Kidwear cluster remains stable and it reaches maturity.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
European Brands	37,715	41,546	53,532	56,352	58,461	60,606	62,789
Total Revenue	**37,715**	**41,546**	**53,532**	**56,352**	**58,461**	**60,606**	**62,789**

Number of direct workers: Expected to grow at c. 25.0% and c. 6.5% YoY in FY22E and FY23E respectively, due to an increase in demand for labour in expectation of the expected growth in orders. Hela is also expected to switch into a double shift operation in its Thihariya factory in order to accommodate the increase in labour requirement.

Efficiency Rate: Due to the introduction of new customers with less complicated designs, the efficiency rate is expected to ramp up gradually to c. 68.5% in FY22E and employee training & development would result in a further increase in the efficiency rate. As a result, the efficiency rate is expected to reach c. 75.0% in FY26E (vs. three-year historical average of c. 64.3%).

Revenue Per Minute: The Kidswear cluster had recorded steady sales, with revenue growing by c. 10.2% in FY21. Despite a slight reduction in revenue per minute in FY21, the Kidswear cluster has been able to maintain the same gross profit margin levels through production excellence. Therefore, we have assumed the revenue per minute achieved in FY21 will remain constant with Hela focusing more on maintaining similar gross profit margins over the forecast period.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	1,494	1,934	2,418	2,576	2,601	2,627	2,654
YoY Growth	6.9%	29.5%	25.0%	6.5%	1.0%	1.0%	1.0%
Efficiency	61.0%	63.0%	68.5%	69.0%	71.0%	73.0%	75.0%
Internal Standard Hours (000')	1,640	2,194	2,818	3,024	3,143	3,264	3,387
External Subcontract Hours (000')	104	138	197	150	150	150	150
Total Standard Hours (000')	**1,744**	**2,331**	**3,016**	**3,174**	**3,293**	**3,414**	**3,537**
Revenue Per Minute							
European Brands (USD)	0.36	0.30	0.30	0.30	0.30	0.30	0.30

Joint Venture - Sumbiri Intimate Apparel PLC

The revenue of Sumbiri Intimate Apparel PLC is based on a Cut and Make ("CM") model where only the manufacturing costs will be accounted for under Sumbiri's revenue and the total revenue from sales to customers will be accounted by the joint venture partners (Grand Asia Intertrade Pte. Ltd, Sumber Bitang Rejeki and Hela Investment Holdings Ltd) based on the customers each firm brings in. The revenue transferred to Sumbiri is based on an agreed formula to ensure transparency among the JV partners.

Number of direct workers: Expected to grow at c. 8.9% on average throughout the forecast period as the factory has sufficient available capacity for expansion.

Efficiency Rate: Efficiency is expected to be lower compared to other clusters at c. 31.0% up to FY25E as Sumbiri produces relatively complex bras. However, with the familiarity gained amongst the workers in this product type, it is expected that efficiency will improve to c. 33.0% in FY26E.

4 Financial Forecasts and Assumptions

Revenue Per Minute: Revenue per minute is expected to be 0.35 in FY22E and grow by c. 3.2% in FY23E due to a change in the customer profile as Hela is expected to add more customers to the existing portfolio of Sumbiri going forward.

	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity					
Total No. of Direct Workers	931	992	1,078	1,187	1,307
YoY Growth		6.5%	8.7%	10.1%	10.1%
Efficiency	30.0%	31.0%	31.0%	31.0%	33.0%
Internal Standard Hours (000')	583	641	697	768	900
Total Standard Hours (000')	**583**	**641**	**697**	**768**	**900**
Revenue Per Minute (USD)	**0.35**	**0.36**	**0.36**	**0.36**	**0.36**

We estimate CM revenue to range between c. 30.2% to c. 30.8% from FY22E to FY26E.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
FOB Revenue	12,109	13,764	15,140	16,676	19,553
CM Sale % of FOB Sale	30.0%	30.2%	30.7%	30.8%	30.8%
Revenue - CM Sale	**3,633**	**4,158**	**4,644**	**5,140**	**6,026**

Joint Venture – Safeguard Workwear EPZ Limited

Safeguard Workwear EPZ Limited is a joint venture entered in FY22 between the Hela Group and East African Combined Pharmaceutical Centre Limited, a subsidiary of IPS Kenya and the infrastructure and industrial development arm of the Aga Khan Fund for Economic Development (AKFED). This company focuses on the production of medical personal protective equipment (PPE) and other forms of medial wear. Production under Safeguard is more machine-driven than typical apparel manufacturing and, hence, production is limited to the number of machines available in the plant.

Demand for medical PPE is currently being driven by ongoing impact of the COVID-19 pandemic. However, Hela's medium-term objective is to fulfil the demand for protective wear by supplying to hospitals, pharmacies and medical universities in the African region and beyond. This includes sales to the Aga Khan University Hospitals affiliated to AKFED. Revenue per piece is marked at USD 1.27 and it is expected to remain constant during the forecast period.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**896**	**3,974**	**8,158**	**10,459**	**10,720**
No. of pieces ('000)	706	3,129	6,424	8,235	8,441
Revenue Per piece (USD)	1.27	1.27	1.27	1.27	1.27

4.4 COST OF SALES FORECASTS AND ASSUMPTIONS

The cost of sales of the Group was forecast separately for each operational cluster and mainly comprises of raw material cost, labour cost, subcontract cost and production overheads. Cost of sales of the Group is expected to grow at a 5-year CAGR of c. 7.0% during the forecast period.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Intimates							
Sri Lanka	57,403	42,665	62,431	61,876	72,304	86,668	90,240
As a % of Sales	79.3%	78.4%	80.3%	78.3%	78.0%	77.7%	77.6%
Ethiopia	9,515	10,425	16,076	16,785	17,485	18,113	18,793
As a % of Sales	76.6%	77.1%	73.1%	73.6%	74.2%	74.5%	74.3%
Kenya	54,406	52,558	102,846	102,838	107,876	115,517	124,018
As a % of Sales	90.0%	87.0%	90.4%	87.1%	87.3%	87.4%	87.3%
Total Intimates	**121,323**	**105,648**	**181,353**	**181,499**	**197,666**	**220,298**	**233,052**
As a % of Sales	83.5%	82.3%	84.9%	82.5%	82.4%	82.2%	82.1%
Kids wear	**32,007**	**34,938**	**45,144**	**47,145**	**48,815**	**50,466**	**52,216**
As a % of Sales	84.9%	84.1%	84.3%	83.7%	83.5%	83.3%	83.2%
Sumbiri	**-**	**-**	**2,877**	**6,995**	**9,846**	**13,580**	**15,943**
As a % of Sales			97.9%	98.1%	98.0%	98.1%	98.1%
Total COS	**153,331**	**140,586**	**229,373**	**235,639**	**256,326**	**284,344**	**301,211**

We have considered both management input and the performance of each operational cluster within the Hela group in arriving at cost of sales assumptions.

4 Financial Forecasts and Assumptions

Intimates – Sri Lanka

Raw Material Cost: Active brands entail higher raw material cost relative to other brands. Thus, total raw material cost is forecast to be higher compared to historical financial years.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost							
North American Brands	21,167	14,682	22,635	21,232	22,339	23,860	24,903
As a % of Sales	49.0%	51.5%	54.0%	52.0%	52.0%	52.0%	52.0%
Active Brands	-	504	2,401	3,893	8,766	14,973	15,627
As a % of Sales		58.6%	61.5%	60.0%	60.0%	60.0%	60.0%
Lifestyle Brands	14,351	12,603	17,147	17,145	18,979	21,942	22,898
As a % of Sales	52.3%	53.0%	55.0%	54.0%	54.0%	54.0%	54.0%
Value Brands	842	773	484	-	-	-	-
As a % of Sales	65.4%	61.9%	63.0%				
Others	337	-	-	-	-	-	-
As a % of Sales	60.3%						
Total Direct Material Cost	**36,696**	**28,562**	**42,667**	**42,270**	**50,084**	**60,774**	**63,429**
Import Logistics Cost	**1,293**	**799**	**1,944**	**1,265**	**1,483**	**1,784**	**1,861**
As a % of Sales	1.8%	1.5%	2.5%	1.6%	1.6%	1.6%	1.6%
Total Raw Material Cost	**37,989**	**29,361**	**44,611**	**43,535**	**51,567**	**62,558**	**65,290**
As a % of Sales	**52.5%**	**54.0%**	**57.4%**	**55.1%**	**55.6%**	**56.1%**	**56.1%**

Annual Salary Increment: Considering the expected depreciation in the LKR against the USD, the salary cost per direct and indirect worker is expected to grow at c. 4.0% YoY in USD terms during the forecast period. We assume the indirect to direct worker ratio will reduce from 0.33 in FY22E to 0.30 in FY26E due to automation initiatives expected to be undertaken by Hela.

Production Overheads: Production overheads, which have averaged c. 7.6% of sales over the past three years, are expected to reduce to c. 3.9% by FY26E due to a gradual reduction in machine rent cost with the installation of additional machinery and lower fixed cost absorption relative to higher revenue growth.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Labour Cost							
Direct Labour Cost	**7,881**	**5,996**	**8,418**	**8,815**	**10,176**	**12,170**	**12,783**
No. of Direct Workers	3,502	2,628	3,548	3,572	3,965	4,560	4,605
Salary Per Worker (USD)	2,251	2,281	2,373	2,468	2,566	2,669	2,776
Annual Increment Rate	4.0%	1.4%	4.0%	4.0%	4.0%	4.0%	4.0%
Indirect Labour Cost	**5,190**	**3,346**	**4,698**	**4,919**	**5,483**	**6,353**	**6,458**
No. of Indirect Workers	930	871	1,176	1,184	1,269	1,414	1,382
Indirect : Direct Workers	0.27	0.33	0.33	0.33	0.32	0.31	0.30
Salary Per Worker (USD)	5,581	3,842	3,995	4,155	4,321	4,494	4,674
Annual Increment Rate	0.0%	-31.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Labour Cost	**13,072**	**9,342**	**13,116**	**13,734**	**15,658**	**18,523**	**19,241**
As a % of Sales	**18.0%**	**17.2%**	**16.9%**	**17.4%**	**16.9%**	**16.6%**	**16.5%**
Other Production Cost							
Production Overheads	**5,933**	**3,355**	**3,880**	**3,778**	**4,124**	**4,448**	**4,551**
As a % of Sales	8.2%	6.2%	5.0%	4.8%	4.4%	4.0%	3.9%
Subcontract Cost	**409**	**608**	**824**	**829**	**955**	**1,139**	**1,159**
Total Other Production Cost	**6,342**	**3,963**	**4,704**	**4,607**	**8.5,078**	**5,587**	**5,709**
As a % of Sales	**8.8%**	**7.3%**	**6.0%**	**5.8%**	**5.5%**	**5.0%**	**4.9%**

Changes in the customer mix, improvements in efficiency rates, reduction of indirect workers through the installation of auto-cutter machines and other automation initiatives would facilitate an improvement in GP by 50bps to an average of c. 21.6% in the forecast period (vs. the two-year historical average of 21.1%).

Intimates – Ethiopia

Raw Material Cost: Raw material cost is expected to decline marginally to an average of c. 52.2% of sales in the forecast period compared to the three-year average of c. 53.3%. This is due to a reduction in wastage of raw materials via gained experience in production.

Annual Salary Increment: Production incentives and additional costs due to double shifting are expected to result in a significant rise in labour cost in FY22E, with a steady increase of c. 9.0% thereafter. Despite a constant direct workers count; we have assumed a gradual reduction in indirect workers due to automation initiatives. Thus, the indirect to direct worker ratio is expected to reduce from 0.39 in FY22E to 0.30 in FY26E.

Production Overheads: Production overheads have been equivalent to c. 8.1% of sales during the past three years and are expected to be around 6.0% during the forecast period due to installation of additional machines, which eliminates the machine rent cost of USD 232,790.

4 Financial Forecasts and Assumptions

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost	**5,868**	**6,528**	**9,902**	**10,692**	**11,055**	**11,406**	**11,859**
As a % of Sales	47.2%	48.3%	45.0%	46.9%	46.9%	46.9%	46.9%
Import Logistics Cost	**690**	**751**	**1,540**	**1,231**	**1,273**	**1,313**	**1,365**
As a % of Sales	5.6%	5.6%	7.0%	5.4%	5.4%	5.4%	5.4%
Total Raw Material Cost	**6,558**	**7,278**	**11,442**	**11,923**	**12,328**	**12,720**	**13,224**
As a % of Sales	**52.8%**	**53.9%**	**52.0%**	**52.3%**	**52.3%**	**52.3%**	**52.3%**
Direct Labour Cost	**734**	**679**	**1,258**	**1,371**	**1,495**	**1,629**	**1,776**
No. of Direct Workers	1,132	1,200	1,779	1,779	1,779	1,779	1,779
Salary Per Worker (USD)	649	566	707	771	840	916	998
Annual Increment Rate	135.3%	-12.8%	25.0%	9.0%	9.0%	9.0%	9.0%
Indirect Labour Cost	**1,415**	**1,303**	**2,054**	**2,124**	**2,250**	**2,313**	**2,292**
No. of Indirect Workers	363	550	694	658	623	587	534
Indirect : Direct Workers	0.32	0.46	0.39	0.37	0.35	0.33	0.30
Salary Per Worker (USD)	3,898	2,369	2,961	3,227	3,614	3,940	4,294
Annual Increment Rate	39.6%	51.5%	25.0%	9.0%	12.0%	9.0%	9.0%
Total Labour Cost	**2,149**	**1,982**	**3,312**	**3,496**	**3,745**	**3,942**	**4,068**
As a % of Sales	**17.3%**	**14.7%**	**15.1%**	**15.3%**	**15.9%**	**16.2%**	**16.1%**
Total Other Production Cost	**807**	**1,165**	**1,321**	**1,367**	**1,412**	**1,451**	**1,501**
As a % of Sales	**6.5%**	**8.6%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**5.9%**

Changes in the customer mix, improvement in the efficiency rate, reduction of indirect workers with auto-cutter machines and zero machine rent cost will facilitate an improvement in the GP by 294bps to an average of 26.1% in the forecast period.

Intimates – Kenya

Raw Material Cost: While a change in specific customer mix is expected to lead to a drop in raw material costs for Lifestyle brands, overall raw material costs are expected to average around c. 60.2% of sales in the forecast period due to the addition of Active brands. Similarly, a decrease in the raw material cost of Value brands is expected as the customers transferred to the Kenyan cluster from Sri Lankan Intimates cluster have relatively low costs compared to brands catered through the Kenyan cluster in the past.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost							
North American Brands	15,966	19,212	15,657	35,972	30,370	31,725	33,535
As a % of Sales	52.7%	54.6%	54.8%	58.0%	55.8%	55.8%	55.8%
Active Brands	-	-	-	19,628	24,461	25,216	26,261
As a % of Sales				60.0%	57.4%	57.4%	57.4%
Lifestyle Brands	189	127	2,372	8,184	6,361	6,886	7,722
As a % of Sales	57.4%	56.4%	58.5%	60.0%	57.0%	57.0%	57.0%
Value Brands	15,152	14,976	15,545	3,499	6,016	6,546	7,882
As a % of Sales	61.5%	60.3%	63.6%	65.0%	61.5%	61.5%	61.5%
Others	457	106	2,147	-	-	-	-
As a % of Sales	30.2%	125.5%	6.6%				
Direct Material Cost	**31,763**	**34,421**	**35,721**	**67,282**	**67,208**	**70,374**	**75,400**
Import Logistics Cost	**1,560**	**1,820**	**292**	**4,436**	**2,951**	**3,088**	**3,305**
As a % of Sales	2.8%	3.0%	0.5%	3.9%	2.5%	2.5%	2.5%
Total Raw Material Cost	**33,323**	**36,241**	**36,013**	**71,719**	**70,158**	**73,462**	**78,705**
As a % of Sales	**60.0%**	**59.6%**	**63.0%**	**59.4%**	**59.5%**	**59.5%**	**59.5%**

Annual Salary Increment: Salary per direct and indirect worker is expected to grow at 5.0% YoY in the forecast period. The indirect to direct worker ratio is expected to reduce from 0.30 in FY22E and stabilize to 0.26 from FY23E onwards due to automation initiatives expected to be undertaken by Hela.

Production Overheads: Production overheads, which have averaged c. 8.8% of sales over the past three years, are expected to average 5.7% for the forecast period due to a gradual reduction in variable costs and other fixed overhead costs.

4 Financial Forecasts and Assumptions

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Labour Cost							
Direct Labour Cost	**6,433**	**5,090**	**7,536**	**7,958**	**8,440**	**9,517**	**10,293**
No. of Direct Workers	2,970	2,724	3,841	3,863	3,901	4,190	4,316
Salary Per Worker (USD)	2,166	1,869	1,962	2,060	2,163	2,271	2,385
Annual Increment Rate	-3.7%	-13.7%	5.0%	5.0%	5.0%	5.0%	5.0%
Indirect Labour Cost	**4,407**	**3,528**	**5,380**	**4,869**	**5,164**	**5,824**	**6,298**
No. of Indirect Workers	982	802	1,165	1,004	1,014	1,089	1,122
Indirect : Direct Workers	0.33	0.29	0.30	0.26	0.26	0.26	0.26
Salary Per Worker (USD)	4,487	4,399	4,619	4,850	5,093	5,347	5,615
Annual Increment Rate	-15.1%	-2.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Labour Cost	**10,840**	**8,618**	**12,916**	**12,828**	**13,604**	**15,341**	**16,591**
As a % of Sales	**17.9%**	**14.3%**	**11.4%**	**10.9%**	**11.0%**	**11.6%**	**11.7%**
Other Production Cost							
Production Overheads	**5,938**	**5,131**	**6,675**	**6,892**	**7,122**	**7,356**	**7,628**
As a % of Sales	9.8%	8.5%	5.9%	5.8%	5.8%	5.6%	5.4%
Subcontract Cost	**1,387**	**2,796**	**11,536**	**12,960**	**13,688**	**14,116**	**15,177**
Total Other Production Cost	**7,325**	**7,926**	**18,211**	**19,852**	**20,810**	**21,472**	**22,806**
As a % of Sales	**12.1%**	**13.1%**	**16.0%**	**16.8%**	**16.8%**	**16.2%**	**16.0%**

Rationalizing the customer mix, improvement in the efficiency rate, reduction of indirect workers with auto-cutter machines will support the growth in GP margin during the forecast period. However, increased sourcing through sub-contracting would reduce the GP margin to 9.6% in FY22E vs. 13.0% in FY21. It should be noted that in FY21, the Kenyan Intimates cluster achieved high mask sales amidst the pandemic which has resulted in higher margins. However, we have not assumed any mask sales for the forecast period due to the establishment of Safeguard Workwear EPZ Limited as a standalone company focusing on medical personal protective equipment.

Kidswear

Raw Material Cost: Raw material cost is forecast as a percentage of sales and the key products manufactured by the Kidswear cluster are not expected to change significantly. As such, raw material cost as a proportion of sales is expected to be in line with the historical years.

Annual Salary Increment: Considering the LKR to USD depreciation, salary per direct and indirect worker is expected to grow at c. 4.0% YoY in the forecast period. We have assumed the indirect to direct worker ratio would reduce from 0.35 in FY22E to 0.30 in FY26E due to automation initiatives.

Production Overheads: Production overheads have averaged c. 7.2% of sales over the past three years and are expected to reduce to c. 4.8% in FY26E due to a gradual reduction in machine rent cost through their replacement with owned machines. Production overheads also include worker transportation cost which is significantly higher during FY21 as Hela provided additional transportation facilities to employees to curb the spread of COVID-19 virus. Transportation costs are expected to decline as Sri Lanka returns to normalcy led by the vaccination drive.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost	**22,531**	**24,717**	**32,119**	**33,525**	**34,779**	**36,056**	**37,354**
As a % of Sales	59.7%	59.5%	60.0%	59.5%	59.5%	59.5%	59.5%
Import Logistics Cost	**537**	**603**	**803**	**789**	**818**	**848**	**879**
As a % of Sales	1.4%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%
Total Raw Material Cost	**23,068**	**25,320**	**32,922**	**34,314**	**35,598**	**36,904**	**38,234**
As a % of Sales	**61.2%**	**60.9%**	**61.5%**	**60.9%**	**60.9%**	**60.9%**	**60.9%**
Direct Labour Cost	**3,246**	**3,889**	**5,056**	**5,601**	**5,884**	**6,180**	**6,492**
No. of Direct Workers	1,494	1,934	2,418	2,576	2,601	2,627	2,654
Salary Per Worker (USD)	2,173	2,011	2,091	2,175	2,262	2,352	2,446
Annual Increment Rate	-14.1%	-7.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Indirect Labour Cost	**2,381**	**2,628**	**3,416**	**3,649**	**3,691**	**3,698**	**3,760**
No. of Indirect Workers	512	677	846	869	845	814	796
Indirect : Direct Workers	0.34	0.35	0.35	0.34	0.33	0.31	0.30
Salary Per Worker (USD)	4,650	3,882	4,037	4,198	4,366	4,541	4,723
Annual Increment Rate	-28.7%	-16.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Labour Cost	**5,627**	**6,517**	**8,471**	**9,251**	**9,575**	**9,879**	**10,251**
As a % of Sales	**14.9%**	**15.7%**	**15.8%**	**16.4%**	**16.4%**	**16.3%**	**16.3%**
Production Overheads	**2,952**	**2,699**	**2,803**	**2,860**	**2,922**	**2,963**	**3,012**
As a % of Sales	7.8%	6.5%	5.2%	5.1%	5.0%	4.9%	4.8%
Subcontract Cost	**360**	**402**	**947**	**720**	**720**	**720**	**720**
Total Other Production Cost	**3,312**	**3,101**	**3,750**	**3,580**	**3,642**	**3,683**	**3,732**
As a % of Sales	**8.8%**	**7.5%**	**7.0%**	**6.4%**	**6.2%**	**6.1%**	**5.9%**

Changes in customer mix, improvements in the efficiency rate, and a reduction of indirect workers will facilitate an improvement in the GP margin by 90bps to an average of c. 16.4% in the forecast period (vs. two-year historical average of c. 15.5%).

Joint Venture – Sumbiri Intimate Apparel PLC

Raw Material Cost: Raw material costs are expected to range between c. 64.2% to c. 65.0% of sales during the forecast period. Most raw materials are currently provided by customer-nominated suppliers, allowing limited space for price negotiation. However, it is expected that the supplier base will become more competitive over time and raw material costs as a percentage of sales will decline. Import logistics cost is assumed to be c. 4.0% of FOB revenue in FY22E and c. 3.3% of FOB revenue thereafter. Cut and make charge is expected to range between c. 30.0% to c. 30.8% of FOB revenue during the forecast period.

A portion of Sumbiri's raw material cost, import logistics cost and CM charge will be recorded directly under Hela's cost of sales of, while the remaining cost is attributable to the other Joint Venture Partners.

Labour cost: With the reduction in the indirect cadre due to the automation initiatives, labour cost out of FOB revenue will reduce from c. 15.4% in FY22E to 12.7% in FY26E.

4 Financial Forecasts and Assumptions

Production overheads: The production overhead cost is expected to reduce gradually to c. 9.0% in FY25E as a result of lower fixed cost absorption relative to increasing revenue where insurance for machines, rental and depreciation costs are fixed in nature.

The GP margin for Sumbiri is expected to increase from c. 7.5% in FY22E to 29.6% in FY26E with the addition of new customers and efficiency improvements.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Cost of Sales Attributable to Sumbiri					
Direct Labour Cost	**661**	**768**	**910**	**1,092**	**1,311**
No. of Direct Workers	931	992	1,078	1,187	1,307
Salary Per Worker (USD)	710	774	844	920	1,003
Annual Increment Rate	-	9.0%	9.0%	9.0%	9.0%
Indirect Labour Cost	**1,205**	**1,032**	**1,060**	**1,001**	**1,173**
No. of Indirect Workers	410	377	377	392	418
Indirect : Direct Workers	0.44	0.38	0.35	0.33	0.32
Salary Per Worker (USD)	2,941	3,206	3,494	3,809	4,152
Annual Increment Rate		9.0%	9.0%	9.0%	9.0%
Total Labour Cost	**1,866**	**1,800**	**1,969**	**2,093**	**2,484**
As a % of CM Sales	**49.3%**	**43.3%**	**42.4%**	**40.7%**	**41.2%**
Total Other Production Cost	**1,493**	**1,376**	**1,438**	**1,501**	**1,760**
As a % of CM Sales	**41.1%**	**33.1%**	**31.0%**	**29.2%**	**29.2%**

Joint Venture – Safeguard Workwear EPZ Limited

Raw Material Cost: Safeguard will initially produce medical respirators, which are high margin products relative to other apparel products. The production is also relatively machine driven, resulting in higher efficiencies and lower wastage of raw materials. As a result, raw material cost as a percentage of revenue in Safeguard is low compared to other clusters.

Direct Labour Cost: The number of direct workers is derived by assuming that for each line 18 workers are required per shift. Salary per worker is expected to grow at a constant c. 4% YoY in all forecast years except in FY23E where we have assumed a growth of c. 14%, a c. 10% higher growth to factor the increased labour cost due to the expected implementation of a double shift operation.

Indirect Labour Cost: As the plant size grows, the indirect to direct worker ratio is expected to decline from 0.5 to 0.3. Salary per worker is expected to grow at a constant c. 5% YoY in all forecast years except in FY23E where we assumed growth of c. 14%, a 9% higher growth due to the increased labour cost from the implementation of a double shift operation.

Production Overhead: With the increase in the scale of the business, the production overhead cost as a percentage of revenue is expected to decline. Therefore, we have assumed a decline from c. 27% to c. 10% between FY22E to FY26E as a result of lower fixed cost absorption relative to increasing revenue where factory and machine rental costs are fixed in nature.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost	**359**	**1,514**	**3,107**	**3,983**	**4,083**
As a % of Sales	40.0%	38.1%	38.1%	38.1%	38.1%
Import Logistics Cost	**18**	**61**	**124**	**159**	**163**
As a % of Sales	5.0%	4.0%	4.0%	4.0%	4.0%
Total Raw Material Cost	**377**	**1,574**	**3,231**	**4,143**	**4,246**
As a % of Sales	**42.0%**	**39.6%**	**39.6%**	**39.6%**	**39.6%**
Direct Labour Cost	**50**	**193**	**401**	**521**	**542**
No. of Direct Workers	36	72	144	180	180
Salary Per Worker (USD)	2,347	2,675	2,782	2,893	3,009
Annual Increment Rate		14.0%	4.0%	4.0%	4.0%
Indirect Labour Cost	**118**	**362**	**666**	**799**	**787**
No. of Indirect Workers	18	29	50	58	54
Indirect : Direct Workers	0.50	0.40	0.35	0.32	0.30
Salary Per Worker (USD)	11,037	12,582	13,211	13,871	14,565
Annual Increment Rate		14.0%	5.0%	5.0%	5.0%
Total Labour Cost	**169**	**555**	**1,066**	**1,320**	**1,328**
As a % of Sales	**18.8%**	**14.0%**	**13.1%**	**12.6%**	**12.4%**
Total Other Production Cost	**242**	**596**	**979**	**1,150**	**1,072**
As a % of Sales	**27.0%**	**15.0%**	**12.0%**	**11.0%**	**10.0%**

Overall, the GP margin of the Safeguard operation is expected to be c. 12.2% in FY22E and increase to c. 38.0% by FY26E.

4.5 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of Hela consist primarily of sales commission, freight & travel expenses and other selling and distribution expenses. Selling and distribution expenses have been forecast as a percent of revenue and it is expected to grow at a CAGR of c. 7.2% and c. 75.4% for Hela and Safeguard respectively over the forecast years.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Hela Group - Excluding JVs	3,297	3,185	5,020	5,179	5,634	6,258	6,630
As a % of revenue	1.8%	1.9%	1.9%	1.8%	1.8%	1.8%	1.8%
Safeguard	-	-	136	477	979	1,255	1,286
As a % of revenue			15.2%	12.0%	12.0%	12.0%	12.0%

4 Financial Forecasts and Assumptions

4.6 ADMINISTRATION EXPENSES

The administrative expenses of Hela consist primarily of personnel cost, rent cost, depreciation & amortization charges and other general administrative expenses. The total administrative expenses of Hela are expected to grow at a CAGR of c. 4.4% in the forecast period while for Sumbiri and Safeguard it is expected to grow at a CAGR of c. 11.1% and c. 12.8% respectively.

Hela incurred a COVID related expense of USD 0.5mn in FY21 which includes the costs incurred for the care of employees that tested positive, sanitization and safety measures being taken amidst the pandemic. The provision for COVID related expenses is expected to be USD 1.5mn and USD 1mn for FY22E and FY23E respectively, due to expenses incurred to ensure all the employees are vaccinated in Kenya and Ethiopian similar to Sri Lanka, where vaccinations for employees were carried out free of charge. This also includes costs that may be incurred on intermediate care centres and hotels for employees that have test positive, as well as for sanitization measures.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Hela Group - Excluding JVs	17,052	18,738	21,290	22,814	23,149	24,051	25,311
YoY Growth	-25.7%	9.9%	13.6%	7.2%	1.5%	3.9%	5.2%
Sumbiri	-	-	586	656	731	812	893
YoY Growth	-	-	-	12.0%	11.5%	11.0%	10.0%
Safeguard	-	-	26	36	38	40	42
YoY Growth	-	-	-	40.0%	5.0%	5.0%	5.0%

4.7 WORKING CAPITAL

The working capital cycle has been forecast using the following assumptions.

Days	Hela	Sumbiri	Safeguard
Inventory	60	7	61
Receivables	50	15	30
Payables	53	15	1

Hela excluding JVs

Inventory days: Inventory days for Hela have averaged 52 over the past three years, but increased to 71 in FY21 due to the pandemic. While they are expected to reduce based on the expected normalisation in business conditions, we have forecast inventory dates to remain higher than the historical average at around 60 due to the Company's ongoing expansions.

Receivable days and Payable days: Both trade receivable days and payable days are expected to be in line with the three-year historical average.

Sumbiri

Inventory days: The required inventory would be maintained by the JV partner. Therefore, inventory days are expected to be lower than the Hela Group. We have assumed inventory days to be 7.

Receivable days and Payable days: Both trade receivable days and payable days are expected to be 15. The days are lower relative to Hela group because Sumbiri deals with the JV partners and orders are not directly with customers or suppliers.

Safeguard

Inventory days: Inventory days are expected to be 61 in line with the Hela Group.

Receivable days: Trade receivable days are expected to be 30 which is in line with credit period agreed with the Aga Khan hospital network.

Payable days: Credit is not granted by suppliers. Payable days are expected to be 1 considering the other payables.

5 Valuation Methodology

We considered the Discounted Cash Flow (DCF) valuation methodology as the primary valuation method in order to arrive at a fair value for Hela's shares based on the relevance and appropriateness of the DCF valuation methodology for a company that engages in manufacturing of apparel products. We have also considered the Forward PER valuation method as a secondary valuation method.

5.1 DISCOUNTED CASH FLOW (DCF) METHOD

A discounted cash flow (DCF) analysis was used in order to arrive at an intrinsic value for Hela. A DCF analysis can be used to measure a company's ability to generate future cash flows. A DCF method can capture a company's growth potential and provide a more reflective result of the entire value of a business. Free cash flow to equity (FCFE) was calculated using the following formula:

Earnings Before Interest and Tax x (1-tax rate)

+ Depreciation and Amortization

- Capital Expenditure

+ Working Capital Investment

- Interest Payments

+ Net Borrowings

= FCFE

In deriving an intrinsic value for Hela, the present value of FCFEs was calculated using the following:

$$V_0 = \left[\sum_{t=1}^{n} \frac{FCFE_t}{(1+Ke)^t} \right] + TVn$$

Where:

V_0 = Intrinsic Value in year 0

FCFEt = Free Cash flow to Equity in year t

Ke = Cost of Equity

TV_n = Present value of terminal value at year n

Further, the Gordon Growth Model (GGM) was used to derive TVn with the following formula:

$$TVn = \frac{FCFEn\ (1+g)}{(Ke-g) \times (1+Ke)^n}$$

Where:

g = Growth rate of FCFE

Ke = Cost of Equity

The discount rate used in the DCF calculation is the Cost of Equity (Ke) which captures the effect of equity capital when calculating the required rate of return. The following formula is used to calculate the Ke:

$$Ke = Rf + (ERP \times \beta)$$

Where:

Rf = Risk Free Rate

ERP = Equity Risk Premium

ß = Beta

In arriving at the intrinsic value per share for Hela, the following formula was used:

$$\text{Intrinsic Value of Hela} = \frac{\text{(Present Value of FCFEs + Cash \& Cash Equivalents + Investment Property + Equity Value of JVs attributabe to Hela)}}{\text{Number of Shares in Issue (Post-IPO)}}$$

5.2 P/E RELATIVE

A P/E ratio measures a company's market value to its earnings. The relative value for Hela's shares using a P/E ratio would be calculated as follows:

$$\text{Implicit Value of Hela} = \left(\text{Earnings of Hela} * \frac{P}{E}\ \text{Multiple}\right)$$

Where:

P/E Multiple: Weighted Average of the Peer Group P/E Multiple

Earnings = Profit Attributable to Equity Holders of Hela

In arriving at the value per share for Hela based on PER relative, the following formula was used:

$$\text{Value per share of Hela} = \frac{\text{Implicit Value of Hela}}{\text{Number of Shares in Issue (Post-IPO)}}$$

6 Valuation Results

This section details the assumptions used for the valuation and results based on the valuation methods described in Section 5 – Valuation Methodology.

6.1 DISCOUNTED CASH FLOW (DCF) VALUATION METHOD

6.1.1 Valuation Summary based on DCF Method

As at 30 September 2021	Valuation (USD 000')	Effective Holding	Effective Valuation (USD 000')
Post Money Equity Value of Hela- Excluding JVs	119,363	100%	119,363
Equity Value of Joint Ventures			
Sumbiri Intimate Apparel PLC	4,866	50%	2,433
Safeguard Workwear EPZ Limited	13,588	50%	6,794
Total Post Money Equity Value of Hela			**128,590**
LKR Valuation			
Exchange Rate*			199.9800
Post Money Valuation (LKR 000')			**25,715,395**
Sum of Total Number of Shares in Issue Post IPO & Unissued ESOS Shares			1,335,544,971
Value per share of Hela (LKR)			**19.25**

*USD/LKR rate as at 16th August 2021
Number of shares (Pre-IPO): 1,036,008,946
Number of shares offered through the IPO: 267,108,998
Number of unissued ESOS shares: 32,427,027

Based on the DCF analysis, the total equity value of Hela is LKR 25,715 Mn with LKR 19.25 per voting share.

6.1.2 Hela Group – Excluding JVs

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
	Explicit Period				
EBIT	9,636	21,073	24,603	29,310	31,265
Effective tax rate %	5.5%	9.7%	9.7%	9.7%	9.7%
EBIT (1-T)	9,106	19,023	22,210	26,459	28,225
Depreciation & Amortisation	3,206	5,853	5,753	5,512	5,381
CAPEX & Acquisition	(10,020)	(7,817)	(6,556)	(5,000)	(5,219)
Change in Working Capital	(2,670)	5,531	(5,220)	(7,033)	(4,072)
FCFF	(378)	22,590	16,187	19,938	24,315
Interest Payments	(3,505)	(6,412)	(6,464)	(6,771)	(7,005)
Net Borrowings	(8,363)	(11,016)	3,597	3,501	(108)
FCFE	(12,246)	5,162	13,320	16,668	17,203
Terminal Value	-	-	-	-	-
FCFE including Terminal Value	(12,246)	5,162	13,320	16,668	17,203
Discount factor	0.9366	0.8216	0.7207	0.6321	0.5545
Discounted CF	(11,470)	4,241	9,599	10,537	9,539

USD 000'	FY27E	FY28E	FY29E	FY30E	FY31E
	Implicit Period				
EBIT	32,951	34,071	34,277	34,963	35,487
Effective tax rate %	14.4%	14.4%	16.1%	16.1%	16.1%
EBIT (1-T)	28,216	29,175	28,769	29,345	29,785
Depreciation & Amortisation	5,333	5,546	5,713	5,827	5,915
CAPEX & Acquisition	(5,333)	(5,546)	(5,713)	(5,827)	(5,915)
Change in Working Capital	(4,275)	(4,446)	(4,580)	(4,671)	(4,741)
FCFF	23,940	24,728	24,190	24,674	25,044
Interest Payments	(5,998)	(5,998)	(5,879)	(5,879)	(5,879)
Net Borrowings	-	-	-	-	-
FCFE	17,942	18,730	18,311	18,795	19,165
Terminal Value	-	-	-	-	155,599
FCFE including Terminal Value	17,942	18,730	18,311	18,795	174,764
Discount factor	0.4864	0.4267	0.3743	0.3283	0.2880
Discounted CF	8,727	7,992	6,853	6,170	50,327

As at 30 September 2021	USD 000'
Total Discounted CF	102,516
Cash & Cash Equivalents	10,135
Investment Property	1,712
Amount Allocated for Acquisitions	5,000
Post Money-Equity Value of Hela – Excluding JVs	**119,363**

Key Assumptions	
Risk-Free Rate	1.97%
Beta	1.08
Equity Risk Premium	11.12%
Cost of Equity	14.00%
Terminal Growth	1.50%

Based on the DCF analysis, the total equity value of Hela Group excluding joint venture partnerships is USD 119.4 Mn.

6 Valuation Results

Sensitivity Analysis (USD 000')

Terminal Growth Rate	Cost of equity				
	13.0%	13.5%	**14.0%**	14.5%	15.0%
0.5%	125,366	119,995	115,035	110,441	106,175
1.0%	127,960	122,315	117,116	112,313	107,864
1.5%	130,780	124,828	**119,363**	114,329	109,678
2.0%	133,857	127,559	121,797	116,506	111,631
2.5%	137,226	130,539	124,443	118,864	113,740

6.1.3 Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
	Explicit Period				
EBIT	260	329	510	739	895
Effective tax rate %	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (1-T)	260	329	510	739	895
Depreciation & Amortisation	140	188	180	172	165
CAPEX & Acquisition	(1,364)	(88)	(84)	(80)	(77)
Change in Working Capital	(455)	(26)	(15)	(16)	(22)
FCFF	(1,419)	404	590	815	960
Interest Payments	-	-	-	-	-
Net Borrowings	-	(350)	(540)	(250)	-
FCFE	(1,419)	54	50	565	960
Terminal Value	-	-	-	-	-
FCFE including Terminal Value	(1,419)	54	50	565	960
Discount factor	0.9414	0.8342	0.7393	0.6551	0.5805
Discounted CF	(1,336)	45	37	370	558

USD 000'	FY27E	FY28E	FY29E	FY30E	FY31E
	Implicit Period				
EBIT	1,021	1,133	1,221	1,278	1,297
Effective tax rate %	0.0%	0.0%	30.0%	30.0%	30.0%
EBIT (1-T)	1,021	1,133	1,099	895	908
Depreciation & Amortisation	165	153	132	120	122
CAPEX & Acquisition	(88)	(98)	(105)	(110)	(112)
Change in Working Capital	-	-	-	-	-
FCFF	1,098	1,188	1,125	905	919
Interest Payments	-	-	-	-	-
Net Borrowings	-	-	-	-	-
FCFE	1,098	1,188	1,125	905	919
Terminal Value	-	-	-	-	8,218
FCFE including Terminal Value	1,098	1,188	1,125	905	9,137
Discount factor	0.5145	0.4559	0.4040	0.3580	0.3173
Discounted CF	565	542	455	324	2,899

As at 30 September 2021	USD 000'
Total Discounted CF	4,457
Cash & Cash Equivalents	409
Pre Money-Equity Value of Sumbiri	**4,866**
Hela's Stake	50%
Equity Value attributable to Hela	**2,433**

Key Assumptions	
Risk-Free Rate	1.97%
Beta	1.08
Equity Risk Premium	10.05%
Cost of Equity	12.85%
Terminal Growth	1.50%

Based on the DCF analysis, the total equity value of Sumbiri is USD 4.9 Mn.

Sensitivity Analysis (USD 000')

Terminal Growth Rate	Cost of equity					
		11.8%	12.3%	**12.8%**	13.3%	13.8%
	0.5%	5,242	4,923	4,631	4,363	4,116
	1.0%	5,386	5,050	4,744	4,463	4,205
	1.5%	5,544	5,189	**4,866**	4,571	4,301
	2.0%	5,718	5,341	5,000	4,689	4,405
	2.5%	5,911	5,509	5,146	4,818	4,519

6.1.4 Safeguard Workwear EPZ Limited

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
	Explicit Period				
EBIT	(53)	736	1,864	2,551	2,745
Effective tax rate %	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (1-T)	(53)	736	1,864	2,551	2,745
Depreciation & Amortisation	64	60	73	77	75
CAPEX & Acquisition	(640)	(20)	(190)	(120)	(50)
Change in Working Capital	(306)	(302)	(618)	(340)	(39)
FCFF	(935)	473	1,129	2,168	2,731
Interest Payments	(20)	(41)	(34)	(26)	(17)
Net Borrowings	408	(72)	(79)	(87)	(95)
FCFE	(547)	361	1,017	2,056	2,619
Terminal Value	-	-	-	-	-
FCFE including Terminal Value	(547)	361	1,017	2,056	2,619
Discount factor	0.9414	0.8342	0.7393	0.6551	0.5805
Discounted CF	(515)	301	752	1,347	1,520

6 Valuation Results

USD 000'	FY27E	FY28E	FY29E	FY30E	FY31E
	Implicit Period				
EBIT	2,742	2,799	2,853	2,901	2,945
Effective tax rate %	0.0%	0.0%	0.0%	0.0%	25.0%
EBIT (1-T)	2,742	2,799	2,853	2,901	2,208
Depreciation & Amortisation	66	56	57	58	59
CAPEX & Acquisition	(55)	(56)	(57)	(58)	(59)
Change in Working Capital	(219)	(224)	(228)	(232)	(236)
FCFF	2,533	2,575	2,624	2,669	1,973
Interest Payments	(17)	(17)	(17)	(17)	(13)
Net Borrowings	(95)	(95)	(95)	(95)	(95)
FCFE	2,421	2,463	2,512	2,557	1,865
Terminal Value	-	-	-	-	16,683
FCFE including Terminal Value	2,421	2,463	2,512	2,557	18,548
Discount factor	0.5145	0.4559	0.4040	0.3580	0.3173
Discounted CF	1,246	1,123	1,015	915	5,885

As at 30 September 2021	USD 000'
Total Discounted CF	13,588
Cash & Cash Equivalents	-
Pre Money-Equity Value of Safeguard	**13,588**
Hela's Stake	50%
Equity Value attributable to Hela	**6,794**

Key Assumptions	
Risk-Free Rate	1.97%
Beta	1.08
Equity Risk Premium	10.05%
Cost of Equity	12.85%
Terminal Growth	1.50%

Based on the DCF analysis, the total equity of Safeguard is USD 13.6 Mn.

Sensitivity Analysis (USD 000')

		Cost of equity				
		11.8%	12.3%	**12.8%**	13.3%	13.8%
Terminal Growth Rate	0.5%	14,206	13,528	12,904	12,327	11,792
	1.0%	14,613	13,893	13,232	12,623	12,060
	1.5%	15,058	14,290	**13,588**	12,943	12,349
	2.0%	15,548	14,725	13,976	13,291	12,662
	2.5%	16,090	15,204	14,401	13,670	13,002

6.2 FORWARD PER VALUATION METHOD

CT CLSA and CAL used the following Comparable Peers for the relative valuation of Hela. The peer group for Hela was selected based off the companies listed under the 'Consumer Durables and Apparel' industry group based on the GICS classification on the CSE.

The applicable ratios for the Comparable Peers are provided in the table below.

Listed Peer	Market Cap. (LKR Mn) *	PAT to Shareholders FY22E (LKR Mn)	No. of Shares	MPS (LKR)	EPS FY22E (LKR)	Forward Implied PER**
Teejay Lanka PLC	30,246	2,339	716,739,975	42.20	3.26	12.9
Hayleys Fabric PLC	15,124	1,174	415,481,776	36.40	2.83	12.9
Market Cap. Weighted Average PER						**12.9**

Source: Colombo Stock Exchange and Bloomberg
*Market Capitalization as at 12 November 2021 as per CSE Daily report
**Forward implied PER for peers are based on broker consensus from Bloomberg as at 12 November 2021

	(LKR Mn)
FY22E PAT Attributable to Shareholders	1,570
Market Cap. Weighted Average Peer PER	12.9x
Value of Hela	**20,282**
Weighted average number of diluted ordinary shares for FY22E	1,103,271,942
Value per Share of Hela (LKR)	**18.38**

Based on the Peer Weighted Average PER, the total equity value of Hela is LKR 20,282 Mn with a per share value of LKR 18.38 per share.

7 Risks

The future performance of Hela is subject to a number of risks that may or may not be within the control of the Company. Should any of the risks highlighted here materialise, it could have an adverse effect on the performance of the Company and its ordinary share price. This section highlights the main sources (but not necessarily all) of the risks faced by the Company.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has resulted in a major economic downturn in most parts of the world including the US, UK and Europe. This has negatively impacted both the supply and demand sides of apparel manufacturers globally. Further disruptions to economic activities in Hela's key markets, for example due to the emergence of new variants of the virus, could have an impact on the company's revenue growth. Similarly, operational disruptions due to a resurgence of infections in Hela's manufacturing locations would have the potential to impact both top and bottom line performance. However, as has been demonstrated throughout the pandemic, demand from Hela's customers has been resilient to fluctuations in overall consumer demand. In addition, Hela has rolled out vaccinations to their employees to minimize the possibility of further disruptions to its manufacturing operations.

SUPPLY CHAIN SECURITY

Volatilities in the supply chains of almost all industries coupled with elevated freight costs have been a key feature of the pandemic and look set to continue for some time. In addition, there has been a tightening of supply in the global textile market as some customers have ruled out the use of Chinese cotton as a result of concerns around the use of forced labour. Any disruption to Hela's supply chain negatively impacts operational performance and reduces profitability, and the company is actively pursuing a strategy to diversify its raw material sourcing base in order to mitigate this risk. In addition, Hela is planning to invest in a fabric mill in Sri Lanka, which would help it gain greater control over its supply chain.

LOSS OF STRATEGIC RELATIONSHIPS

Hela has built strong relationships with global apparel brands such as Tommy Hilfiger, Calvin Klein and Michael Kors. Any loss of these relationships would have a negative impact on the company's performance. However, Hela has been able to build long term relationships with its customers through strategic initiatives. By continuously testing new supply chain models to meet customer requirements and reduce delivery times, Hela is dedicated to ensuring customer gets the best solutions that exceed their requirements. Furthermore, to reduce risks, the company has also built a portfolio of global emerging brands to ensure a sustainable future demand pipeline.

FINANCIAL INSTABILITY OF CUSTOMERS

The financial health of its customers is paramount to every apparel manufacturer around the globe. The bankruptcy of a retail brand would have a direct impact on their performance due to the likelihood of delayed payments and underutilized production capacity. In order to manage this risk, Hela has implemented internal controls such as obtaining credit reports on all customers during the customer onboarding stage and regularly monitors the financial performance of its key customers.

LACK OF SYSTEM INTEGRATION

Hela currently uses 34 IT systems that operate with minimum integration and provide insufficient support to the requirements of the core business. Furthermore, the current systems are not supportive of the management's strategy to expand both in terms of revenue and geographical footprint. In order to better streamline its operations and aid with disaster recovery in the case of cyber-attacks, the Company is implementing the SAP S/4HANA Fashion Enterprise Resource Planning (ERP) system to create a 'Digital Core'. This will help to create consistency across the systems used for a particular function throughout the Group, reduce lead times, generate additional insights for decision making, support business growth and stability by streamlining processes, create data resilience and insights, and ensure disaster recovery for the systems most critical for operations.

INTEREST RATE INCREASES

Hela predominantly has US dollar denominated borrowings where the interest rates are linked to major international benchmarks, such as LIBOR. As a result, Hela would be negatively impacted in the event of an increase in the US interest rates as it would automatically trigger an increase in its financing costs. Considering the prevailing economic conditions, if Sri Lanka's sovereign risk increases, this would also lead to an increase in Hela's funding costs as it primarily borrows from Sri Lankan banks.

8 Value Recommendation

We summarise the rationale for our recommendation as follows:

- The DCF valuation indicates a price of LKR 19.25
- The Forward PER relative valuation indicates a price of LKR 18.38

CT CLSA and CAL conclude our valuation recommendation of LKR 19.25 a share of Hela based on our primary valuation metric – SOTP using DCF valuation.

9 Individuals Materially Participating in the Valuation Assignment

9.1 CAL TEAM

Deshan Pushparajah, CFA, FCMA, FCCA, BSc – Managing Director, Global Markets & Investment Banking

Deshan is an expert at public and private capital markets, both buy-side and sell-side M&A and enjoys the trust of an established network of clients in the local and international capital markets. He has been with the group since 2007 and has overseen the team through the changing post-conflict economic realities and has been instrumental in CAL emerging as a market leader in Equity capital markets and a considerable force in Debt capital markets. Deshan is a CFA charter holder (USA) and a Fellow Member of the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. He also holds a bachelor's degree in Applied Accounting from Oxford Brookes University, UK

Vishnu Balachandran, CFA, FCMA, BBA – Executive Vice President – Head of Investment Banking

Vishnu joined CAL in 2011 and has been a key driver in concluding many noteworthy M&A advisory transactions and debt issuances. Prior to joining CAL, he worked as an Equity Analyst at Amba Research, covering FMCG and retail markets in East Asia. Vishnu is a CFA charterholder (USA), an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a Bachelor in Business Administration from the University of Colombo.

Rizny Faisal, CFA, ACMA, – Senior Vice President - Head of Equity Capital Markets and M&A

Rizny carries with him over 10 years of financial consultancy field experience in providing buy-side financial due diligence, financial valuation, vendor assistance and external audit and assurance services. He has provided transaction advisory services with a particular emphasis on financial due diligence reviews across a range of industries including hospitality, manufacturing, FMCG retail and distribution, power and energy, financial services, construction and apparel. He also has experience in a range of audit and assurance services, covering a diverse range of industries including hospitality, manufacturing, financial services, retail and distribution, FMCG and shipping. Rizny is a Chartered Financial Analyst and an Associate Member of the Chartered Institute of Management Accountants UK.

Udesh Rajeendra, BSc – Assistant Vice President - Investment Banking

Udesh joined CAL in 2016 and has been involved in a number of capital market transactions. He holds a Bachelor's in Economics and Management and a Diploma in Economics from the University of London.

Dakshitha Vithanage, BSc – Assistant Manager - Investment Banking

Dakshitha joined CAL in early 2018 and has been involved in a number of capital market transactions including M&A, Corporate restructuring and company listings. He holds a Bachelor's in Finance from the University of Sri Jayewardenepura and he is a Passed Finalist of the Chartered Institute of Management Accountants (UK).

Divyanjee Thrimanne, LLB – Analyst - Investment Banking

Divyanjee joined CAL in early 2021, prior to which she worked as an Analyst in the Corporate Finance and Valuation Consulting Division of PricewaterhouseCoopers. She holds a Bachelor's degree in Law from the University of Colombo and she is a Passed Finalist of the Chartered Institute of Management Accountants (UK). Divyanjee is an Attorney-at Law of the Supreme Court of Sri Lanka.

9 Individuals Materially Participating in the Valuation Assignment

9.2 CT CLSA TEAM

Zakir Mohamedally – Director | Chief Executive Officer

Zakir has over 15 years of experience in the fields of Corporate Finance, Assurance and Advisory and joined CT CLSA Group in 2007. Prior to joining the CT CLSA Group, he was working with PricewaterhouseCoopers Sri Lanka. Zakir is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) UK and is an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK. He is also a member of the Institute of Certified Management Accountants of Sri Lanka and holds a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

Ishan Eliyapura – Vice President

Ishan counts over 5 years' experience in Audit & Assurance and Investment Banking. Prior to joining CT CLSA Capital, he was attached to Ernst and Young Sri Lanka, a leading global firm of Chartered Accountants, where he held positions of Audit Trainee, Senior Accountant and Internal Audit Supervisor. He is a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and holds a B.Sc (Hons) in Business Management from the University College Dublin, Ireland.

Dushan Gomez – Vice President

Dushan has over 6 years of experience in the fields of Investment Banking and Equity Research. Prior to joining CT CLSA Capital, he was at NDB Investment Bank having played a key role in transactions ranging from M&A, IPOs, Private Placements, Debt Raisings, Corporate Restructurings and Other Advisory. Prior to this, he was attached to Moody's Analytics Knowledge Services (now Acuity Knowledge Partners) where he supported the research team of a large European brokerage covering the F&B sector. Dushan holds a MSc in Finance and Investment and BA (Hons) in Business Economics and Finance from the University of Nottingham UK.

Kalhara Kathriarachchi – Assistant Vice President

Kalhara counts over 5 years' experience in Consultancy and Investment Banking. Prior to joining CT CLSA Capital, he was attached to EQUILL (a venture capital fund) as Investment Lead. Prior to his stint at EQUILL, he was with the Transaction and Strategy division of Ernst and Young in Sri Lanka, where he engaged in M&A advisory services, share buyback transactions and other consultancy services. Kalhara holds a B.Sc. in Industrial Statistics (Special) from University of Colombo and a Masters of Financial Economics from University of Colombo. He is also a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and is currently a CFA level 3 candidate.

Venkadesh Ramraj – Senior Associate

Venkadesh has over 5 years of work experience in Deal Advisory and Financial Reporting. Prior to CT CLSA Capital, he held the position of Consultant in Transaction Services, KPMG, Sri Lanka. During his tenor in KPMG, he also participated in a three months secondment program in the Advisory division of KPMG, Maldives. Venkadesh is a Member of the Association of Chartered Certified Accountant (ACCA), UK and is currently reading for a MSc in Applied Finance at University of Sri Jayewardenepura.

Harini Wijayaratnam – Associate

Harini counts over 2.5 years of experience in Equity Research and Financial Analysis. Prior to joining CT CLSA Capital, she was attached to Asia Securities as a Research Analyst and has covered Leisure and Healthcare Sectors. Prior to her stint at Asia Securities, she was at Comtrust Asset Management where she functioned as a Financial Analyst. Harini holds a B.Sc. in Finance (Special) from University of Sri Jayewardenepura, a permanent affiliate of the Association of Chartered Certified Accountant (ACCA), UK and an Associate member of The Chartered Institute for Securities and Investments (CISI), UK. She is currently reading for International MBA at Birmingham City University, UK and Level 02 of CFA.

10 Disclaimer

Our analysis is based on information obtained from the audited financials, interim financial statements as at 30th September 2021 and additional information supplied by Hela management. We accepted all such information as accurate and acted with due care and consideration in preparing the report. In addition, nothing has come to our attention to indicate that the facts and data set forth in the report are incorrect. However, we assume no responsibility for errors or omissions in information furnished by Hela.

Neither CAL, CT CLSA nor any of its employees involved in this assignment have a financial interest in Hela. The fee for the preparation of this report is not contingent upon results reported.

We did not investigate either property titles or the directors' claims of Hela's ownership of said properties. Neither have we explored the possibility of liens or encumbrances lodged against the properties.

This report is for the use of the Board of Directors and shareholders of Hela for the purpose set out in Section 1.2 of this report and should not be used for any other purpose.

In carrying out this Assignment, analyses deemed to be appropriate and assessments that were possible and practical within the time available have been carried out. Financial information and market data from the CSE and Bloomberg have also been used for this Assignment.

The value recommendations given in this report are valid as at Thursday, 25 November 2021 and will be valid for a minimum period of 5 months from the date of issuance of the final Prospectus. A factor to be considered for this report is that the valuations carried out are done based on financial data released by Hela. Where the data provided were incomplete, we have used reasonable judgment.

ANNEXURE 11

INDEPENDENT CONFIRMATION ON THE IMPACT ON IPO INVESTORS OF SHARES ISSUED TO HELA APPAREL HOLDINGS ESOP AND OTHER SHAREHOLDERS WITHIN THE LAST 12 MONTHS

ANNEXURE - 11

KPMG

KPMG
(Chartered Accountants)
32A Sir Mohamed Macan Markar Mw
P O Box 186
Colombo 00300
Sri Lanka

Tel 94 (11) 5426 426
Fax 94 (11) 2445 872
Internet www.lk.kpmg.com

Private and Confidential

10th November 2021

The Board of Directors,
Hela Apparel Holdings Limited,
No. 35 Balapokuna Road,
Colombo 05.

Dear Sir/ Madam,

Independent confirmation on the impact on IPO investors of shares issued to Hela Apparel Holdings ESOP and Other Shareholders within the last 12 months

We have been requested to provide our opinion on whether the price of the shares issued by Hela Apparel Holdings Limited ("Hela" or ("the Company")) within the last 12 months including under the Employee Share Ownership Plan of Hela ("ESOP") is equal or higher than the Hela IPO price, and whether such values will not lead to an undue gain to the existing shareholders at the expense of the investing public. We have also been asked to review the capital reorganization carried out by the Company on 2nd September 2021.

Accordingly, the following transactions has been identified:

1. The issue of C Ordinary Shares under ESOP in October 2020;
2. The issue of B Ordinary Shares to Dilanka Jinadasa and Lesing Hela Limited in 2021;
3. The issue of C Ordinary Shares under ESOP in August 2021;
4. The issue of B Ordinary Shares to Dominic McVey in September 2021.

We have reviewed the following documentation in arriving at our conclusion:

- FJ&G de Saram's letter to SEC outlining classes of shares during the capital reorganization
- Research report prepared by Capital Alliance Partners and CT CLSA Capital
- Allocation of value and ordinary voting shares under the capital reorganization
- Certified extract of meeting minutes held on 17th August 2021
- Special resolution passed on 7th September 2021
- Certified extract of Board Resolution passed on 31st July 2020
- Certified extract of Board Resolution passed on14th May 2021
- Certified extract of Board Resolution passed on 30th July 2021
- Rules of the Hela Apparel Employee Share Ownership plan
- Draft IPO prospectus

- Audited financial statements for FY 2021
- Form 6 dated 20.01.21 for the issuance of 260 shares
- Previous articles of association of the Company which was replaced by the current articles of association on 7th September 2021

Based on our analysis, we note the following:

Capital reorganization

- The capital reorganization has been carried out on 2nd September 2021 in line with the provisions of the articles of association of the Company in force as at such time, by (i) converting all classes of shares of the Company including C Ordinary Shares and B Ordinary Shares into ordinary voting shares that confer on the holders thereof the rights set out in section 49(2) of the Companies Act No. 7 of 2007, (ii) allocating the corresponding number of ordinary voting shares in respect of the allocated but unissued B Ordinary Shares, C Ordinary Shares granted but not vested and C Ordinary Shares allocated under the ESOP and not granted so far, so that the existing shareholders of the Company received and the persons who have been allocated the said unissued B Ordinary Shares and C Ordinary Shares became, subject to such persons fulfilling necessary legal and contractual requirements, entitled to receive, the ordinary voting shares as and in the manner identified in Annexure 1 to the IPO prospectus.
- The conversion of the respective classes of shares into the corresponding number of ordinary voting shares as set out in Annexure 1 to the IPO prospectus was effected by the sub-division of shares in each class of shares into the relevant number of shares in such class (with any fractions of shares arising from such sub-division being disregarded in the entirety) and thereafter modifying the terms of issue of such sub-divided shares to be consistent with the rights set forth in section 49(2) of the Companies Act.

C Ordinary Shares

- The Company established the ESOP on 31st July 2020, entitling identified key employees of the Company and its subsidiaries (including persons who do not have a written employment contract with the Company but are involved in the management and operation of the Company either as directors or otherwise) to subscribe up to a total of 1,000 C Ordinary Shares at a consideration of Rs. 10.00 per share.
- The shares issued under the ESOP only conferred holders the right to an identified amount of distribution and proceeds from listing, share sale, asset sale or winding up and no voting rights.
- The share options for 660 C Ordinary shares have been granted to 10 employees who are members of the senior management of the Hela group, out of which 393 C Ordinary shares have been vested and issued, in October 2020 and August 2021 respectively, while 267 C Ordinary Shares remain to be vested (Appendix 1).
- 340 C Ordinary Shares out of the 1,000 C Ordinary Shares allocated to the ESOP are yet to be granted.
- The Company has revised its ESOP to ensure that the ESOP is in compliance with Rule 5.6 of the Listing Rules of the Colombo Stock Exchange and ceases to contain conditions

and requirements which will become obsolete once the Company is listed or are unusual in the context of listed company share ownership schemes. In terms of the capital reorganization, (i) the 660 C Ordinary Shares already issued under the ESOP have been converted at a ratio of 53,421.786 to ordinary voting shares and (ii) the 267 C Ordinary Shares granted and not vested so far, and the 340 C Ordinary Shares allocated but not granted so far have also been converted to ordinary voting shares at the same ratio of 53,421.786.

- The conversion ratio has been determined taking into account the pre-IPO equity value of the Company at USD 80,140,714.00 and the IPO price per share of Rs. 15.00.
- Based on the research report examined by us, the managers to the IPO have determined the fair value of a share of the Company as Rs 18.89 per share (as per a Discounted Cashflow based valuation) taking into account the total equity value of the Company as at 30th June 2021. The managers have, in determining such fair value of Rs. 18.89 per share, taken into account all of the shares of the Company including the shares that the C Ordinary Shares issued under the ESOP in the last 12 months have been converted to.
- Post IPO, the shares already issued to the employees under the ESOP account for 1.6% of the total outstanding shares of the Company. Upon the issuance of all of the shares which are allocated under the ESOP but not issued as yet, the shares issued to employees under the ESOP would account for 4.0% of the total outstanding shares of the Company.
- The shares of the holders of the ESOP will be locked-in for a period of 12 months from the date of the issue of shares or 6 months from the date of listing (whichever is longer) on the CSE, which should limit any immediate impact on trading volumes and share price.

B Ordinary Shares

- This special class of shares have been created at the time the Company became the apex shareholder of the Hela Clothing group by wholly owning shares of Hela Clothing (Pvt) Ltd ("HCL") on 19th November 2018, under a commercial agreement between the company and shareholders of HCL from whom the Company purchased shares of HCL.
- In the last twelve months the Company have issued B Ordinary Shares to Lesing Hela Ltd (167 shares) and Dilanka Jinadasa (95 shares) in May 2021 and July 2021 respectively. The Company further allocated 565 shares to Monitane Holdings Limited (or persons nominated by it) and 75 shares to Dominic McVey. On 29th September 2021, Monitane Holdings Limited had nominated Dominic McVey as the person to whom the 565 B Ordinary Shares should be allocated. Accordingly, Dominic McVey has subscribed to 640 B Ordinary shares on 30th September 2021 which has automatically converted to 30,598,973 ordinary voting shares. All the B Ordinary Shares issued in the last 12 months are reflected in Appendix 2.
- The B Ordinary shares have been issued at the Sri Lankan Rupee equivalent of USD 0.01 per share.
- Under the capital reorganization carried out on 2nd September 2021, all share classes have been converted to ordinary voting shares conferring on the holders thereof the rights set forth in section 49(2) of the Companies Act. The conversion ratio under the capital reorganization has been determined based on the pre-IPO equity value of the Company of USD 80,140,714.00 and the IPO share price.
- The necessary Board and shareholder resolutions have been passed to reflect the above.

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- Post IPO, the shares that the B Ordinary Shares (including the B Ordinary Shares issued in the last 12 months) have converted to under the capital reorganization account for 3.9% of the total outstanding shares of the Company.
- The aforesaid fair value of Rs. 18.89 per share has been determined by the managers to the IPO by taking into account all of the shares of the Company including the corresponding number of shares that the B Ordinary Shares issued in the last 12 months have been converted to.
- The shares which the B Ordinary Shares issued in the 12 months have converted to will be locked-in for a period of 12 months from the date of issue or 6 months from the date of listing (whichever is longer), which should limit any immediate impact on trading volumes and share price.

Conclusion

Taking the above information into consideration, and

— considering the contribution of the employees to the historical and future development of the Company;
— the terms of the ESOP being set in July 2020;
— the commercial agreement with regard to the B Ordinary Shares being reached in November 2018;
— the disclosures made in the prospectus (refer pages 63-67 and Annexure 1);
— the shares being locked in for a period post commencement of trading;
— the quantum of the shares issued under the ESOP being less than 5% of the total shares in circulation; and
— the quantum of the shares that the B Ordinary Shares have been converted to being less than 5% of the total shares in circulation.

we are of the opinion that there is no undue gain to the employee shareholders and the shareholders to whom B Ordinary Shares have been issued vis a vis and at the expense of the investing public.

We are also of the view that the capital reorganization, does not have any impact on the investing public.

Yours faithfully.

Shiluka Goonewardene
Principal – Deal Advisory
KPMG

Appendix 1

a)

Employee Share Ownership Plan (ESOP)					
	No. of shares	**% of ESOP**	**Price per share (LKR)***	**IPO price per share (LKR)**	**Discount to IPO price**
ESOP issued during the last twelve months (LTM)	20,994,759	39%	0.00	15.00	100%
C Ordinary shares to be vested	14,263,616	27%			
C Ordinary shares to be granted	18,163,411	34%			

*The ESOP grantees have paid LKR 10.00 per share for the C Ordinary Share, which upon conversion to Ordinary voting shares under the capital reorganization amounts to LKR 0.000187 per share.

b)

ESOP as a % of total number of ordinary shares post IPO	
Total number of C Ordinary shares issued upto October 2021	393
Total number of ordinary shares upon conversion	20,994,759
Total number of ordinary shares post IPO	1,303,117,944
ESOP as a % of total number of ordinary shares post IPO	1.6%

ESOP as a % of total number of ordinary shares post IPO and post full issuance of ESOP shares	
Total number of C Ordinary shares	1,000
Total number of ordinary shares upon conversion	53,421,786
Total number of ordinary shares post IPO	1,335,544,971
ESOP as a % of total number of ordinary shares post IPO	4.0%

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c)

C Ordinary shares				
Name of shareholder	**Designation**	**Years of Service**	**Number of C ordinary shares vested and issued**	**Share conversion**
Albert Rasakantha Rasiah	Chairman	3	80	4,273,743
Warnakulasuriya Mahawaduge Shameen Ravindra Peiris	CEO - Intimates	5	90	4,807,961
Ranjith Sanath Perera Amarathunga	CEO- Casual	6	90	4,807,961
Yahan Chanidu Samarajeewa	General Manager - Merchandising	6	20	1,068,435
Warshapperuma Arachchige Rajitha Gunawardhana	Director - Manufacturing - Intimates	5	27	1,442,388
Pintherumahawaduge Shaminda Viraj Fernando	Director - Marketing, Technical and supply chains - Intimates	4	27	1,442,388
Ajith Rohana Kumara Delay	Group Director - Quality assuarance	5	13	694,483
Wadu Thanthrige Sajeeka Gayani De Silva	Director - Design and product innovation	5	20	1,068,435
Rehan Ranjaka Joshua Perera	Deputy General Manager - Merchandising	5	6	320,530
Nissanga Warnapura	Director - Marketing (Strategic brands) - Intimates	2	20	1,068,435
C Ordinary shares not yet vested			267	14,263,616
C Ordinary shares not yet granted			340	18,163,411
			1000	**53,421,786**

Appendix 2

a)

B Ordinary shares issued in the last 12 months				
Name of shareholder	**Number of B Ordinary Shares**	**Date of issue**	**Price per share (LKR)**	**Share conversion**
Lesing Hela Ltd	167	7-May-21	1.99	7,979,671
Panadura Liyanage Dilanka Jinadasa	95	30-Jul-21	1.99	4,539,334
Dominic McVey	640	30-Sep-21	2.00	30,598,973
	902			**43,117,978**

b)

B Ordinary shares as a % of total number of ordinary shares post IPO	
Total number of B Ordinary shares issued upto October 2021	1,073
Total number of ordinary shares upon conversion	51,288,778
Total number of ordinary shares post IPO	1,303,117,944
Ordinary shares that the B Ordinary shares have converted to as % of total number of Ordinary shares post IPO	3.9%

c)

Shareholding structure				
Name of shareholder	**Pre IPO**		**Post IPO**	
	Number of Ordinary shares	**%**	**Number of Ordinary shares**	**%**
Lesing Hela Ltd	614,256,956	59.29%	614,256,956	47.14%
Tars Investments Lanka (Pvt) Ltd	235,498,562	22.73%	235,498,562	18.07%
Panadura Liyanage Dilanka Jinadasa	133,656,266	12.90%	133,656,266	10.26%
Dominic McVey	30,598,973	2.95%	30,598,973	2.35%
Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	4,855,743	0.47%	4,855,743	0.37%
Ranjith Sanath Perera Amarathunga	4,807,961	0.46%	4,807,961	0.37%
Albert Rasakantha Rasiah	4,273,743	0.41%	4,273,743	0.33%
Warshapperuma Arachchige Rajitha Gunwardhana	1,442,388	0.14%	1,442,388	0.11%
Pintherumahawaduge Shaminda Viraj Fernando	1,442,388	0.14%	1,442,388	0.11%
Yahan Chanidu Samarajeewa	1,068,435	0.10%	1,068,435	0.08%
Nisanga Warnapura	1,068,435	0.10%	1,068,435	0.08%
Wadu Thanthrige Sajeeka Gayani De Silva	1,068,435	0.10%	1,068,435	0.08%
Ajith Rohana Kumara Delay	694,483	0.07%	694,483	0.05%
Polwatte Gallage Nipuna Naroththama Dias	477,824	0.05%	477,824	0.04%
Rehan Ranjaka Joshua Perera	320,530	0.03%	320,530	0.02%
Harsha Guneratne	238,912	0.02%	238,912	0.02%
Weerakoon Mudiyanselage Ananda Weerakoon	238,912	0.02%	238,912	0.02%
IPO Shareholders			267,108,998	20.50%
	1,036,008,946		**1,303,117,944**	

ANNEXURE 12

COLLECTION POINTS

ANNEXURE - 12

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

JOINT MANAGERS TO THE ISSUE

CT CLSA Capital (Pvt) Ltd
4-15, Majestic City,
10, Station Road, Colombo 04.
Tel: +94 11 250 3523
Fax: +94 11 258 0181

Capital Alliance Partners Limited
Level 5, "Millennium House",
46/58, Navam Mawatha, Colombo 02
Tel: +94 11 2317777
Fax: +94 11 2317788

ISSUER

Hela Apparel Holdings Limited
No. 35, Balapokuna Road, Colombo 6
Tel: +94 11 4324393

REGISTRARS TO THE ISSUE

S S P Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo 03.
Tel: +94 11 257 3485
Fax: +94 11 257 3609

MEMBERS OF THE COLOMBO STOCK EXCHANGE

NDB Securities (Private) Ltd.
Level 2, NDB Capital Building, No. 135,
Bauddhaloka Mawatha, Colombo 4.
Tel: +94 11 2 131 000
Fax: +94 11 2 314 181
E-mail: mail@ndbs.lk

Somerville Stockbrokers (Pvt) Ltd.
No. 1A, Park Way, Park Road, Colombo 5.
Tel: +94 11 2 502 852 / +94 11 2 502 854 / +94 11 2 502 858 / +94 11 2 502 862
Fax: +94 11 2 502 852
E-mail: contact@somerville.lk

Assetline Securities (Pvt) Ltd. (Inactivated Operations)
No.120, 120A, Pannipitiya Road, Battaramulla.
Tel: +94 11 4 700 100
Fax: +94 11 4 700 101, +94 11 4 700 112
E-mail: info@assetline.lk

John Keells Stockbrokers (Pvt) Ltd.
No. 186, Vauxhall Street, Colombo 2.
Tel: +94 11 2 306 250
Fax: +94 11 2 342 068
E-mail: jkstock@keells.com

Asha Securities Limited.
No.60, 5th Lane, Colombo 3.
Tel: +94 11 2 429 100
Fax: +94 11 2 429 199
E-mail: asl@ashasecurities.net

Acuity Stockbrokers (Pvt) Ltd.
No. 53, Dharmapala Mawatha, Colombo 3.
Tel: +94 11 2 206 206
Fax: +94 11 2 206 298 / 9
E-mail: sales@acuitystockbrokers.com

ANNEXURE - 12

J B Securities (Pvt) Ltd.
No. 150, St. Joseph Street, Colombo 14.
Tel: +94 11 2 490 900
Fax: +94 11 2 430 070
E-mail: jbs@jb.lk

Lanka Securities (Pvt) Ltd
No. 228/1, Galle Road, Colombo 4.
Tel: +94 11 4 706 757 / +94 11 2 554 942
Fax: +94 11 4 706 767
E-mail: sales@acuitystockbrokers.com

Asia Securities (Pvt) Ltd.
4th Floor, Lee Hedges Tower, No. 349, Galle Road, Colombo 3
Tel: +94 11 7 722 000
Fax: +94 11 258 4864
E-mail: inquiries@asiasecurities.lk

Capital Trust Securities (Pvt) Ltd.
No, 42, Mohamed Macan Markar Mawatha, Colombo 3.
Tel: +94 11 2 174 174 / +94 11 2 174 175
Fax: +94 11 2 174 173
E-mail: inquiries@capitaltrust.lk

S C Securities (Pvt) Ltd.
5th Floor, No. 26B, Alwis Place, Colombo 3.
Tel: +94 11 4 711 000 / +94 11 4 711 001
Fax: +94 11 2 394 405
E-mail: itdivision@sampathsecurities.lk

CT CLSA Securities (Pvt) Ltd.
4-14, Majestic City, 10, Station Road, Colombo-4.
Tel: +94 11 2 552 290 - 4
Fax: +94 11 2 552 289
E-mail: info@ctclsa.lk

First Capital Equities (Pvt) Ltd.
No. 2, Deal Place, Colombo 3.
Tel: +94 11 2 639 898
Fax: +94 11 5 736 264
E-Mail: equity@firstcapital.lk

Bartleet Religare Securities (Pvt) Ltd.
Level "G", "Bartleet House", No. 65, Braybrooke Place, Colombo 2.
Tel: +94 11 5 220 200
Fax: +94 11 2 434 985
E-mail: info@bartleetstock.com

Nation Lanka Equities (Pvt) Ltd.
No.44, Guildford Crescent, Colombo 07.
Tel: +94 11 7898302
Fax: +94 11 2673355
E-mail: info@nlequities.com

TRADING MEMBERS OF THE COLOMBO STOCK EXCHANGE

Capital Alliance Securities (Pvt) Ltd.
Level 5, "Millennium House", 46/58 Navam Mawatha, Colombo 2.
Tel: +94 11 2 317 777
Fax: +94 11 2 3177 88
E-mail: info@cal.lk

First Guardian Equities (Pvt) Ltd.
32nd Floor, East Tower, World Trade Centre, Colombo 1.
Tel: +94 11 5 884 400 (Hunting)
Fax: +94 11 5 884 401
E-mail: info@fge.lk

Candor Equities Ltd.
Level 8, South Wing, Millennium House, 46/58 Nawam Mawatha, Colombo 02.
Tel: +94 11 2 359 100
Fax: +94 11 2 305 522
E-mail: info.cel@candorh.com

Enterprise Ceylon Capital (Private) Limited.
No.73/1, Dharmapala Mawatha, Colombo 7
Tel: +94 11 244 5644, 11 230 1861/2
Fax: -
E-mail:info@ecc.lk

Richard Pieris Securities (Pvt) Ltd.
No.310, High Level Road, Nawinna, Maharagama
Tel: +94 11 431 0500
Fax: +94 11 280 2385
Email: communication@rpsecurities.com

LOLC Securities Limited
No. 481, T.B.Jayah Mawatha, Colombo 10.
Tel: +94 11 588 9889
Fax: +94 11 266 2883
E-Mail: info@lolcsecurities.com

SMB Securities (Pvt) Ltd.
No. 02, Gower Street, Colombo 5.
Tel: +94 11 4 388 138
Fax: +94 11 2670294
E-mail: info@smbsecurities.lk

Taprobane Securities (Pvt) Ltd.
2nd Floor, No. 10, Gothami Road, Colombo 08.
Tel: +94 11 5 328 200, +94 11 5 328 100
Fax: +94 11 5 328 177
E-mail: info@taprobane.lk

Softlogic Stockbrokers (Pvt) Ltd
Level 16, One Galle Face Tower, Colombo 02.
Tel: +94 11 7 277 000
Fax: +94 11 7 277 099
Email: ssb.inquiry@softlogic.lk

TKS Securities (Pvt) Ltd. (Inactivated Operations)
4th Floor, No. 245, Dharmapala Mawatha, Colombo 7.
Tel: +94 11 7 857 799
Fax: +94 11 7 857 857
E-mail: info@tks.lk

Navara Securities (Pvt) Ltd
No. 12B Gregory's Road, Colombo 7.
Tel: +94 11 2 358 700 / 20
Fax: +94 11 5 005 551
Email: info@navarasecurities.lk

ANNEXURE - 12

NDB Bank PLC Branches:

Branch Name	Telephone No.	Address
Akkaraipattu	067 7448000/1	No. 487, Main Street, Akkaraipattu
Akuressa	041 7448000/1	No. 21, Main Street, Akuressa
Aluthgama	0347448010/1	No. 267, Galle Road, Aluthgama
Ambalangoda	0917448000/1	No : 333 , Galle Road , Ambalangoda
Ambalantota	047 7448000/1	No. 127 , Main Street , Ambalantota
Ampara	063 7448000/1	No 75, D S Sennanayake Street, Ampara
Anuradhapura	025 7448000/1	522/C, Maithreepala Senanayake Mw, New Town, Anuradhapura
Athurugiriya	011 7448060/1	70/15A, Borella Road, Athurugiriya
Avissawella	036 7448000/1	No. 93, Ratnapura Road, Avissawella
Badulla	055 7448000/1	242, Lower Street, Badulla
Balangoda	04574480001/1	No 24 A, Barns Ratwatte Mawatha, Balangoda
Bandarawela	057 7448000/1	No : 317 , Main Street , Bandarawela
Battaramulla	011 7448090/1	No 245,Main Street,Battaramulla.
Batticaloa	065 7448000/1	No 16, Liyods Avenue, Batticaloa.
Boralesgamuwa	0117448063/4	No 39, Kesbawa Road, Boralesgamuwa
Borella	0117 448078/9	No: 31/5, Dr. N M Perera Mawatha, Borella
Chavakachcheri	0217448013/4	No. 1,3,5, Kandy Road, Chavakachcheri
Chenkalady	065 7448003/4	Trincomalee Road,Chenkalady.
Chilaw	032 7448000/1	50-52, Skyline Building, Colombo Road, Chilaw
Chunnakam	021 7448018/9	No: 30, K..K.S. road, Chunnakam
Colombo 7	011 7448004/5	103A, Dharmapala Mawatha, Colombo 7
Dambulla	066 7448000/1	No: 42, Kurunegala road, Dambulla
Digana	081 7448003/4	No 59/6 , Gonawala Road ,Digana.
Eheliyagoda	036 7448003/4	No: 153, Main street, Ehaliyagoda.
Elpitiya	091 7448003/4	No. 23, Ambalangoda Road , Elpitiya
Embilipitiya	047 7448003/4	No. 67, Pallegama , Embilipitiya
Fort	011 7448111/2	No, 39 , Canal Row , Colombo 01.
Galle	091 7448006/7	1/A,Abeysekara Building,Wakwella Road, Galle
Gampaha	033 7448000/1	153, Colombo Road, Gampaha
Gampola	081 7448000/1	No: 75, Nuwara Eliya Road, Gampola
Giriulla	037 7558010/1	No 86, Negombo Road Giriulla.

Branch Name	Telephone No.	Address
Hambanthota	047 7448006/7	No: 34, Wilmot street, Hambantota
Hanwella	036 7448006/7	No 130/C , Pahala Hanwella, Hanwella.
Havelock Town	0117 448006/7	117, Havelock Road, Colombo 05
Hendala	011 7448094/3	No 46A Hendala Road, Hendala
Hikkaduwa	091 7448009/10	No 245, Galle Road, Hikkaduwa.
Hingurakgoda	027 7558010/1	No 10, Airport Road , Hingurakgoda
Homagama	011 7448045/6	64A, Highlevel Road, Homagama
Horana	034 7448013/5	135, Panadura Road, Horana
Ja - Ela	011 7448075/6	No.121, Colombo Road, Ja-Ela
Jaffna	021 7448011/24	No 62/6, Stanley Road, Jaffna
Kadawatha	011 7448036/7	147, Kandy Road, Kadawatha
Kaduruwela	027 7558003/4	No 25, Batticaloa Road, Polonnaruwa
Kaduwela	011 7448081/2	No: 501/2, Awissawella Road, Kaduwela
Kahawatte	045 7448003/4	No 149, Main Street, Kahawatte
Kalmunai	067 7448003/4	No: 165, Batticaloa Road, Kalmunai
Kalutara	034 7448016/7	290. Galle Road, Kalutara South
Kandana	011 7448039/40	No.677, Negombo Road,Kandana
Kandy	081 7448015/6	No 133, Kotugodella Veediya, Kandy
Kandy City Centre	081 7448006/7	L 1 - 3 , Level 1 , Kandy City Center , No . 05 , Dalada weediya , Kandy
Katana	031 7448000/1	No.05, Koongashandiya, Katana
Katugastota	081 7448009/10	No 111, Kurunegala Road, Katugastota
Katunayake	011 7448096/7	No 745 , Baseline Road , Aweriwatta , Katunayaka
Kegalle	035 7448003/4	261/1, Kandy Road, Kegalle
Kekirawa	0257448003/4	No 61, Opposite Government Hospital, Main Street, Kekirawa
Kiribathgoda	011 7448033/4	No. 540, New Hunupitiya Road, Dalugama, Kelaniya
Kochchikade	031 7448003/4	No 96,Chilaw Road,Kochchikade.
Kohuwela	0117 448051/2	No. 143, S De S Jayasinghe Mawatha,Nugegoda.
Kollupitiya	011 7448018/9	No.321, Galle Road, Colombo 3
Kotahena	0117 448030/1	295, George R De Silva Mw, Co -13
Kottawa	011 7448099/100	365/1 A, High Level Road, Kottawa
Kuliyapitiya	037 7558003/4	No 133, Main Street, Kuliyapitiya

ANNEXURE - 12

Branch Name	Telephone No.	Address
Kurunegala	037 7558006/7	6, Rajapihilla Mw, K'Gala
Maharagama	011 7448015/6	108 A, Highlevel Road, Maharagama
Mahawewa	032 7448003/4	Chilaw Road, Mahawewa.
Mahiyanganaya	055 7448003/4	No: 02,New Town, Mahiyanganaya
Malabe	0117448049/8	760, New Kandy Road, Malabe
Manipay	021 7448021/2	No.260, Manipay Road, Manipay
Marine Drive	011 7448102/3	42, Sagara Road, Marine Drive, Colombo 4
Matale	066 7448003/4	No : 144 , Main Street , Matale
Matara	041 7448003/4	60, Uyanwatte Rd,Matara
Mathugama	034 7448022/3	No. 98, Agalawatta Road, Mathugama
Minuwangoda	011 7448084/5	No: 49, Negombo Road, Minuwangoda
Monaragala	055 7448006/7	No: 29, Pothuwil Road, Monaragala
Moratuwa	011 7448021/2	255, Galle Road, Idama, Moratuwa
Mount Lavinia	011 7448024/5	No 431/433, Galle Road, Mount Lavinia
Narahenpita	011 7448105/6	193 , Kirula Road , Narahenpita , Colombo 5.
Narammala	037 7558013/4	No 144, Kurunegala Road, Narammala
Nattandiya	032 7448006/7	No 82, Marawila Road, Nattandiya.
Nawalapitiya	054 7448000/1	No 70B, Gampola Road, Nawalapitiya
Nawam Mawatha	011 7448000/1	No 40, Nawam Mw, Colombo 02
Negombo	031 7448006/7	No. 121, St.Joseph Street, Negombo
Nelliady	021 7448012/27	109,Jaffna Road,Nelliady
Nikaweratiya	037 7558016/7	No:65, Puttalam Road,Nikaweratiya
Nittambuwa	033 7448003/4	No 496, Kandy Road, Nittambuwa
Nugegoda	011 7448009/10	152,Nawala Rd, Nugegoda
Nuwara Eliya	052 7448000/1	No 50/2 ,Siva Complex,Block C,Lawson Street, Nuwaraeliya
Old Moor Street	011 7448108/9	No : 311, Old Moor Street , Colombo 12
Panadura	038 7448000/1	No. 319, Galle Road, Panadura
Pelawatte	011 7448027/8	301, Pannipitiya Road, Battaramulla
Pettah	011 7448072/3	No, 137,133/1, Main Street, Colombo 11
Pilimathalawa	081 7448012/3	No: 240, Colombo Road. Pilimathalawa
Piliyandala	011 7448057/8	No 120 , Horana Road, Piliyandala.

Branch Name	Telephone No.	Address
Pitakotte	011 7448114/5	No 322B, Kotte Road, Pitakotte
Private Wealth Centre	011 7448087/8	No 135, Rainbow Business Centre, Bauddhaloka Mawatha, Colombo 04
Puttalam	032 7448009/10	104, Kurunegala Road, Puttalam
Rajagiriya	011 7448012/3	505, Srijayawardenapura Etul Kotte, Kotte
Ratmalana	011 7448066/7	No 151, Galle Road, Ratmalana
Ratnapura	045 7448006/7	No 211, Main Street, Rathnapura
Shangri-la	011 7448117/8	One Galle Face Mall, Premises no L 1 - 77, No 1 A, Colombo 02.
Tangalle	047 7448009/10	No 90A , Matara Road , Tangalle.
Thambuttegama	025 7448006/7	No 255A, Main Street, Thambuttegama
Thirunelveli	021 7448016/17	No, M102 , Palaly Road, Jaffna
Tissamaharama	047 7448012/3	No. 133 E , New Town , Tissamaharama
Trincomalee	026 7448000/1	No 91& 93, North Coast Road, Trincomalee
Uragasmanhandiya	091 7448012/3	No 131 , Main Street , Uragasmanhandiya
Vauniya	024 7448000/1	188, 190, 192 & 190/1, Kandy Road, Vavuniya.
Warakapola	035 7448000/1	No. 96 & 98 , Main Street , Warakapola
Wariyapola	037 7558019/20	Navinna Bldg, Puttlam Road, Wariyapola
Wattala	011 7448042/3	378A, Negombo Road, Wattala
Wellawatte	011 7448120/1	302, Galle Road, Colombo 6
Wennappuwa	031 7448009/10	No 204, Chilaw Road, Wennappuwa
Yakkala	033 7448006/7	65/5 B,Kandy Road,Yakkala

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