ANNEXURE 3 – RESEARCH REPORT OF THE MANAGER TO THE OFFER JUSTIFYING THE OFFER PRICE

Maharaja Foods Limited

Research Report

We, Atarah Capital (Pvt) Limited ("ACPL") hereby declare that we possess the requisite expertise to perform reports of this nature involving a company that would be classified under the Food, Beverages & Tobacco Sector * of the Colombo Stock Exchange.

We also declare that the Research Report has been prepared in accordance with the disclosures specified in the 'Valuation/ Research Report- Guidance Note' Issued by the CSE.

Atarah Capital (Private) Limited
Financial Advisor & Manager to the Offer and Sponsor

** GICS classification is subject to confirmation at the point of listing*

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15th May 2024

The Board of Directors
Maharaja Foods Limited
No 18/3
Dr. E.A. Cooray Mawatha
Colombo 06.

Dear Sir/Madam,

Maharaja Foods Limited – Research Report Prepared by the Financial Advisor & Manager to the Offer and Sponsor for the Inclusion in the Prospectus to be issued in respect of the proposed Initial Public Offering

We are pleased to submit the Research Report prepared as required by CSE Listing Rules for the purpose of justifying the share Offer price of the Company in the proposed Initial Public Offering of 25,000,000 Ordinary Voting Shares.

Based on our research and valuation, the fair value range of the Ordinary Voting Shares of the Company is LKR 4.91 - LKR 5.73 per share. Within the said value range, we recommend a per share value of LKR 5.00 to issue new shares in the proposed IPO, which reflects the intrinsic value of the business. The detailed report is enclosed herewith for your perusal.

We also declare that the Research Report has been prepared in accordance with the disclosures specified in the 'Valuation/ Research Report - Guidance Note' issued by the CSE.

Thank You.

Yours Sincerely,

Atarah Capital (Pvt) Limited

Company No. PV 00262943

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List of Abbreviations

ACPL	Atarah Capital (Pvt) Limited
ADB	Asian Development Bank
AWPLR	Average Weighted Prime Lending Rate published by the Central Bank if Sri Lanka
Bn	Billion
CAGR	Compound Average Growth Rate
CBSL	Central Bank of Sri Lanka
Company or MFL or Maharaja Foods	Maharaja Foods Limited
MML	Maharaja Marketing (Private) Limited
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flows
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EPS	Earnings Per Share
FY	Financial Year
FY23A	Financial Year ending March 2023 Actual (Audited)
FY24E	Financial Year ending March 2024 Estimate
GDP	Gross Domestic Production
IMF	International Monetary Fund
IPO	Initial Public Offering of Ordinary Voting Shares
Mn	Million
MFL Group	Maharaja Foods Limited and Maharaja Marketing (Pvt) Limited
MML or Maharaja Marketing or the subsidiary	Maharaja Marketing (Pvt) Limited
NAV/NAVPS	Net Asset Value/Net Asset Value Per Share
Offer Price	The price at which investors should subscribe for Shares
PBV	Price to Book Value
PER	Price Earnings Ratio
PPE	Property Plant and Equipment
ROE	Return on Equity
Shares	Ordinary Voting Shares of Maharaja Foods Limited
UK	United Kingdom
USA	United Estate of America
USD	United States Dollar

1.0 Introduction

1.1 Executive Summary

We, Atarah Capital (Pvt) Limited, have conducted research and carried out the valuation of shares using alternative valuation techniques to arrive at an appropriate equity value for the Company's shares. The results are summarized below.

Table 1

Valuation Technique	Equity Value (LKR)	Price/ Price range Per Share	Discount/ (Premium) to Issue price
Equity value based on selected peer entity Price Earnings Multiple	716,389,201	5.73	14.6%
Equity value based on Discounted Cash flow methodology	613,638,159	4.91	(1.8%)

Per share value has been derived using the Post Subdivision number of shares, 125,000,000 Shares as setout under Section 5.1 and 5.2 of this report.

We have adopted the DCF method, and selected peer company P/E multiple as the valuation techniques due to the following reasons.

1. Given the nature of the business operations of the Company (which is in the food industry), targeted future business segments and regions, strategies of the management for operational improvement, expected business growth supported by the proceeds of the IPO and based on perceived general improvement in macro-economic environment, we have concluded that DCF is a suitable method to capture the growth potential of the Company. Furthermore, MFL has been in operation for over 13 years serving both local and overseas markets leveraging on its popular and established brand, which is reflective of its ability to generate future cash flows.

2. The Value of the equity share was also ascertained based on the PE multiples of selected peer companies listed on the CSE. We have used companies that are in similar businesses, classified under the Food, Beverage & Tobacco sector, and Food Staples (Retailing) sector of the CSE. Considering the size of these peer companies, a suitable discount has been applied to the derived PE multiple in calculating the equity value for MFL Group. This approach reflects the possible future earnings expectations of this industry, where MFL Group also have the opportunity to derive exponential business growth.

   The Market Based Valuation set out herein for the Company is dependent upon the relative size of selected peer entities and their operational dynamics in comparison to the Company.

3. Assets-based valuation approach has not been considered as the Company's and its subsidiary's intrinsic value could be better reflected through their ability to increase the earnings and generate cashflows.

Based on our analysis, we recommend an equity value range of LKR 4.91 - LKR 5.73. per share as the "Fair Value Range" for the proposed Initial Public Offer. Within the said value range, we recommend a per share value of LKR 5.00 as the "fair value" to be considered for the IPO. Fair value of LKR 5.00 is recommended which is more aligned towards the value derived using the DCF method whilst also indicating the potential from the market perspective valuation of companies engaged in similar businesses.

1.2 Objectives of the Report

ACPL has been engaged by the management of MFL to determine the fair value of a share and advise the Company on the appropriate "Issue Price" for the shares to be offered via the proposed Initial Public Offer (IPO). Based on the engagement, ACPL adopted appropriate methodologies to derive the fair value of the shares and the Company provided relevant information to ACPL's assessment/ valuation. Further, ACPL conducted market research and assessed the operating environment of MFL to support business related key assumptions used in the financial forecasts. Accordingly, this Research Report has been prepared by ACPL in order to provide the said basis in determining the fair value of Ordinary Voting Shares of MFL in connection with the proposed IPO as required under Rule 3.1.4 (c) of the CSE Listing Rules.

Accordingly, this report provides information pertaining to the industry in which MFL is operating and the basis adopted in determining the fair value of the Company's Ordinary Voting Shares.

2.0 OVERVIEW OF THE MAHARAJA GROUP

2.1 The Company

Maharaja Foods Limited's journey began from the humble origin of Vijeya Enterprises, a family- owned business founded in 1989 by the visionary entrepreneur Mr. Sivasaraman Guganathan, with the noble objective of becoming a beacon of excellence in the food industry.

Guganathan family's unwavering optimism led to the inception of Maharaja Food Products as a partnership in 1995, that sourced premium quality food items such as rice, potatoes, onions, and lentils etc., empowering local farmers whilst providing high quality food products to the customers and commenced producing the famous "ROASTED RED RICE FLOUR" from the current office premises in Wellawatte. The first consignment of exports (Sri Lankan Rice) under Vijeya Enterprise embarked on its long journey in 1995 to regions where expatriates of Asian origin residing, to cater to their demand for "ethnic foods".

Backed by the long legacy and track record, Maharaja Foods (Private) Limited (MFL) was incorporated on 12th November 2012 as a private limited company under the patronage of late Mr. Guganathan and his family. After the demise of late Mr. Guganathan in 2016, his spouse Mrs. Thavamalar Guganathan took over the leadership, thus MFL became a women-owned enterprise. The Company changed its status to a limited liability company on 06th March 2024. MFL group serves both local and overseas consumers through its network of distributors, by providing quality food products and a range of grocery items.

Today, MFL Group stands as a symbol of quality and innovation, enriching lives with a diverse array of products, including rice-based and flour-based products, spices, and fish-based products. MFL Group has their own product portfolio manufactured in-house, as well as being involved in the export of other third-party products (consumables, household items etc.) that are demanded by the expatriates. With a dedication to nourishing the nation and embracing innovation, MFL Group continues to redefine excellence in the food industry, embodying resilience, and a steadfast commitment to providing healthy, high-quality offerings for generations to come.

The ownership and management of the Company are vested in the Guganathan family, an enthusiastic entrepreneurial presence in Sri Lanka's food industry, and.G.T.V. Global Holdings (Pvt) Limited - parent company, which is a family-owned enterprise. The shareholding structure of Maharaja Foods Limited (MFL) is as follows:

Table 2.1

Shareholder Name	Number of Shares
G.T.V. Global Holdings (Pvt) Ltd	87.91%
Vijayanath Guganathan	3.30%
Vithynath Guganathan	3.30%
Guganathan Gohulnath	3.30%
Sri Myooran Vinayagamoorthy	2.20%
Total	**100.00%**

Maharaja Marketing (Pvt) Limited is a fully owned subsidiary of MFL.

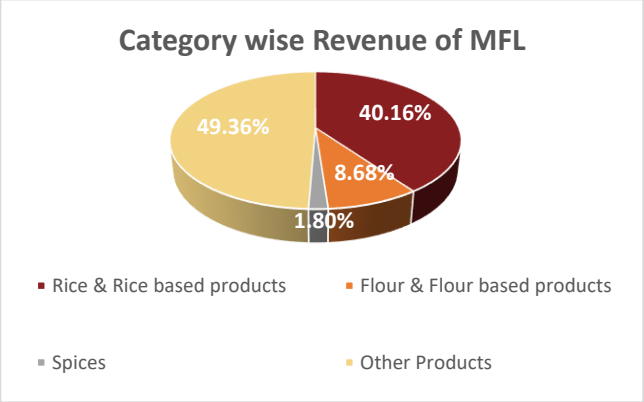
2.2 Main Business Activities

Maharaja Foods Limited

As a leading exporter of "ethnic foods" i.e.: rice-based and flour-based products, spices and fish-based products to the expatriates of Asian origin, MFL primarily focuses its operations on serving consumers in the United Kingdom, France, Germany, Switzerland and Nordic Countries in the European Region, and also Australia and Singapore at present. MFL's clients/buyers in France and United Kingdom are those who engage in in both retail and wholesale distribution of MFL products. These clients distribute MFL's own products and other grocery items throughout the European region, to cater to the culinary preferences of Asian expatriates, especially those of Indian and Sri Lankan origin who predominantly reside in the aforesaid regions. They are the end consumers for MFL's products. Similarly in Australia, MFL applies a similar business approach, targeting the Asian expatriate community with their diverse range of "ethnic food" offerings.

The product portfolio of MFL can be classified into four primary categories namely Rice & rice-based products, Flour and flour-based products, Spices and other products and grocery items. The following are the major product categories of MFL that have a notable contribution to MFL's FY 24 revenue.

Product Category	% Of Total Revenue
Rice & Rice based products	40.16
Flour & Flour based products	8.68
Spices	1.80
Other Products	49.36
Total	**100.00**



Products that are manufactured by MFL are marketed under the brand name 'Maharaja Food Products', such as Maharaja Steamed Wheat Flour and Maharaja Double Boiled Rice. Moreover, MFL exports various grocery products such as milk powder, noodles, dry fish, cooking utensils, etc., which are sourced from various external producers and suppliers.

Below are a sample of export products offered by MFL.

Products manufactured by MFL (Including private labelling/ Sold under MFL brand)	Grocery items of other manufacturers
Nandhi Ponni Par Boiled Rice	Milk Powder and milk-based supplements
Maharaja Steamed Wheat Flour 1Kg & 5kg	Coconut Milk Powder
Jaffna Curry Powder EX Hot 900g	Gingerly Oil
Maharaja Steamed Wheat Flour 1Kg & 5kg	Noodles and similar products
Maharaja Roasted Red Rice Flour 1kg & 5kg	Fish based products (dry sprats, Maldivian fish)
Maharaja Double Boiled Rice - Matta 5kg	Cooking utensils

Maharaja Marketing (Pvt) Limited (MML)

Maharaja Marketing (Pvt Limited (MML) emerged as a wholly owned subsidiary of MFL following its establishment in June 2022. This strategic decision was driven by MFL's aim to streamline its operations, with a dedicated focus on separate entities for domestic and export markets. MFL's concentration on export endeavors led to MML's mandate to cater to the domestic market. Currently, the Maharaja product range is available in approximately 5000 outlets across Sri Lanka. Over the next five years, MML aims to expand its presence to 50,000 outlets nationwide, targeting a diverse range of customer segments. MML plans to build alliances with leading supermarket chains as well as visit retail distributors in other regions where products are not available at present. As of now, products are available in Northern, Western, and Eastern provinces where there are several untapped areas for MML to expand in the future. Further diversifying the products range is identified as an effective mechanism to increase the presence to several outlets. While presently focused on supplying products to supermarkets and retail shops primarily serving Tamil-majority areas, MML is poised to broaden its customer and user base through a comprehensive array of marketing and promotional strategies. These strategies encompass digital and physical marketing initiatives, strategically designed to reach all communities across Sri Lanka.

The following are the key products which mainly contributed to MML's revenue of FY 24's first three quarters.

- Maharaja Steamed Wheat Flour 1Kg
- Maharaja Roasted Red Rice Flour 1kg
- Maharaja Chakki Atta Flour 1Kg
- Maharaja Red String Hopper Flour 10kg
- Maharaja Steamed Atta Flour 1Kg
- Maharaja Wheat Flour 1Kg

This product range includes value-added products distinct from products such as conventional wheat or rice flour. These value-added items, for example Steamed Wheat Flour and Roasted Red Rice Flour, boast important health-related benefits to consumers. This advantageous positioning places MML favorably within the healthy food category in the market, further facilitating entry into new market segments and attracting a broader customer base.

2.3 Summary of historical financial information

MFL Group

Started as a manufacturer and a distributor of authentic Sri Lankan foods focusing local market, MFL has recognized the value addition from exports which made them to concentrate on developing this segment gradually from FY 2020/21. During FY 22/23, MFL formed its 100% owned subsidiary in order to segregate the local distribution where MFL began to focus on export sales. Therefore, MFL's revenue from FY 20/21, 21//22 and FY 22/23 consists of both export sales as well as local sales that were executed until the local business is fully transferred to MML within FY 22/23. MFL Group has recorded LKR 397.1 Mn and LKR 496.9 Mn consolidated revenue in FY 2023 and FY 2024 respectively.

Revenue Composition

As described above, the revenues of the Parent comprised of both local and export sales where the focus has been substantially shifted to exports in FY 22/23 onwards. Therefore, the results of business segregation is fully reflected in MFL's financials from FY 23/24. Breakdown of Export and local sales of the group over FY 2020 – FY 2024 is as folllows:

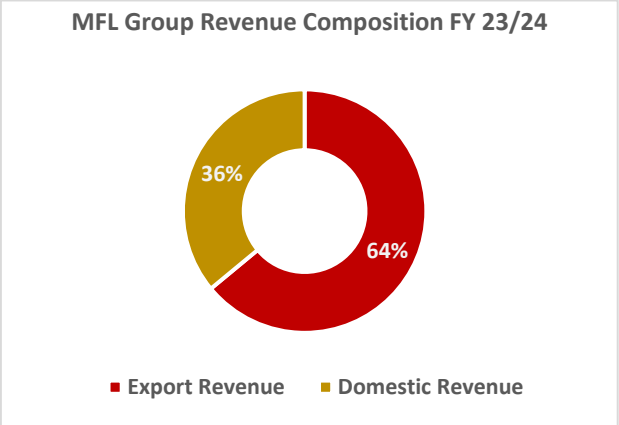


Table 2.3.1

Category	2024 *	2023 *	2022	2021	2020
Group's Total Revenue	**496,999,876**	**397,146,252**	**158,389,830**	**93,153,789**	**55,484,000**
Export	317,328,333	157,982,827	44,775,579	11,599,065	-
Local	179,671,543	239,163,425	113,614,251	81,554,723	55,484,000

** Excluding inter-company sales to MML The figures for 2024 and 2023 are from consolidated audited financials of Maharaja Foods Limited and the figures for 2022, 2021, and 2020 are based on standalone audited financial statements of Maharaja Foods Limited.*

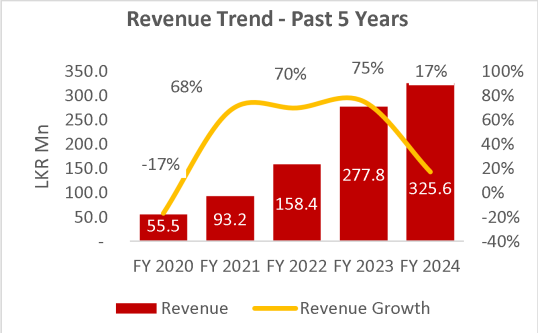
2.3.1 Maharaja Foods Limited

Revenue

MFL commenced operations in year 2012, and at present the Company has over 11 years of operating history. The primary source of the Company's revenue at present is from exporting ethnic food products to customers in Europe & Australia.

Despite the modest revenue recorded in FY 19/20, MFL managed to achieve continuous growth in revenues up to FY 23/24, A revenue of LKR 158.4 million was recorded in FY 2021/22 with a c. 70% growth.

In the subsequent fiscal year, MFL demonstrated a significant growth in revenues by registering LKR 277.8 million, which is an increase of 75% in comparison to the preceding year. FY 22/23 is the year in which the local and export business was segregated and the Company managed to achieve the highest revenue growth during the 5-year period with the increase in volumes as well as supported by the depreciation of LKR against USD. Revenues also included local sales of first few months up to the time of transferring the local distribution to MML that led to this notable growth. In the financial year 2023/2024, MFL achieved a revenue of LKR 325.6 million, marking a 17% increase primarily driven by higher export volumes, despite the appreciation of LKR against USD. MFL's revenue of LKR 325.7 Mn recorded in FY 23/24 include an inter-company sale to MML of LKR 8.3 Mn where the remaining LKR 317. Mn is derived through exports.



The export volumes of FY 2023 and FY 2024 are as follows:

Catogory	Rice		Flour		Spices		Food & Beverages		Home & Personal Care		Kitchen Equipment		Other	
Unit	FY 23	FY 24	FY 23	FY 24	FY 23	FY 24	FY 23	FY 24	FY 23	FY 24	FY 23	FY 24	FY 23	FY 24
Pcs	16,335	104,928	31,345	60,908	2,065	23,004	71,361	236,843	24,127	71,829	5,945	14,207	4,136	6,038
Kgs	-	64,065	-	16,606	-	443	35	4,767	-	-	-	-	-	-
Units	3	-	-	-	-	-	31,003	9,900	-	-	-	-	-	-

- *Pcs – No of packets or bottles*
- *Units – No of items*
- *Food & Beverage, Home and Personal Care, Kitchen Equipment and Others predominantly include third-party products exported by MFL.*

In USD terms, sales were recorded as USD 0.06 Mn in FY 20/21, USD 0.2 Mn in FY 21/22, USD 0.42 Mn in FY 22/23 and reached USD 1 Mn in FY 23/24 demonstrating the Company's growth in export market in real terms. The exchange rate that closed at USD/ LKR 299 as of 31-Mar-2022 breached LKR 360 level during the said period prior to closed at USD/LKR 330 by the end of FY 22/23. The rupee rate further appreciated to LKR 301 level by 31st March 2024.

Cost of Sales

The Cost of Sales for MFL, a food manufacturer and a distributor encompass expenses cost of raw materials, direct production costs, labor charges, and various overhead costs and freight charges and cost of 3rd party manufactured goods. MFL procures majority of its raw materials from local suppliers 9e.g. raw rice) as well as direct/ indirect imported raw materials/ goods (e.g. wheat flour, spices). The price fluctuation of these supplies is a key challenge that MFL faces similar to other players in the industry and strict cost management practices are applied to manage the costs. In FY 22/23 and FY 23/24, MFL has maintained a Cost of Sales Margin of 84% & 81% of sales respectively.

With the segregation of local business in FY 22/23, higher gross profit margin from exports business is reflected more accurately during the FY 23/24.

Following is the Cost of Sales analysis for FY 21/22 & FY 22/23.

Table 2.3.2

Cost of Sales	FY 22/23 (LKR)	FY 23/24 (LKR)
Cost of Production	205,753,559	198,162,416
Purchasing cost of other products	36,473,448	52,756,118
Change in Inventory	(8,064,842)	12,517,522
Total	**234,162,165**	**263,436,056**

Administration Expenses

Administrative expenses primarily consist of overhead cost elements, including staff salaries, other personnel-related costs, Director's remuneration, utility expenses and maintenance expenses, all of which pertain to day-to-day back-office operations. In FY 2023/24 total admin expenses (excluding depreciation) have increased by c.17%, which was due to the increase in staff related costs, fuel and vehicle rent costs, and other general utility expenses. MFL's admin costs were maintained at 3.1% of sales for the said 2 financial years.

Selling and Distribution Expenses

Fuel and Vehicle maintenance, sales commissions and Business promotion and marketing expenses were the main cost elements that included in S&D expenses in FY 22/23. It has increased by c.53% YoY during FY 22/23 due to the increases of Fuel & Vehicle Maintenance Costs, Sales Commissions and the written

off bad debts which were relating to local distribution during the first few months of the said financial year. Since MFL is now focusing on exports, most of these costs are not incurred as reflected in the financial statements of 23/24 with a drastic reduction of c. 76% in the S & D costs.

Finance Cost

This pertains to the interest payments made on loans obtained by MFL for capital expenditure, as well as the utilization of short-term loans and bank overdraft facilities to support their working capital requirements with the increase in sales. Borrowing costs in respect of short-term loans which are on floating rates have increased in FY 2022 and 2023 with the increase in lending rates.

In FY 2022, part of capital infusion was used to settle the overdraft by c. LKR 25Mn which results in reduction on overdraft interest from LKR 4.4 Mn (in FY 2021) to LKR 2.59 Mn. In FY 2023, the Company has retired certain long-term loans amounting to LKR 14 Mn at fixed rate and switched to export credit loans which are short term to finance working capital requirements. (These export credit loans are at floating rates; hence the loan interest cost was increased by Rs.3.3 Mn where overall finance cost in FY 2023 reflects an increase.

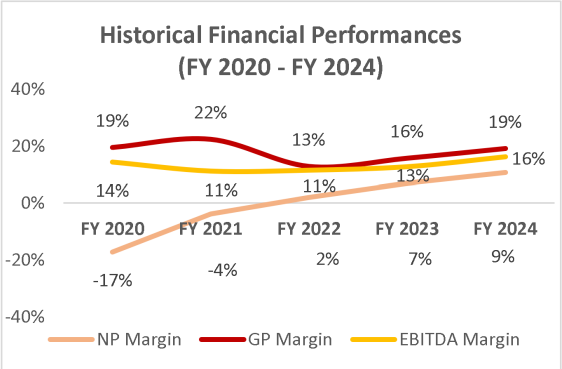
In FY 23/24, MFL has incurred a finance cost of LKR 14.5 Mn which is a 21% increase from the previous year owing to the lease Interest on new leases obtained and increase in loan interest despite the drop in rates in the latter part of the year due to utilization of export credit for working capital purposes.

Profitability

Profitability is primarily contingent upon factors impacting revenue and associated direct costs. In order to sustain in a highly competitive market, the Company always strives to offer the best prices to their clients which pushes the margins down. MFL has maintained 13% - 19% GP margin through FY 21/22 & FY 23/24.

Exports being a high margin segment, growth in such revenues has boosted the gross profit further by c. LKR 23 Mn in FY 2023 registering over a100% growth. This has resulted a substantial improvement in EBITDA and net profits despite the overhead cost escalations.

Increase in export sales during FY 23/24 has pushed the GP margins further up yielding a better EBITDA and net profit margins which are in a positive trajectory over the recent years. This improvement in the profitability led to improve the Company's performance outlook creating a solid foundation for future growth.



Income Tax

The Company is currently taxed at 30%, however there were carry forward tax losses which have been set-off against the taxable profits in the past causing zero income tax expense in FY 22/23. Such remaining tax losses have been set-off against taxable profits in FY 23/24 that resulted in a lower tax expense. From FY 24/25 onwards, all taxable profits are liable for tax at 30% since there are no further tax losses to claim.

Financial Position

MFL's financial statements for the end of March 2024 reflect a total asset base of LKR 268 million. Non-current assets constitute approximately 52% of the total assets. Trade and other receivables have increased significantly over the last FY, reaching LKR 83 Mn by the end of March 2024, representing 31% of the total assets. This increase caused due to the sales made in the month of March 2024 where the payments are due from foreign buyers. The Company's current ratio is 0.8x and quick assets ratio is 0.7x as of 31st March 2024.

During the fiscal year 2022/23, MFL increased its stated capital and currently is at the level of LKR 45.5 Mn. Retained earnings also grew and turned to a positive value as a result of net profits generated during the same fiscal year. Together with the profits recorded in FY 23/24, retained earnings reached LKR 36.3 million by the end of March 2024.

The Company's gearing was at a manageable level as of 31st March 2023, with a gearing ratio of 48% caused due to the dependency on short term borrowings for working capital to support the sales.

FY 23/24's gearing* ratio is c.53.7% which has increased due to additional short-term borrowings obtained for exports and new leases obtained. During FY 2023/24, MFL has obtained short-term revolving loans for working capital requirements to purchase raw materials in fulfilling export orders. These were obtained from Hatton National Bank PLC and Commercial Bank of Ceylon PLC amounts to LKR 55.5 Mn and LKR 94.78 Mn respectively (total c. LKR 150.28 Mn as reflected under Financing Activities of the statement of cashflow of AFS). When there are export orders, the Company utilizes short term revolving facilities from banks to support raw material purchases and when the export proceeds are received, loans get settled. Therefore, the extent of such short-term loans at a given date depends on the utilization of the loan facilities for export order fulfillments. Due to the increase in export orders in February and March 2024, MFL had drawn a significant amount using revolving facilities. No new long-term loans were obtained during the year.

The total loan settlement of c. LKR 110.7 Mn includes settlement of long-term loans of c. LKR 15.7 Mn and short-term revolving loans amounting to c. LKR 95 Mn.

As mentioned above, even though there are significant amount of short-term loans outstanding as at 31st March 2024, with the receipt of export proceeds from the foreign clients, these amounts are being reduced where gearing position also reduces. The credit period for exports is generally 45- 60 days (depending on the time to complete the shipping of goods) after which the payments are remitted by the clients.

Bank Overdraft - The overdraft facility has been utilized with additional temporary overdraft facility to finance the working capital in the last 2 months of FY 2023/24 similar to the utilization of short term revolving loans for working capital purposes.

** Gearing Ratio = (Total Interest-Bearing Liabilities + Total Lease Creditors)/ ((Total Interest-Bearing Liabilities + Total Lease Creditors) +Total Equity)*

2.3.2 Maharaja Marketing (Pvt) Limited

Maharaja Marketing (Private) Limited (MML) emerged as a wholly owned subsidiary of MFL following its establishment in June 2022.

In its inaugural fiscal year, MML reported a revenue of LKR 130 million from the local sales despite the sales under the new subsidiary from June 2022. The said fiscal year ended with a gross profit of LKR 7.3 million and a net profit of LKR 0.8 million.
The rationale behind the low margins lies in competitive pricing of its products in order to maintain relevance in a market comprises of larger competitors. Nonetheless, MML anticipates augmenting its customer reach through the expansion of its retailer base, with the aim of enhancing profit margins by capitalizing on economies of scale.

Since the subsidiary is mainly selling the products manufactured at the main processing plant, hence operates with an assets-light structure. Therefore, the assets and liabilities largely represented by the trade related accounts i.e. inventories, trade receivables and payables.

In FY 23/24, MML recorded a revenue of LKR 179 Mn with a 37% of growth in its revenues and increased its gross profit margin to 8.4%. FY 23/24 being the first full year of operations for MML, Admin and Distribution costs reflect a substantial increase. Given the higher gross profits recorded, net profits increased to LKR 1.19 Mn, which is a 46% increase from its previous net profit of LKR 817,423. A summary of financial result of MML is depicted below.

	FY 22/23 (LKR)	FY 23/24 (LKR)
Sales Income	130,746,132	179,671,543
Gross Profit	7,357,264	15,083,932
EBITDA	1,052,088	2,421,098
Net Profit/(Loss) Before Taxation	1,021,654	1,773,313
Income Tax Expenses	(204,231)	(581,894)
Net Profit/(Loss) After Income Tax	817,423	1,191,419

3.0 Industry Overview

3.1 Introduction to Global Food Industry

In 2024, the Food market is expected to achieve a revenue of US$10.07 trillion, with an anticipated annual growth rate of 6.53% between 2024 and 2028. The Confectionery & Snacks segment emerged as the largest within this market, commanding a volume of US$1.77 trillion in 2024. Notably, China leads globally in revenue generation, reaching US$1,630 billion in 2024. On a per capita basis, the industry revenue generated in 2024 to be amounted to US$1,299.00. Moreover, online sales of the industry are projected to account for 4.3% of total revenue by 2024. Looking ahead, the volume of the Food market is forecasted to reach 3,118.00 billion kilograms by 2028, with a growth rate of 3.9% anticipated in 2025. Each person is expected to contribute an average volume of 352.30 kilograms to the Food market in 2024.

Industry Revenue (2024f)	USD 10.07 Trillion
CAGR (2024-2028)	6.53%
Per Capita Revenue (2024)	USD 1299
World Food Market Volumes (2028)	3,118 billion Kg
Per Capita Volume (2024)	352.30 Kg

The food market encompasses a broad array of consumable products acquired and utilized for nutritional purposes, comprising both fresh and processed items. Structurally, it is delineated into 13 distinct segments, each catering to specific dietary needs and preferences. These segments include Dairy Products & Eggs, encompassing both animal and non-animal-derived dairy alternatives; the Meat segment, comprising various animal proteins including pork, poultry, and meat substitutes; Fish & Seafood, offering options ranging from fresh to processed aquatic fare; Fruits & Nuts, covering a spectrum of fresh, frozen, and processed fruit and nut varieties; Vegetables, including both fresh and processed plant-based offerings; Bread & Cereal Products, featuring a range of baked goods and cereals suitable for various meal applications; Oils and Fats, incorporating edible oils and fats derived from both animal and plant sources; Sauces and Spices, providing essential flavor-enhancing ingredients for culinary preparations; Convenience Food, offering prepared meals requiring minimal preparation effort; Spreads and Sweeteners, encompassing spreads and sweetening agents used to enhance food and beverage palatability; Confectionery & Snacks, encompassing a diverse array of sweet, savory, and salty snacks and treats; Baby Food, specifically formulated for infants and toddlers; and Pet Food, tailored to meet the nutritional needs of household pets. This comprehensive segmentation facilitates a nuanced understanding of consumer preferences and dietary habits within the broader food market landscape.

- The Dairy products & Eggs segment
- The Fish & Seafood
- The Vegetables segment
- The Oils and Fats segment
- The Convenience food segment
- The Confectionery & Snacks segment
- The Pet food segment
- The Meat segment
- The Fruits & Nuts Segment
- The Bread & Cereal products segment
- The Sauces and Spices segment
- The Spreads and Sweeteners segment
- The Baby food segment

(Source: https://www.statista.com/outlook/cmo/food/worldwide - accessed on 29/02/2024)

3.1.1 A Global Food Crisis?

Currently hundreds of millions of people are facing food insecurity. The global hunger and malnutrition crisis have reached unprecedented levels, with over 333 million people facing acute food insecurity in 2023 - a staggering increase of almost 200 million compared to pre-pandemic levels. At least 129,000 individuals are on the brink of famine in Burkina Faso, Mali, Somalia, and South Sudan. This surge in hunger threatens to erase any progress made in reducing food insecurity, exacerbated by funding shortfalls and resultant cuts in assistance.

Multiple factors have contributed to this seismic crisis. Conflict remains a primary driver, with 70 percent of the world's hungry residing in war-torn regions, exemplified by events unfolding in Ukraine, where conflict disrupts lives, livelihoods, and economies, exacerbating hunger.

Simultaneously, the climate crisis exacerbates global hunger by destroying crops, livelihoods, and undermining food security. Failure to address climate change urgently risks spiraling hunger out of control. Moreover, soaring global fertilizer prices, exacerbated by disruptions from the Ukraine conflict, pose a significant threat. These price hikes, outpacing even food prices, jeopardize agricultural production, potentially leading to a food availability crisis for staples like maize, rice, soybean, and wheat.

As the world grapples with these interconnected crises, urgent and concerted action is imperative to avert catastrophic consequences and honor the commitment to end hunger and malnutrition by 2030.

(Source: https://www.wfp.org/global-hunger-crisis - accessed on 29/02/2024)

3.2 Global Ethnic Foods Industry

MFL is mainly engaged in exporting ethnic food products to a selection of countries within the European Union, UK, Australia and Singapore. Therefore, it is important to analyze the Global Ethnic Foods Industry.

The Ethnic Foods Market is poised for substantial growth, with an estimated value of USD 45.46 billion in 2024, projected to reach USD 67.81 billion by 2029, reflecting a robust compound annual growth rate (CAGR) of 8.33% during the forecast period (2024-2029).

Market Size (2024)	USD 45.46 Bn
Market Size (2029)	USD 67.81 Bn
CAGR (2024-2029)	8.33%
Fastest Growing Market	Europe
Largest Market	North America

In the wake of the COVID-19 pandemic, consumer behavior has shifted towards an increased consumption of ready-to-eat food products representing various ethnicities, leading to heightened demand for ethnic foods globally. This trend is anticipated to persist in the current year and beyond.

The escalating demand for ethnic foods can be attributed to several factors, including rising immigration rates driven by employment prospects, educational pursuits, and tourism activities. Over the medium term, the market is expected to witness traction owing to growing interest in nutritious dietary choices and substantial investments in producing healthy, ethnically inspired food offerings.

Key drivers of ethnic food demand encompass the widespread availability and accessibility of such products, particularly through specialized ethnic food supermarket chains. Additionally, the phenomenon of westernization in developing nations is reshaping consumer preferences towards dining out experiences and exploration of intercontinental and exotic cuisines. Notably, the therapeutic aspect of food is gaining prominence as consumers increasingly seek innovative and diverse culinary experiences.

Furthermore, manufacturers in the ethnic food sector are prioritizing factors such as convenience, product quality, culinary diversity, and packaging innovations to cater to evolving consumer preferences. The market continues to witness diversification as consumers exhibit a growing inclination towards experimenting with a myriad of global cuisines. Noteworthy among these are niche ethnic food categories including African, Indian, and Indonesian cuisines, which have witnessed notable growth in recent years.

(Source: https://www.mordorintelligence.com/industry-reports/ethnic-foods-market - accessed on 29/02/2024)

3.3 Analysis of the Market for MFL

Presently, MFL is engaged in servicing prominent clients established in France, United Kingdom, Australia and Singapore (through a distribution channel focused on online marketing) with a particular emphasis on establishing a significant presence in Europe, where majority of clients are operated.

MFL is strategically targeting the South Asian Diaspora community, with a particular focus on Sri Lankans and Indians, by leveraging partnerships with clients who distribute MFL's products across Europe and Australia. This approach enables MFL to effectively reach and engage with its target demographic, tapping into the diverse consumer base within these regions. By leveraging these distribution channels, MFL aims to expand its market presence and strengthen its connection with the South Asian Diaspora community, thereby enhancing brand recognition and driving growth opportunities.

Given that the consumers of MFL's products reside primarily in Europe and Australia, it is imperative to assess the economic outlooks of these regions. Such analysis is crucial as it directly influences the disposable income levels of MFL's consumers and consequently impacts the company's top-line performance. Understanding the economic trends and consumer spending patterns in these continents is essential for MFL to effectively strategize and adapt its business operations, to maximize revenue and maintain competitiveness in the global market.

3.3.1 Europe (Including United Kingdom)

Economic Outlook - 2024

In 2024, Europe is forecasted to undergo a mild economic recovery, although challenges such as high interest rates, tightened fiscal policies, and geopolitical conflicts may hinder growth prospects. Despite these obstacles, there are notable positive factors contributing to the region's economic outlook. The European Union (EU) is expected to experience a gradual recovery, with projected growth averaging 1.2% in 2024, supported by increased consumer spending, rising real wages, and robust labor markets. Additionally, demand for EU exports is anticipated to improve as global trade gradually rebounds. While some countries, such as Greece, Portugal, and Spain, with service-oriented economies, show more favorable short-term growth prospects, larger manufacturing-based economies like Austria, Finland, and Germany face challenges. However, there are signs of improvement, with Germany's GDP forecasted to recover by 0.7% in 2024. Furthermore, inflation is expected to decline, providing some relief to consumers

and businesses. Despite tightening labor markets, Europe continues to face labor shortages, emphasizing the region's resilience amidst economic headwinds.

(Source: Chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2024_PR_EU_EN.pdf - accessed on 06/03/2024)

Despite challenges, the UK economy is anticipated to experience modest growth until the end of 2026. Projections show upward revisions in GDP growth for 2024 and 2025, with an eventual rise to 1.0% in 2026. While consumer spending drives the GDP increase, inflation rates are expected to ease, remaining slightly above the Bank of England's target. Notably, average earnings are predicted to outpace inflation, with consistent growth expected over the forecast period. Furthermore, business investment is anticipated to rise gradually, constrained by factors such as trade barriers and geopolitical uncertainties. Although the unemployment rate is expected to increase slightly, the labor market is forecasted to remain tight, with skills shortages reported by most recruiting firms.

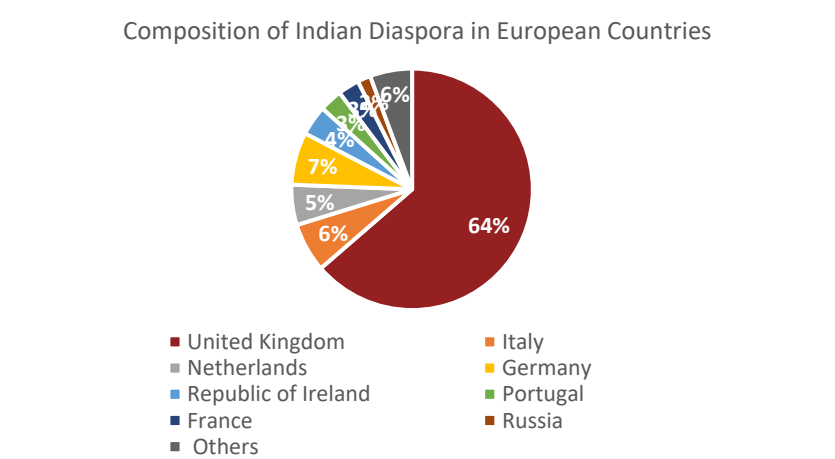
(Source: https://www.britishchambers.org.uk/news/2024/02/bcc-economic-forecast-recession-expected-to-end-but-growth-will-be-weak/#:~:text=UK%20Economic%20Outlook,set%20to%20grow%20at%201.0%25. – accessed on 06/03/2024)

Diaspora Community in European Union & United Kingdom

Given the extensive utilization of MFL's products within the Indian and Sri Lankan communities, it is imperative to prioritize efforts aimed at engaging with and serving the diaspora populations originating especially from India and Sri Lanka, along with expatriates of other South Asian and East Asian countries.

Indians in European Union Countries & UK

The Indian diaspora in the EU and the UK is a formidable force, surpassing two million in number and leaving an indelible mark on their adopted countries. Rooted in historical ties, the community's presence in the UK dates back to colonial times, with post-war migration bolstering its ranks to fill critical roles in various sectors. Today, the diaspora stands as a pillar of economic strength, with skilled professionals driving innovation in fields like technology while also contributing significantly to healthcare, manufacturing, and transportation. Beyond economics, their cultural contributions enrich European societies, introducing vibrant elements of Indian cuisine, music, art, and festivals. Moreover, individuals of Indian origin wield considerable influence in European politics and society, shaping policy and discourse, thus exemplifying the multifaceted impact of the Indian diaspora across the EU and the UK.



Approximately 2.2 Mn Indians are living in European Continent as per research published in 2022.

(Source: https://www.tandfonline.com/doi/full/10.1080/23311886.2022.2065150 - accessed on 29/02/2024)

Sri Lankans in European Union Countries & UK

The Sri Lankan diaspora in the EU and UK, though smaller in scale compared to the Indian diaspora, remains significant, comprising an estimated 150,000 to 200,000 individuals. Primarily composed of people of the Tamil community, who fled the civil war seeking refuge and economic opportunities. The Sri Lankan community also includes Sinhalese and other ethnicities. The UK hosts the largest population, with approximately 131,000 Sri Lankan-born individuals, while Switzerland boasts the largest numbers within the EU. Further, France and Italy also have substantial populations. Across Scandinavia, Sri Lankan Tamil communities have established themselves, ranging from 6,000 to 13,000 members. Despite their smaller numbers, the Sri Lankan diaspora contributes meaningfully to their host nations by preserving their cultural heritage through community initiatives and events, integrating into the workforce across sectors, and supporting Sri Lanka's development through remittances and advocacy, thus showcasing their enduring impact in Europe.

(Sources: https://en.wikipedia.org/wiki/Sri_Lankan_diaspora - accessed on 29/02/2024)

(Sources: https://en.wikipedia.org/wiki/British_Sri_Lankans_- accessed on 29/02/2024)

(Sources: https://en.wikipedia.org/wiki/Sri_Lankan_Tamil_diaspora_- accessed on 29/02/2024)

3.3.2 Australia

Economic Outlook – 2024

The Australian economy is anticipated to experience modest growth in the foreseeable future, hampered by subdued demand due to inflation and elevated interest rates. Projections for GDP expansion have been revised downwards compared to three months ago, primarily due to a less optimistic outlook for household consumption in the immediate future. However, starting from late 2024, growth is expected to gradually improve as inflation subsides and pressures on household incomes alleviate.

(Source: https://www.rba.gov.au/publications/smp/2024/feb/outlook.html#:~:text=From%20late%202024%2C%20growth%20is,the%20next%20couple%20of%20years. – accessed on 08/03/2024)

Diaspora Community in Australia

Indians in Australia

Australia is home to a substantial and dynamic Indian community, which ranks as the nation's second largest and fastest-growing demographic. According to data from the 2021 census, 673,352 individuals identify with Indian ancestry, comprising both Indian-born migrants and Australians of Indian descent. While Melbourne and Sydney stand out as major centers, Indian residents flourish throughout the country. Renowned for their significant contributions to academia and industry, members of the Indian community exert notable influence across various sectors. Their impact ranges from academia, where they contribute to esteemed universities, to professions that shape diverse industries. Furthermore, they enhance Australian society with their vibrant culture, which is showcased through thriving restaurants and bustling community centers. Importantly, they seamlessly integrate into the broader societal fabric of Australia.

(Source: https://www.abs.gov.au/census/find-census-data/quickstats/2021/7103_AUS - accessed on 04/03/2024)

Sri Lankans in Australia

As of 2021, the Australian population includes 131,904 individuals born in Sri Lanka, constituting over 0.48% of the total populace. Australia hosts a vibrant Sri Lankan community, predominantly centered in Melbourne (approximately half) and New South Wales. Dating back to the 19th century, this community boasts cultural diversity, encompassing Sinhalese, Tamil, and other Sri Lankan ethnicities. Many Sri Lankans migrated following the abolition of the White Australia Policy, introducing a notable Buddhist, Hindu, and Catholic presence. Renowned for their cohesive social networks and successful assimilation, Sri Lankans in Australia exhibit a high rate of citizenship and maintain strong familial ties.

(Source: https://www.abs.gov.au/census/find-census-data/quickstats/2021/7107_AUS - accessed on 04/03/2024)

Migration from the countries of origin for educational and professional reasons is expected to increase steadily over time, driving up numbers from all Sri Lankan communities. This trend is fueled by globalization, the pursuit of higher education, and demand for skilled professionals. Consequently, there is a growing demand for products catering to the culinary preferences of these expatriate communities, such as those offered by MFL.

3.3.3 Potential Markets for MFL

MFL is strategically poised for an expansion of its client base by prioritizing key regions for growth. Recognizing the substantial potential among Asian expatriates, MFL aims to establish a foothold in Canada, a prominent hub for this demographic. Furthermore, the company is focused on bolstering its presence in Europe, particularly in Scandinavian nations, which boast a significant population of South Asian expatriates. Additionally, MFL is committed to fortifying its market position in Australia by broadening its reach to a diverse clientele. To capitalize on the sizable expatriate communities of Sri Lankan and Indian origin, and expatriates form other Southeast Asian countries, MFL plans to establish a central hub in Singapore, enabling enhanced accessibility and engagement with this target audience.

Exploring further potential for MFL's products in Scandinavian countries and in Australia is worth consideration, in addition to the need for analysis and penetration of the newest target market in North America - Canada.

3.3.3.1 Canada

Economic Outlook – 2024

S&P Global Ratings has raised its GDP growth forecast for Canada to 0.9% for full-year 2024, up from the previous forecast of 0.7%. Despite this improvement, a sluggish economic expansion is expected in the near term. The forecast also predicts GDP to grow slightly over 1% between the fourth quarter of 2024, While 2024 is anticipated to have weaker economic growth compared to 2023, especially after lackluster performance in the latter part of 2023 that included a slight contraction in one quarter, there has been a mild improvement in growth momentum in the first quarter of 2024. Overall, a more robust economic recovery is forecasted for 2025.
(Source: https://www.spglobal.com/ratings/en/research/articles/240326-economic-outlook-canada-q2-2024-staying-subdued-13051363#:~:text=GDP%20growth%20in%20Canada%20will,rate%20averaging%206.1%25%20in%202024. – accessed on 09/04/2024)

Sri Lankans & Indians in Canada

Canada boasts a significant population of individuals with Sri Lankan and Indian heritage, contributing to the country's rich cultural diversity. With approximately 200,000 individuals of Sri Lankan descent, predominantly concentrated in the Greater Toronto area, and the majority being of Tamil origin, Canada hosts one of the largest Sri Lankan Tamil diasporas globally. Additionally, Canada is home to nearly 1.4 million people of Indian ethnic or cultural origin, representing about 3.7% of the nation's total population, as per the 2021 census. This underscores the potential for MFL to expand its market share and grow its topline by tapping into these vibrant South Asian communities in Canada.

(Source: https://www.international.gc.ca/country-pays/sri_lanka/relations.aspx?lang=eng – accessed on 06/03/2024)

(Source: https://apnews.com/article/canada-india-by-numbers-389446727671e883df89767feb4a65e0 - accessed on 06/03/2024)

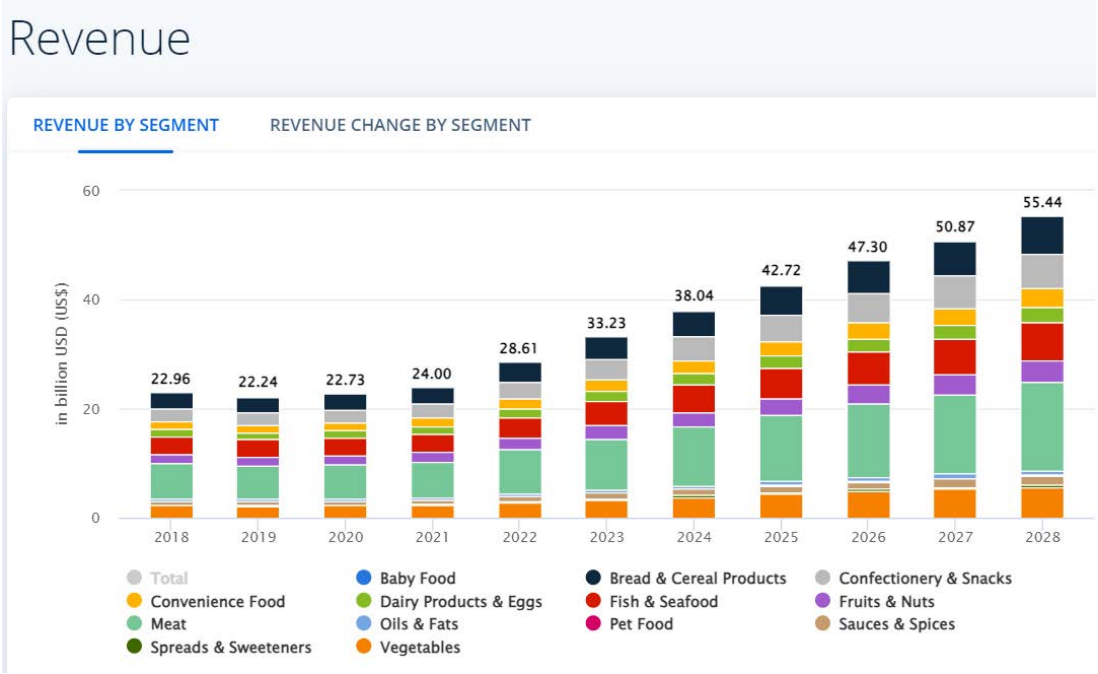
Alongside the expatriate community, South Asian cuisines are gaining popularity due to their distinctive blend of Asian spices and ingredients, as well as their perceived health benefits. This growing trend is poised to have a favorable impact, as MFL's products serve as essential raw materials in the preparation of these flavorful culinary creations.

3.4 Overview of the Sri Lankan context of the Food Industry

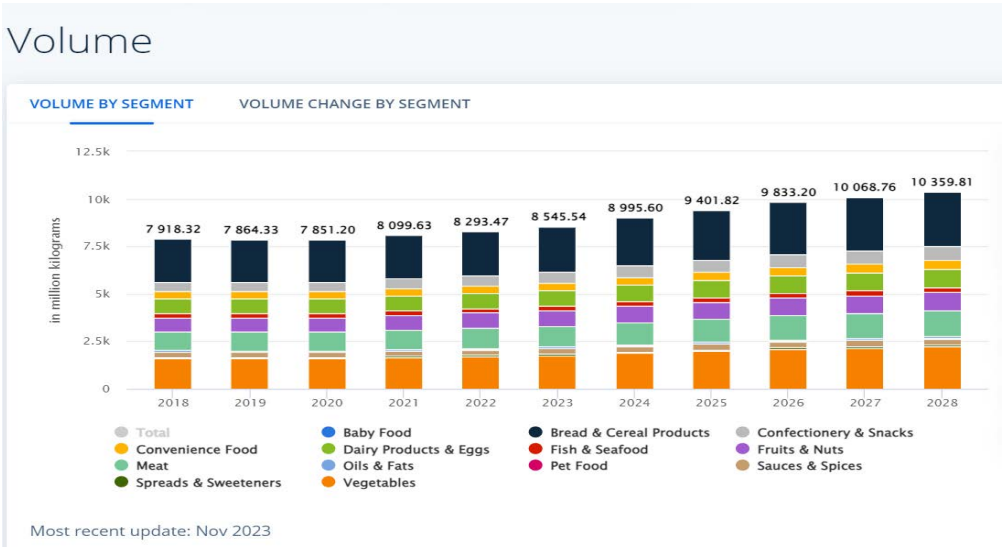
In 2024, the Sri Lankan Food market is estimated to reach a total revenue of US$38.03 billion, with a projected annual growth rate of 9.87% (CAGR 2024-2028).

Industry Revenue (2024)	USD 38.03 Billion
CAGR (2024-2028)	9.87%
Per Capita Revenue (2024)	USD 1751
Sri Lankan Food Market Volumes (2028F)	10,360 million Kg
Per Capita Volume (2024)	414.20 Kg

The largest segment within this market is Meat, accounting for a market value of US$10.73 billion. When considering total population figures, it is expected that per person revenues will amount to US$1,751.00 in 2024. Furthermore, online sales are anticipated to contribute 1.5% of the total revenue within the Food market by the same year.



In the Food market, volume is expected to amount to 10,360.00m kg by 2028. The Food market is expected to show a volume growth of 4.5% in 2025. The average volume per person in the Food market is expected to amount to 414.20kg in 2024.



(Source: https://www.statista.com/outlook/cmo/food/sri-lanka - accessed on 06/03/2024)

In Sri Lanka, the most consumed food category by volume is Bread & Cereal Products. This category aligns closely with the primary product offerings of MML (flour-based products), presenting a significant opportunity for the company within the industry. By focusing on this key market segment, MML has the potential to enhance its market share, ultimately leading to increased revenues.

3.5 Key players in the industry

Sri Lanka's Food industry is a highly competitive industry which has a combination of both CSE listed & non-listed players are operating in. The following players serve both export & domestic markets.

Listed Players	Non-Listed Players
Tess Agro PLC	Vijaya Products (Pvt) Ltd
Harischandra Mills PLC	Araliya Rice Mills (Pvt) Ltd
Convenience Foods PLC	Bio Foods Pvt Ltd
Cargills Ceylon PLC	Alli Company Pvt Ltd
Bairaha Farms PLC	Derana Marketing Services Pvt Ltd

(Source: https://www.srilankabusiness.com/spices/ - accessed on 06/03/2024)

(Source: https://www.srilankabusiness.com/food-and-beverages/ - accessed on 06/03/2024)

3.6 Sri Lankan Macro Economic Outlook – 2024

In 2024, Sri Lanka's economy is set to rebound, marking its first growth after two consecutive years of contraction. Dr. Nandalal Weerasinghe, the Governor of the Central Bank of Sri Lanka, foresees a 3% growth, attributing the positive trajectory to factors such as lower interest rates and inflation. Despite experiencing a 3% contraction in 2023, the economy demonstrated resilience, particularly evident in the positive fourth-quarter performance.

The CBSL's growth projection of 3% mirrors the optimistic outlook for Sri Lanka's economy, surpassing the IMF's estimated growth rate of 1.8%. This economic recovery is underpinned by stringent monetary and fiscal policies, including a $3 billion agreement with the IMF, aimed at bolstering state revenue and addressing inflationary pressures.

(Source: https://www.themorning.lk/articles/KNB9PcuyeSEpjQhg0ha9 - accessed on 06/03/2024)

The favorable economic outlook for the Sri Lankan economy would contribute to MFL's sustainability within the competitive business environment, particularly as part of a Group of companies including MML. This optimism stems from the anticipated increase in consumer spending, coupled with lower interest rates and inflation rates, which would notably benefit MML, the local business arm of MFL. These favorable economic conditions are poised to provide MFL with a conducive operating environment, enabling it to capitalize on growth opportunities in the local market and maintain its competitive edge amidst local market dynamics.

3.7 Global trends driving change in the food industry.

1. Globalization of Food Supply Chains:

The exchange of food across international borders has reached unprecedented levels, driven by businesses seeking expansion into foreign markets. To maximize profits amidst narrow profit margins, companies are sourcing from cost-effective suppliers globally. However, this globalization presents challenges in maintaining food safety, quality, and effective supply chain control.

2. Integration of Supply Chains:
In response to increasing regulations in global food trade, companies are investing significant resources in integrating their supply chains to enhance safety and traceability. Concurrently, governments are advocating for policy measures to facilitate this integration, aiming to improve overall food safety standards.

3. Scandals and Increased Scrutiny:
High-profile incidents of food safety breaches and fraud have raised public health concerns and eroded trust in both the industry and governmental bodies worldwide. With the amplifying effect of social media, even minor lapses in quality control can quickly escalate into international scandals, necessitating stringent monitoring and response mechanisms.

4. Rising Regulatory Standards:
Governments, particularly in China and the US, are imposing stricter and more intricate regulations concerning quality standards, supervision, and penalties. This heightened regulatory environment poses substantial compliance risks and cost burdens for companies operating across multiple jurisdictions.

5. Shift in Global Economic Power:
The burgeoning economies of Asia, notably China and India, are creating vast new consumer markets. Projections indicate that by 2030, the purchasing power of emerging economies will surpass that of established ones, reshaping the dynamics of global trade and consumption patterns.

6. Technological and Scientific Advancements:
Innovations in science and technology are enhancing our capacity to detect hazards and assess risks in food supply chains. Commercially viable technologies such as on-farm GPS mapping and DNA labeling, coupled with data analytics, offer opportunities for tighter control and improved efficiency throughout the supply chain, bolstering quality and transparency.

7. Changing Food Demand:
Economic progress and population growth are fueling an increase in global food consumption, with a discerning middle class demanding higher quality and greater variety. This shift is accompanied by a rise in demand for resource-intensive protein products and specialty standards such as organic or halal, necessitating adaptation and innovation in food production systems.

8. Empowered Consumers:
The proliferation of internet and social media platforms has empowered consumers with unprecedented access to information on food-related issues. Individuals can readily share their opinions and experiences, potentially catalyzing food scandals. In response, companies are allocating resources to communication, risk management, and crisis preparedness to uphold consumer trust.

9. From Compliance to Competitive Advantage:
Leading food companies are setting internal standards surpassing regulatory requirements, aiming for exceptional quality to differentiate themselves in the market and cultivate brand loyalty. By prioritizing quality and safety, these companies position themselves for long-term success amidst evolving consumer preferences.

10. Population Growth and Resource Scarcity:
The imperative to feed a growing global population amid dwindling resources necessitates innovative approaches in agriculture and resource management. Governments and businesses are deploying technologies, engaging in corporate acquisitions, and fostering diplomatic relations to secure access to essential resources like water, energy, and land, ensuring sustainable food production for the future.

(Source: https://www.pwccn.com/en/industries/food-supply-and-integrity/ten-global-trends-driving-change-in-the-food-industry.html - accessed on 06/03/2024)

4.0 Risk Associated with global Food manufacturing & exporting Industry

The food industry confronts a range of challenges including ensuring food safety and quality, navigating supply chain disruptions, complying with regulatory standards, overcoming trade barriers, managing currency fluctuations, adapting to shifting consumer preferences, dealing with price volatility, addressing political and economic instability, protecting intellectual property, and addressing environmental sustainability concerns. Overcoming these challenges is crucial for businesses aiming to succeed in the competitive global food market. The following are some of the industry related risk factors.

1. **Food Safety and Quality:**
   Ensuring the safety and quality of food products is paramount. Contamination, spoilage, or non-compliance with regulatory standards can lead to product recalls, legal liabilities, and damage to reputation.

2. **Supply Chain Disruptions:**
   Complex supply chains involving multiple suppliers and logistics channels are susceptible to disruptions such as natural disasters, transportation issues, or geopolitical tensions. These disruptions can result in delays, shortages, and increased costs.

3. **Regulatory Compliance:**
   Compliance with domestic and international food safety regulations is essential for food manufacturers and exporters. Non-compliance can lead to fines, sanctions, and loss of market access.

4. **Trade Barriers and Tariffs:**
   Exporting food products involves navigating trade barriers, tariffs, and import regulations imposed by foreign governments. Changes in trade policies or geopolitical tensions can impact market access and profitability.

5. **Currency Fluctuations:**
   Fluctuations in currency exchange rates can affect the competitiveness of exported food products and impact profit margins. Currency volatility adds an additional layer of financial risk for food exporters.

6. **Market Demand and Consumer Preferences:**
   Shifting consumer preferences, dietary trends, and demand for specific food products vary across different markets. Failure to adapt to changing consumer preferences can result in decreased sales and market share.

7. **Price Volatility:**
   Fluctuations in commodity prices, such as grains, oils, and meats, can impact production costs and export prices. Price volatility can affect profit margins and competitiveness in global markets.

8. **Political and Economic Instability:**
   Political unrest, economic downturns, and instability in exporting or importing countries can disrupt trade flows and impact business operations. Uncertainty in international markets poses risks to long-term business sustainability.

9. **Intellectual Property and Counterfeiting:**
   Protecting intellectual property rights is crucial for food manufacturers, especially for unique products or brands. Counterfeiting and infringement of trademarks or patents can harm brand reputation and market competitiveness.

10. **Environmental and Sustainability Risks:**
    Growing concerns about environmental sustainability, including issues such as climate change, water scarcity, and deforestation, are increasingly relevant in the food industry. Companies that fail to address these concerns may face reputational damage and regulatory scrutiny.

The food industry confronts a plethora of challenges, spanning from guaranteeing food safety to navigating supply chain disruptions, adhering to regulations, surmounting trade barriers, and contending with currency fluctuations. Additionally, adapting to evolving consumer preferences, managing price fluctuations, and addressing political and economic uncertainties are pressing concerns. Safeguarding intellectual property and addressing environmental sustainability issues further compound these challenges. It is imperative for businesses to effectively manage these risks to sustain competitiveness and ensure long-term success in the global food market. Consequently, MFL consistently evaluates its risk profile and implements proper strategies to mitigate these risks.

5.0 Valuation Results

5.1 Discounted Cash Flow Methodology.

We have adopted the Sum of the Parts approach in determining the consolidated equity value. The Equity Values of Maharaja Foods Limited - Parent Company and its' Subsidiary are set out below. (Refer section 5.1.1 and 5.1.2 for details) *

Table 5.1

Company	Equity Value
Maharaja Foods Limited (LKR)*	**518,084,309**
Maharaja Marketing (Pvt) Limited (LKR)*	**95,553,851r**
Total Equity Value (LKR)	**613,638,159**
No of shares – post IPO	**125,000,000**
Value per Share LKR	**4.91**

The DCF value per share setout herein, is subject to the viability of the said forecasts/assumptions made in section 07 of this Research Report.

The Discounted Cash Flow calculations for each of the Company are as follows.

5.1.1 Maharaja Foods Limited

Table 5.2

LKR	2025E	2026E	2027E	2028E	2029E	Terminal Value
Earnings before interest & taxes (EBIT)	83,052,109	102,677,906	126,575,811	145,390,906	169,337,265	-
Tax Paid (30%)	(24,915,633)	(30,803,372)	(37,972,743)	(43,617,272)	(50,801,179)	
EBIT - Tax	58,136,476	71,874,534	88,603,068	101,773,635	118,536,085	
CASH FLOW ADJUSTMENTS:						
Add: Depreciation & Amortization	5,550,853	8,978,853	8,978,853	9,478,853	9,978,853	
Net change in working capital	324,031	(22,356,680)	(16,316,222)	(13,453,787)	(14,786,825)	
Less: Capex	(68,560,000)	-	(10,000,000)	(5,000,000)	(2,000,000)	
FREE CASH FLOW TO FIRM (FCFF)	(4,548,639)	58,496,708	71,265,699	92,798,701	111,728,114	873,400,769
Discount Factor	0.92	0.79	0.67	0.57	0.49	0.49
PV of FCFF	(4,199,766)	46,042,849	47,818,780	53,081,969	54,482,217	425,898,267
Enterprise Value	**623,124,316**					
Add						
Cash and Cash Equivalents (As of 31/03/2024)	24,115,879					
Other Investments	10,000,000					
Deduct						
Interest Bearng Borrowings (As of 31/03/2024)						
Loans, Lease, OD	(139,155,887)					
Equity Value post-money	**518,084,309**					

Key Assumptions used in Maharaja Foods Valuation

Risk free rate (Rf) *	12.97%
Market risk premium (Rp)	7.00%
Other risk premium	1.00%
Cost of equity (Ke)	20.97%
Cost of debt (Kd)	12.50%
Kd (1-t)	8.75%
Tax Rate	30.00%
Debt/(D+E)	30.00%
Equity/(D+E)	70.00%
WACC	17.30%
Long-term growth (g)	4.00%

* 10-year Treasury Bond yield – CBSL weekly Economic Indicators 10th May 2024

5.1.2 Maharaja Marketing (Private) Limited

Table 5.3

LKR	2025	2026	2027	2028	2029	Terminal Value
Earnings before interest & taxes (EBIT)	12,825,349	25,257,340	29,437,745	32,848,872	40,165,536	
Tax Paid	(3,847,605)	(7,577,202)	(8,831,324)	(9,854,662)	(12,049,661)	
EBIT - Tax	8,977,744	17,680,138	20,606,422	22,994,211	28,115,875	
CASH FLOW ADJUSTMENTS:						
Add: Depreciation & Amortization	200,136	200,136	700,136	1,200,136	1,200,136	
Net change in working capital	8,311,302	(8,270,035)	(8,443,917)	(6,664,232)	(7,391,919)	
Less: Capex	-	(5,000,000)	(5,000,000)	-	-	
FREE CASH FLOW TO FIRM (FCFF)	17,489,182	4,610,240	7,862,641	17,530,115	21,924,092	145,445,155
Discount Factor	0.92	0.77	0.65	0.55	0.47	0.47
PV of FCFF	14,665,612	16,064,333	3,572,754	5,140,843	9,670,236	10,203,761
Enterprise Value	**112,344,018**					
Add						
Cash and Cash Equivalents (As of 31/03/2024)	1,194,701					
Deduct						
Interest Bearing Borrowings (As of 31/03/2024)	(17,984,869.00)					
Loans & Leases	-					
Equity Value	**95,553,851r**					

Key Assumptions used in Maharaja Marketing Valuation

Risk free rate (Rf) *	12.97%
Market risk premium (Rp)	7.00%
Other risk premium	1.00%
Cost of equity (Ke)	20.97%
Cost of debt (Kd)	12.50%
Kd (1-t)	8.75%
Tax Rate	30.00%
Debt/(D+E)	20.00%
Equity/(D+E)	80.00%
WACC	18.53%
Long-term growth (g)**	3.00%

* 10-year Treasury Bond yield – CBSL weekly Economic Indicators 10th May 2024
** Considering GDP Growth Forecast of Sri Lanka ((https://www.themorning.lk/articles/KNB9PcuyeSEpjQhg0ha9))

Consolidated Sensitivity Analysis

		WACC				
		15.30%	16.30%	17.30%	18.30%	19.30%
Terminal growth	3.00%	691,464,686	631,476,826	580,054,513	535,512,284	496,578,476
	3.50%	714,831,615	650,806,445	596,238,113	549,203,765	508,267,513
	4.00%	740,265,682	671,707,066	**613,638,159**	563,852,425	520,720,341
	4.50%	768,053,884	694,378,327	632,397,160	579,562,274	534,014,349
	5.00%	798,538,922	719,055,184	652,680,786	596,452,960	548,237,747

(Refer Section 5.1 – Table 5.1 for the calculation of Consolidated Equity Value)

5.2 Relative Valuation

MFL would be categorized within the Food, Beverage & Tobacco sector of the CSE, which encompasses various types of companies engaged in plantation management, food and beverage manufacturing and tobacco industry. Therefore, relying solely on the sector PER would not be appropriate and misleading. Instead, we have analyzed companies listed on the CSE under the Food & Staples Retailing Sector and the Food, Beverages & Tobacco Sector to identify suitable peers. These companies are primarily involved in food manufacturing and exporting, providing a more relevant benchmark for comparison. Based on the identified peer group, valuation results are as below:

Table 5.4

	Value (LKR)
MFL Consolidated Earnings (FY 24/25 (e)) *Table 8.1*	59,798,765
CSE listed selected Peers' PER (with a 30% discount) (*Table 5.5)*	11.98
Equity Value	716,389,201
No. of Shares in Issue (post-IPO total no. of shares)	125,000,000
Equity value per Share	5.73

Details of the selected peer group

Following peer group has been selected since these companies are somewhat similar to MFL Group and are in the same industry i.e. food related products:

Table 5.5

Sector	Company	Market Cap	Weighted PE*
Food & Staples Retailing	Cargills (Ceylon) PLC	95,598,438,201	14.78
Food, Beverage & Tobacco	Convenience Foods Lanka PLC	2,467,437,500	0.37
	Harischandra Mills PLC	7,678,400,000	1.96
Weighted Average PER			17.11
Discounted PER (30% discount)			**11.98**

Considering the relative size and the market presence of these companies, a discount of 30% is applied to the above derived weighted PE multiple.

* Market cap adjusted weighted PE has been calculated using trailing twelve months earnings of the companies for the 12 months ended 31st December 2023 as per the published interim financial statements and the market capitalization as at 29th February 2024.

The Weighted PE Multiple was calculated using following formula.

Company Name	Market Cap	Weight	W.PE
CARGILLS (CEYLON) PLC	95,598,438,201	90.41%	14.78
CONVENIENCE FOODS LANKA PLC	2,467,437,500	2.33%	0.37
Harischandra Mills PLC	7,678,400,000	7.26%	1.96
	105,744,275,701.00	100%	17.11
Discounted PER (30%)			**11.98**

Source: www.cse.lk (Accessed on 30/04/2024)

6.0 Valuation Methodology

6.1 Discounted cash flow Methodology

Discounted cash flow is a valuation method used to estimate the value of an investment based on its future cash flows. Based on the future cash flow projection, this methodology will identify the value of the investment as at the considered valuation date. Given the current operation of the business and the expected growth backed by internal strategies and macro-economic developments, DCF will be able to capture the growth potential of the operations of MFL Group. Hence, DCF is considered as the primary valuation technique.

Free Cash Flow to Firm (FCFF) was calculated using the following formula:

FCFF= Earnings before Interest and Tax * (1-tax rate) + Depreciation & Amortization – Capital Expenditure + Working Capital Investment (net)

In order to arrive at an intrinsic value for the company, the future FCFF's were discounted using the following formula:

$$\sum_{i=0}^{n} \frac{FCFF_i}{(1+WACC)^i} + \frac{TV}{(1+WACC)^n}$$

FCFFi = Free Cash Flow to Firm in year t
WACC = Weighted Average Cost of Capital
TV = Terminal Value at year n
Where the Terminal Value is calculated through,

$$\frac{FCFF_n \times (1+g)}{(WACC-g)}$$

g = Long term Growth rate
And WACC is calculated through, $Wd \times Kd \times (1-T) + We \times Ke$
Ke = Cost of Equity
Kd = Cost of Debt
T = Company's tax rate
The fair value of equity was computed by deducting net debt and adjusting the Non-operational assets and liabilities to the total present value of FCFFs.

6.2 Relative Valuation Methodology

PE Valuation
The PE multiple approach was applied using Peer-based earnings multiple to gauge the relative value of a Share of MFL.

The price to earnings ratio [PE] is the measure of the share price relative to the annual net income earned by the firm per share. It technically conveys how much money an investor is willing to commit for one unit of firm earnings. A high PE multiple may be reflective of anticipated earnings growth in the future. Hence, the PE multiple is used as a supportive market-based measure to derive the price and growth expectations of the market to MFL based on its earnings. Accordingly, the following formula was used in arriving at the relative value per Share of MFL.

Per share relative value of MFL Group = Forward EPS of MFL Group *x PE multiple*

Where EPS of MFL – Earnings attributable to shareholders in FY 24/25.
PE Multiple – PE Multiple of the selected listed peers at CSE.

7.0 Assumptions Used in Financial Forecasts

Financial forecasts are based upon assumptions made by the management that would reasonably reflect the future business potential, and such assumptions are based on the best estimates. Management has taken into consideration the current business levels, the possible impact of the macro-economic environment on its business verticals, business development plans, and future capital requirements of the company, etc.

7.1 Maharaja Foods Limited

Revenue of the Company

Following a business restructuring carried out in FY 23, MFL divided its operations into two distinct entities, enabling a heightened focus on export markets. Consequently, MFL experienced a remarkable 75% year-on-year revenue growth in FY 2023 and a 17% revenue growth for FY 2024. Furthermore, in FY 2025, revenue is anticipated to surge by 34% with the introduction of two new product lines (polished & raw rice and Gingelly Oil) facilitated through IPO funds and a working capital injection into the firm via IPO funds. These two new product lines anticipate an additional revenue of c. LKR 59 Mn in FY 2025 and expects to grow gradually thereafter. New markets such as Canada where the Company has already identified 2 buyers and Middle East, the USA etc. expect to contribute to the revenue growth. The growth trajectory is expected to continue, reaching a significant milestone of LKR 500 million in revenue in FY 26, representing a 26% increase. Subsequently, the growth rate is forecasted to stabilize gradually from FY 2027 onwards.

Table 7,1

Financial Year	March-23	March-24	March-25	March-26	March-27	March-28	March-29
Revenue (LKR)	277,805,670	325,656,834	436,051,143	547,339,635	635,195,001	706,617,885	784,472,333
Growth Rate	75%	17%	34%	26%	16%	11%	11%

MFL's strategy to introduce new product lines, including Gingelly Oil and Polished Rice, is poised to yield substantial benefits for the Company, given the heightened demand for these products in export markets. These are additional revenue streams commencing from FY 24/25 that will contribute to the significant growth there onwards. Furthermore, the injection of working capital is expected to bolster MFL's ability to secure additional sales orders from buyers. With increased working capital, MFL will have the necessary resources to invest in inventory and procure raw materials, thereby enhancing production capacity and meeting the growing demand effectively. Strategies to broad base the export markets by exploring opportunities in Canada, Scandinavian countries and Middle East region would also expect to contribute to the anticipated revenue growth. MFL has already reached to 2 buyers in Canada and the presence in Europe would assist the Company to penetrate Scandinavian market, MFL is working on onboarding a suitable distributor from Middle East region. These initiatives are crucial for MFL's growth and are expected to enable the company to surpass anticipated global industry growth rate of 8.33% in the coming years. As the Company is still developing its export markets by adding new clients, products etc., the revenue growth is expected to be greater which is already reflected in recent financial years as disclosed earlier.

Cost of Sales and Gross Profit

In FY 24, MFL managed to reduce its cost margin to 81%, down from 84% in FY 23. Further decline in the cost margins are expected with the infusion of IPO funds where these funds will enable MFL to implement

backward integration strategies (raw rice milling plant), undertake manufacturing activities, such as producing Polished Rice and Gingelly Oil in-house, rather than relying on external suppliers. Additionally, the increased working capital will support MFL in achieving economies of scale. Subsequent analysis demonstrates the impact of these proposed strategies on declining Cost of Sales (CoS) margins from FY 25 to FY 29. Further, enhanced working capital position with IPO funds expects to assist the Company to purchase some raw materials on cash at a reduced price than purchasing on credit that could lead to reduce cost margins in the future.

Table 7.2

Financial Year	March-23	March-24	March-25	March-26	March-27	March-28	March-29
Cost of Sales (LKR)	234,162,165	263,436,056	334,496,911	423,315,509	486,018,184	536,797,377	588,792,304
CoS Margin (%)	84%	81%	77%	77%	77%	76%	75%

Administrative Expenses

In FY 2023/24, MFL recorded an increase of LKR 1.45 million in administrative costs (Without Depreciation) primarily stemming from better management of general overhead expenses. Nevertheless, administrative expenses are projected to surge by 18% in FY 25, driven by IPO-related expenditures, additional director fees, rises in staff costs, and other overhead expenses. MFL expects these expenses to decrease once more in FY 26, followed by a steady 10% increase post FY 26.

Selling and Distribution

Selling and distribution expenses consist of certain cost elements such as marketing and business promotion costs and sales commission where such costs are projected to grow in line with the revenue increase. Total Distribution cost is maintained at the level of 0.22% of total revenue during the explicit forecast period spanning from FY25E to FY29E. The Selling and Distribution (S&D) cost level for FY 2024 are comparatively lower when analyzed against historical financial data. Historically, both local and export sales included under MFL and had significant costs such as fuel and vehicle maintenance that were related to local sales. However, following the business segregation, MFL no longer involve in local sales and incur these expenses, resulting in a reduced percentage of S&D expenses. This trend is evident in the latest Annual Financial Statements (AFS) for FY 2024.

Depreciation & Amortization

Depreciation of Assets are charged in order to allocate the cost of assets (less their residual values) over their estimated useful lives using the straight-line methods, commencing from the month in which the asset is available for use. Rates used for depreciation are as follows:

Building	2.5%
Machinery	4%-25%
Furniture & Office Equipment	10%
Solar Panel	4%
Motor Vehicle	10%
Generator	5%
Fuel Tank	12.5%

Finance Cost

The finance costs of MFL comprise loan interests and overdraft interests. However, these expenses are anticipated to decrease significantly in the upcoming years as MFL plans to retire a significant portion of its long-term loans using IPO funds. Furthermore, the borrowing position as of 31st March 2024 expected to reduce as explained under section 2.3.1 Financial Position section of this report. As the cashflows are expected to grow with increased profits, dependency on revolving facilities reduce. which will aid to achieve a level of borrowings and reduce the finance cost in the future.

Any remaining long-term borrowings to be serviced as usual using internally generated funds whilst the new working capital funds through the IPO would assist to dependency on short term loans for working capital. AS the cash generation improves with anticipated sales growth and profitability, dependency on short term facilities would also reduce gradually leading to a reduction in finance costs.

Taxation

The Company is subject to income tax at a rate of 30% on taxable profits for the specified forecast period, aligning with the prevailing corporate tax rate. In FY 24, MFL's tax liability is low due to the utilization of carry forward tax losses, however from FY 23, the Company will be liable for full tax provision.

Working Capital

The management expects to maintain the working capital days as follows:

Table 7.3

Financial Year	March-24	March-25	March-26	March-27	March-28	March-29
Inventory Days – Existing Product Line	23	45	45	45	45	45
Inventory Days – New Product Line	N/A	60	60	60	60	60
Receivable Days	93	60	60	60	60	60
Payable Days	44	60	60	60	60	60

Trade receivables days increased significantly whilst inventory days reduced as of 31st March 2024 due to the increased sales made during the month of March on export orders. For the forecasting purposes, the expected inventory and receivable days have been applied despite the aforesaid fluctuation at the end of FY 2024.

Capital Expenditure

In FY 24/25, MFL expects to invest LKR 75 Mn of IPO funds for the following purposes.

- LKR 50 Mn for new plants: Rice Polish plant, Raw Rice plant & Gingelly Oil Plant. (In FY 24, MFL acquired machinery valued at LKR 6 million for which payment to the machine suppliers will occur subsequent to receiving IPO funds.)
- LKR 25 Mn for proposed building expansion

Additionally, there would be maintenance CAPEX and certain infrastructure improvements going beyond FY 2026.

Table 7.4

Financial Year	March-24	March-25	March-26	March-27	March-28	March-29
CAPEX (LKR)	13,946,346	68,560,000	-	10,000,000	5,000,000	2,000,000

7.2 Maharaja Marketing (Private) Limited (MML)

Revenue of the Company

Following the business restructuring in FY 23, MML (Maharaja Marketing (Pvt) Limited) was established in June 2022, with a primary focus on the local food business. Operating for approximately 9 months during FY 23, MML generated a revenue of LKR 130 million. It achieved a revenue growth of 37% to reach LKR 179 million in FY 24. In FY 25, MML plans to introduce new product lines including Gingelly oil and Raw Rice, aiming to further bolster its revenue levels. These new segments are projected to generate additional LKR 50 Mn in FY 25 and grow gradually with MML's market expansion efforts. Additionally, the company intends to invest in marketing and business promotion activities to enhance brand awareness among the general public, alongside expanding its retailer network to 50,000 outlets in next 5 years by reaching to untapped markets through own distribution as well as through third party distributors to have the product presence in such outlets , Since the Company currently serves in 3 provinces, there is the opportunity to tap into other provinces enabling them to reach the targeted number of outlets. These strategic initiatives are expected to drive MML's revenue growth in FY 25 and beyond. MML anticipates outperforming the Sri Lankan food industry's projected growth rate of 9.87% (refer to Section 3.4) by expanding its currently limited market presence to achieve island-wide coverage in the coming years to reach the forecasted revenue levels.

Table 7.5

Financial Year	March-23	March-24	March-25	March-26	March-27	March-28	March-29
Revenue (LKR)	130,746,132	179,671,543	256,962,273	327,510,314	377,086,335	416,226,947	459,492,881
Growth Rate	-	37%	43%	27%	15%	10%	10%

Cost of Sales and Gross Profit

By the end of FY 24, MML decreased its cost margin to 91.6%, compared to 94.4% in FY 23. From FY 2025 the cost is expected to reduce further with new inhouse production plants, which will enable MML to bring down the cost, for example raw rice plant would supply rice at lower cost than buying rice from the market. Additionally, the parent company may infuse further working capital for bulk purchases etc. that assist to make cash purchases at reduced prices during harvesting seasons etc. As the sales volume increases, production volume also increases distributing the other costs reducing per unit cost Projected decline in CoS margins from FY 25 to FY 29 due to these factors.

Table 7.6

Financial Year	March-23	March-24	March-25	March-26	March-27	March-28	March-29
Cost of Sales (LKR)	123,388,868	164,587,610	227,858,457	283,844,403	326,532,347	359,742,698	393,469,441
CoS Margin (%)	94.4%	91.6%	89%	87%	87%	86%	85%

Administrative Expenses

In FY 2023/24, MFL (Maharaja Food Limited) recorded an increase of LKR 4 million in administrative costs, primarily due to a rise in general overhead expenses and this has been the 1st full year of operations after incorporation. Going forward, administrative expenses are expected to increase by approximately 12^ in FY 2025 and 10% thereafter, largely driven by staff-related expenditures and other overhead costs.

Selling and Distribution

Selling and distribution expenses consist of certain cost elements such as marketing and business promotion costs, ' Vehicle Fuel and maintenance expense and are projected to grow in line with the revenue increase. Total Distribution cost is maintained at the average level of 2.5% of total revenue during the explicit forecast period.

Depreciation & Amortization

Depreciation of Assets are charged in order to allocate the cost of assets (less their residual values) over their estimated useful lives using the straight-line methods, commencing from the month in which the asset is available for use. Rates used for depreciation are as follows:

Plant & Machinery	10%
Furniture & Fittings	20%
Office Equipment	10%

Finance Cost

The finance costs of MML comprise bank charges and overdraft interests. However, these expenses are anticipated to decrease significantly in the upcoming years as MML plans to retire its overdraft by increasing firms' cash flow in coming years.

Taxation

The company is subject to income tax at a rate of 30% on taxable profits for the specified forecast period, aligning with the prevailing corporate tax rate.

Working Capital

The management expects to maintain the working capital days as follows:

Table 7.7

Financial Year	March-24	March-25	March-26	March-27	March-28	March-29
Inventory Days – Existing Product Line	76	75	75	75	75	75
Inventory Days – New Product Line	-	60	60	60	60	60
Receivable Days	59	60	60	60	60	60
Payable Days	31	60	60	60	60	60

Capital Expenditure

In FY 24, MML has acquired PPE (Property, Plant, and Equipment) valued at LKR 1.3 million. Additionally, it anticipates further investments of LKR 5 million each in both FY 26 and FY 27.

Table 7.8

Financial Year	March-24	March-25	March-26	March-27	March-28	March-29
CAPEX (LKR)	1,379,140	-	5,000,000	5,000,000	-	-

8.0 Forecasted Financial Statements

8.1 Group Financial Statements

Table 8.1 - **Statement of Comprehensive Income**

Statement of Comprehensive Income	FY 2024A	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Sales Income	496,999,876	693,013,417	874,849,949	1,012,281,337	1,122,844,832	1,243,965,215
Cost of Sales	(419,695,166)	(562,355,368)	(707,159,912)	(812,550,530)	(896,540,075)	(982,261,745)
Gross Profit	77,304,710	130,658,049	167,690,037	199,730,806	226,304,758	261,703,470
Other Operating Income	1,653,255	595,612	655,173	720,690	792,759	872,035
Total Income	78,957,965	131,253,661	168,345,210	200,451,496	227,097,517	262,575,505
Administration Expenses	(18,812,845)	(21,703,159)	(21,813,904)	(23,934,676)	(26,244,445)	(28,738,480)
Distribution Expenses	(5,196,014)	(7,922,055)	(9,417,070)	(10,824,273)	(11,934,303)	(13,155,234)
EBITDA	54,949,106	101,628,447	137,114,236	165,692,547	188,918,769	220,681,790
Depreciation	(3,595,893)	(5,750,990)	(9,178,990)	(9,678,990)	(10,678,990)	(11,178,990)
Profit from Operations	51,353,213	95,877,457	127,935,246	156,013,557	178,239,779	209,502,800
Net Finance Income/(Expenses)	(14,747,515)	(10,115,389)	(3,594,186)	(705,826)	(188,521)	(207,373)
Net Profit/(Loss) Before Taxation	36,605,699	85,762,069	124,341,060	155,307,731	178,051,258	209,295,427
Income Tax Expenses	(5,534,911)	(25,963,304)	(36,305,335)	(43,360,956)	(49,926,665)	(57,110,572)
Net Profit/(Loss) After Income Tax	**31,070,787**	**59,798,765**	**88,035,725**	**111,946,775**	**128,124,593**	**152,184,855**

Table 8.2 **Statement of Financial Position.**

BALANCE SHEET *LKR*	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NON CUREENT ASSETS						
Properly Plant & Equipment	101,753,959	164,562,969	160,383,979	165,704,990	160,026,000	150,847,010
Investments	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
	111,753,959	174,562,969	170,383,979	175,704,990	170,026,000	160,847,010
CURRENT ASSETS						
Inventories	56,154,405	82,560,123	100,876,371	116,000,187	127,450,892	140,039,554
Trade & Other Receivables	112,959,221	114,506,686	144,558,691	167,263,339	185,527,523	205,536,503
Amount Due from Related Parties	-	1,742,249	1,242,249	742,249	242,249	-
Cash & Cash Equivalents	25,310,579	66,856,622	104,529,512	186,973,898	310,415,548	459,810,503
	194,424,205	265,665,679	351,206,823	470,979,672	623,636,211	805,386,560
TOTAL ASSETS	306,178,164	440,228,649	521,590,802	646,684,662	793,662,211	966,233,570
EQUITY AND LIABILITIES CAPITAL EMPLOYED						
Stated Capital	45,500,010	170,500,010	170,500,010	170,500,010	170,500,010	170,500,010
Retained Earings	38,329,925	98,128,689	186,164,414	298,111,189	426,235,782	578,420,637
Revaluation Reserves	9,711,869	9,711,869	9,711,869	9,711,869	9,711,869	9,711,869
Total Equity	93,541,804	278,340,568	366,376,293	478,323,068	606,447,661	758,632,516
Non Controlling Interest	-	-	-	-	-	-
	93,541,804	278,340,568	366,376,293	478,323,068	606,447,661	758,632,516
NON- CURRENT LIABILITIES						
Deferred Tax Liability	1,224,226	1,224,226	1,224,225	1,224,225	1,224,225	1,224,225
Lease Creditors	6,068,041	5,705,092	2,054,668	-	-	-
Defined Benefit Obligation	356,000	866,000	1,456,000	2,076,000	2,736,000	3,396,000
Interest Bearing Borrowings	8,553,178	7,000,000	-	-	-	-
	16,201,445	14,795,318	4,734,893	3,300,225	3,960,225	4,620,225
CURRENT LIABILITIES						
Trade & Other Payables	49,400,463	88,597,624	107,174,280	121,700,411	133,327,659	145,870,255
Current tax	4,514,917	25,963,304	36,305,335	43,360,957	49,926,665	57,110,573
Lease Liabilities	3,096,878					
Amount Due to Related Party	-	-	-	-	-	-
Interest Bearing Borrowings	88,340,110	25,000,000	7,000,001			
Bank over Draft	51,082,549	7,531,833	-	-	-	-
	196,434,916	147,092,762	150,479,616	165,061,368	183,254,324	202,980,828
TOTAL LIABILITIES	212,636,361	161,888,080	155,214,509	168,361,594	187,214,550	207,601,054
TOTAL EQUITY AND LIABILITIES	306,178,164	440,228,649	521,590,802	646,684,662	793,662,211	966,233,570

Table 8.3 - **Statement of Cash Flow.**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Profit / (Loss) before taxation	36,605,700	85,762,069	124,341,060	155,307,731	178,051,258	209,295,427
ESC Written Off	-	-	-	-	-	-
Income Tax Overpayment Write-Off	-	-	-	-	-	-
Provision for retirement Gratuity	196,500	510,000	590,000	620,000	660,000	660,000
Profit on Disposals of PPE	-	-	-	-	-	-
Depreciation on property, plant and equipment	3,595,893	5,750,990	9,178,990	9,678,990	10,678,990	11,178,990
Interest Expenses	15,089,413	10,115,389	3,594,186	705,826	188,521	207,373
Interest Income	(341,898)	-	-	-	-	-
Operating profit/(loss)before working capital changes	55,145,607	102,138,447	137,704,236	166,312,547	189,578,769	221,341,790
(Increase)/ Decrease in inventories	(2,709,317)	(26,405,718)	(18,316,248)	(15,123,815)	(11,450,705)	(12,588,662)
(Increase)/decrease in Trade & other receivables	(75,857,957)	(1,547,465)	(30,052,005)	(22,704,648)	(18,264,183)	(20,008,980)
(Increase)/decrease in amount due from related parties	3,887,173	(1,742,249)	500,000	500,000	500,000	242,249
Increase/(decrease) in amount due to related parties	(19,811,170)	-	-	-	-	-
Increase/(decrease) in Trade & other payables	7,188,274	39,197,162	18,576,656	14,526,131	11,627,248	12,542,597
Increase in Non Controlling Interest	(1,000)					
Cash generated /(used in) operation	(32,158,390)	111,640,178	108,412,638	143,510,214	171,991,128	201,528,993
Interest paid	(15,089,413)	(10,115,389)	(3,594,186)	(705,826)	(188,521)	(207,373)
Income tax paid	-	(4,514,916)	(25,963,304)	(36,305,335)	(43,360,956)	(49,926,665)
Net cash generated from/(used in) operating activities	(47,247,803)	97,009,873	78,855,147	106,499,053	128,441,651	151,394,955
Cash flow from investing activities						
Purchase of plants & equipment's	(15,325,486)	(68,560,000)	(5,000,000)	(15,000,000)	(5,000,000)	(2,000,000)
Investments in Subsidiary	-	-	-	-	-	-
Finance Income	341,899	-	-	-	-	-
Sales Proceeds from Sale of PPE	-	-	-	-	-	-
Net cash generated from/(used in) investing activities	(14,983,587)	(68,560,000)	(5,000,000)	(15,000,000)	(5,000,000)	(2,000,000)
Cash flow from financing activities						
Issue of Shares		125,000,000				
Loans Obtained/(Paid)	39,507,218	(64,893,288)	(25,000,000)	(7,000,000)	-	-
Financial Cost						
Dividents Paid	-	-	-	-	-	-
Lease Obtained	9,164,919	(3,459,827)	(3,650,425)	(2,054,668)	-	-
Net Cash flow from financing activities	48,672,137	56,646,886	(28,650,425)	(9,054,668)	-	-
Net increase in cash or cash equivalents during the year	(13,559,253)	85,096,759	45,204,723	82,444,386	123,441,651	149,394,955
Cash or cash equivalents at the beginning of the year	(12,212,716)	(25,771,969)	59,324,790	104,529,513	186,973,899	310,415,549
Cash or cash equivalents at the end of the year	(25,771,969)	59,324,790	104,529,513	186,973,899	310,415,549	459,810,504

8.2 Maharaja Foods Limited

Table 8.4 - **Statement of Comprehensive Income**

Statement of Comprehensive Income	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Sales Income	325,656,834	436,051,143	547,339,635	635,195,001	706,617,885	784,472,333
Cost of Sales	(263,436,056)	(334,496,911)	(423,315,509)	(486,018,184)	(536,797,377)	(588,792,304)
Gross Profit	62,220,778	101,554,232	124,024,126	149,176,817.8	169,820,508	195,680,030
Other Operating Income	1,111,790	-	-	-	-	-
Total Income	63,332,569	101,554,232	124,024,126	149,176,818	169,820,508	195,680,030
Administration Expenses	(10,145,885)	(11,981,414)	(11,149,985)	(12,209,365)	(13,379,102)	(14,619,104)
Distribution Expenses	(658,675)	(969,856)	(1,217,382)	(1,412,788)	(1,571,646)	(1,744,808)
Other Expenses	-	-	-	-	-	-
EBITDA	52,528,009	88,602,962	111,656,759	135,554,665	154,869,760	179,316,118
Depreciation	(3,453,904)	(5,550,853)	(8,978,853)	(8,978,853)	(9,478,853)	(9,978,853)
Profit from Operations	49,074,105	83,052,109	102,677,906	126,575,811	145,390,906	169,337,265
Net Finance Income/(Expenses)	(14,241,719)	(9,304,564)	(3,090,296)	(534,443)	-	-
Net Profit/(Loss) Before Taxation	34,832,386	73,747,544	99,587,610	126,041,369	145,390,906	169,337,265
Income Tax Expenses	(4,953,017)	(22,124,263)	(29,876,283)	(37,812,411)	(43,617,272)	(50,801,179)
Net Profit/(Loss) After Income Tax	29,879,369	51,623,281	69,711,327	88,228,958	101,773,635	118,536,085

Table 8.5 - **Statement of Financial Position.**

BALANCE SHEET *LKR*	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
NON CUREENT ASSETS						
Properly Plant & Equipment	99,925,694	162,934,841	153,955,988	154,977,134	150,498,281	142,519,427
Investments*	40,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
	139,925,694	212,934,841	203,955,988	204,977,134	200,498,281	192,519,427
CURRENT ASSETS						
Inventories	16,651,529	38,025,566	45,811,753	52,922,986	58,215,285	64,036,813
Trade & Other Receivables	83,361,603	71,679,640	89,973,639	104,415,617	116,156,365	128,954,356
Amount Due from Related Parties	4,395,704	1,742,250	1,242,249	742,249	242,249	-
Cash & Cash Equivalents	24,115,879	64,474,030	98,850,826	172,372,872	275,021,819	397,918,180
	128,524,715	175,921,485	235,878,466	330,453,724	449,635,717	590,909,350
TOTAL ASSETS	**268,450,409**	**388,856,327**	**439,834,454**	**535,430,858**	**650,133,998**	**783,428,777**
EQUITY AND LIABILITIES CAPITAL EMPLOYED						
Stated Capital	45,500,010	170,500,010	170,500,010	170,500,010	170,500,010	170,500,010
Retained Earnings	36,321,082	87,944,363	157,655,690	245,884,648	347,658,282	466,194,368
Revaluation Reserves	9,711,869	9,711,869	9,711,869	9,711,869	9,711,869	9,711,869
	91,532,961	268,156,242	337,867,569	426,096,527	527,870,161	646,406,247
NON- CURRENT LIABILITIES						
Deferred Tax Liability	1,118,740	1,118,740	1,118,740	1,118,740	1,118,740	1,118,740
Lease Creditors	6,068,041	5,705,092	2,054,668			
Defined Benefit Obligation	356,000	616,000	956,000	1,326,000	1,736,000	2,146,000
Interest Bearing Borrowings	8,553,178	7,000,000		-	-	-
	16,095,959	14,439,833	4,129,408	2,444,740	2,854,740	3,264,740
CURRENT LIABILITIES						
Trade & Other Payables	32,452,545	51,604,156	60,961,194	69,077,180	75,791,824	82,956,611
Current tax	3,834,277	22,124,263	29,876,283	37,812,411	43,617,272	50,801,179
Amount Due to Related Party	-					
Lease Creditors	3,096,878	-	-	-	-	-
Interest Bearing Borrowings	88,340,109	25,000,000	7,000,000			
Bank over Draft	33,097,680	7,531,833				
	160,821,489	106,260,253	97,837,477	106,889,591	119,409,096	133,757,790
TOTAL LIABILITIES	176,917,448	120,700,085	101,966,885	109,334,331	122,263,836	137,022,530
TOTAL EQUITY AND LIABILITIES	**268,450,409**	**388,856,327**	**439,834,454**	**535,430,858**	**650,133,998**	**783,428,777**

**** Investments include the following:***

Investment in Maharaja Marketing LKR 30 Mn - After the Company segregated its local sales to new venture, Maharaja Marketing, the required inventories of Rs.25.9 Mn for local operation was transferred to them and then converted into an equity investment of the 100% owned subsidiary together with an additional investment of Rs.4.1Mn for working capital for local operation.

Planned investment in MML by MFL for LKR 10 Mn in FY 25 for working capital requirements results in the increase in investment balance.

Investment in Maharaja Super Market (Pvt) Ltd: LKR 10 Mn – this amount represents the equity investment equivalent to 9.09% shareholding in Maharaja Supermarkets (Pvt) Ltd. which is also under G.T.V. Global Holdings – the parent company of MFL.

Table 8.6 - **Statement of Cash Flow.**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Profit / (Loss) before taxation	**34,832,386**	**73,747,544**	**99,587,610**	**126,041,369**	**145,390,906**	**169,337,265**
ESC Written Off						
Income Tax Overpayment Write-Off						
Provision for retirement Gratuity	196,500	260,000	340,000	370,000	410,000	410,000
Profit on Disposals of PPE						
Depreciation on property, plant and equipment	3,453,904	5,550,853	8,978,853	8,978,853	9,478,853	9,978,853
Interest Expenses	14,578,298	9,304,564	3,090,296	534,443	-	-
Interest Income	(336,579)	-	-	-	-	-
Operating profit/(loss)before working capital changes	**52,724,509**	**88,862,962**	**111,996,759**	**135,924,665**	**155,279,760**	**179,726,118**
(Increase)/ Decrease in inventories	11,401,140	(21,374,037)	(7,786,187)	(7,111,233)	(5,292,299)	(5,821,528)
(Increase)/decrease in Trade & other receivables	(56,302,806)	11,681,963	(18,293,999)	(14,441,978)	(11,740,748)	(12,797,992)
(Increase)/decrease in amount due from related parties	10,547,550	2,653,454	500,001	500,000	500,000	242,249
Increase/(decrease) in amount due to related parties	(19,811,169)	-	-	-	-	-
Increase/(decrease) in Trade & other payables	16,501,944	19,151,612	9,357,038	8,115,986	6,714,644	7,164,787
Cash generated /(used in) operation	**15,061,167**	**100,975,954**	**95,773,612**	**122,987,439**	**145,461,357**	**168,513,633**
Interest paid	(14,578,298)	**(9,304,564)**	(3,090,296)	(534,443)	-	-
Income tax paid		(3,834,277)	(22,124,263)	(29,876,283)	(37,812,411)	(43,617,272)
Net cash generated from/(used in) operating activities	**482,869**	**87,837,113**	**70,559,053**	**92,576,714**	**107,648,947**	**124,896,361**
Cash flow from investing activities						
Purchase of plants & equipment's	(13,946,346)	(68,560,000)	-	(10,000,000)	(5,000,000)	(2,000,000)
Investments in Subsidiary *	(30,000,000)	(10,000,000)	-	-	-	-
Finance Income	336,579	-	-	-	-	-
Sales Proceeds from Sale of PPE						
Net cash generated from/(used in) investing activities	**(43,609,767)**	**(78,560,000)**	**-**	**(10,000,000)**	**(5,000,000)**	**(2,000,000)**
Cash flow from financing activities						
Issue of Shares	-	125,000,000	-	-	-	-
Loans Obtained/(Paid)	39,507,218	(64,893,288)	(25,000,000)	(7,000,000)	-	-
Lease Obtained/(Paid)	9,164,919	(3,459,827)	(3,650,425)	(2,054,668)	-	-
Net Cash flow from investing activities	**48,672,137**	**56,646,886**	**(28,650,425)**	**(9,054,668)**	**-**	**-**
Net increase in cash or cash equivalents during the year	**5,545,239**	**65,923,999**	**41,908,628**	**73,522,046**	**102,648,947**	**122,896,361**
Cash or cash equivalents at the beginning of the year	**(14,527,041)**	**(8,981,802)**	**56,942,197**	**98,850,825**	**172,372,871**	**275,021,818**
Cash or cash equivalents at the end of the year	**(8,981,802)**	**56,942,197**	**98,850,825**	**172,372,871**	**275,021,818**	**397,918,179**

**** Planned investment in MML by MFL for LKR 10 Mn in FY 25***

Table 8.7 - **Ratio Analysis**

	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Profitability Ratios						
GP Margin	19%	23%	23%	23%	24%	25%
EBITDA Margin	16%	20%	20%	21%	22%	23%
EBIT Margin	15%	19%	19%	20%	21%	22%
NP Margin	9%	12%	13%	14%	14%	15%
YoY-Growth Rates						
Revenue	17%	34%	26%	16%	11%	11%
ROE	33%	19%	21%	21%	19%	18%
ROA	11%	13%	16%	16%	16%	15%

8.3 Maharaja Marketing (Private) Limited

Table 8.8 - **Statement of Comprehensive Income**

Statement of Comprehensive Income	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Sales Income	179,671,543	256,962,273	327,510,314	377,086,335	416,226,947	459,492,881
Cost of Sales	(164,587,610)	(227,858,457)	(283,844,403)	(326,532,347)	(359,742,698)	(393,469,441)
Gross Profit	15,083,932	29,103,817	43,665,911	50,553,988	56,484,250	66,023,440
Other Operating Income	541,465	595,612	655,173	720,690	792,759	872,035
As a % of Revenue	0.30%	0.23%	0.20%	0.19%	0.19%	0.19%
Total Income	15,625,397	29,699,428	44,321,084	51,274,678	57,277,009	66,895,475
Administration	(8,666,961)	(9,721,745)	(10,663,919)	(11,725,311)	(12,865,342)	(14,119,377)
Selling & Distribution	(4,537,339)	(6,952,198)	(8,199,688)	(9,411,485)	(10,362,658)	(11,410,426)
Other Expenses	-	-	-	-	-	-
EBITDA	2,421,098	13,025,485	25,457,477	30,137,882	34,049,009	41,365,672
EBITDA Margin	1.35%	5.07%	7.77%	7.99%	8.18%	9.00%
Depreciation	(141,989)	(200,136)	(200,136)	(700,136)	(1,200,136)	(1,200,136)
Profit from Operations	2,279,109	12,825,349	25,257,340	29,437,745	32,848,872	40,165,536
Net Finance Income/(Expenses)	(505,796)	(810,824)	(503,890)	(171,383)	(188,521)	(207,373)
Net Profit/(Loss) Before Taxation	1,773,313	12,014,524	24,753,450	29,266,363	32,660,351	39,958,163
Income Tax Expenses	(581,894)	(3,839,041)	(6,429,052)	(5,548,546)	(6,309,393)	(6,309,393)
Net Profit/(Loss) After Income Tax	**1,191,419**	**8,175,484**	**18,324,398**	**23,717,817**	**26,350,958**	**33,648,770**

Table 8.9 - **Statement of Financial Position.**

BALANCE SHEET LKR	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
NON CUREENT ASSETS						
Properly Plant & Equipment	1,828,265	1,628,128	6,427,992	10,727,855	9,527,719	8,327,582
Investments In Fixed Deposits						
	1,828,265	1,628,128	6,427,992	10,727,855	9,527,719	8,327,582
CURRENT ASSETS						
Inventories	39,502,876	44,534,557	55,064,619	63,077,200	69,235,607	76,002,740
Trade & Other Receivables	29,597,618	42,827,046	54,585,052	62,847,723	69,371,158	76,582,147
Amount Due from Related Parties	-	-	-	-	-	-
Cash & Cash Equivalents	1,194,701	2,382,591	5,678,686	14,601,025	35,393,729	61,892,323
	70,295,195	89,744,194	115,328,357	140,525,948	174,000,494	214,477,210
TOTAL ASSETS	72,123,460	91,372,322	121,756,349	151,253,804	183,528,213	222,804,793
EQUITY AND LIABILITIES CAPITAL EMPLOYED						
Stated Capital	30,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Retained Earnings	2,008,843	10,184,327	28,508,724	52,226,541	78,577,500	112,226,269
	32,008,843	50,184,327	68,508,724	92,226,541	118,577,500	152,226,269
NON- CURRENT LIABILITIES						
Deferred Tax Liabilities	105,485	105,485	105,485	105,485	105,485	105,485
Retirement Benefit Obligation	-	250,000	500,000	750,000	1,000,000	1,250,000
Interest Bearing Borrowings	-	-	-	-	-	-
	105,485	355,485	605,485	855,485	1,105,485	1,355,485
CURRENT LIABILITIES						
Trade & Other Payables	16,947,918	36,993,469	46,213,086	52,623,231	57,535,834	62,913,644
Current Tax Liability	680,639	3,839,041	6,429,052	5,548,546	6,309,393	6,309,393
Amount Due to Related Party	4,395,705	-	-	-	-	-
Bank over Draft	17,984,869	-	-	-	-	-
	40,009,132	40,832,509	52,642,138	58,171,776	63,845,227	69,223,037
Total Liabilities	40,114,617	41,187,995	53,247,623	59,027,262	64,950,712	70,578,523
TOTAL EQUITY AND LIABILITIES	72,123,460	91,372,322	121,756,349	151,253,804	183,528,213	222,804,793

Table 8.10 - **Cash Flow Statement**

CASH FLOW STATEMENT	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Profit / (Loss) before taxation	**1,773,313**	**12,014,524**	**24,753,450**	**29,266,363**	**32,660,351**	**39,958,163**
Depreciation on property, plant and equipment	141,989	200,136	200,136	700,136	1,200,136	1,200,136
Interest Income	(5,320)	-	-	-	-	-
Interest Expenses	511,115	810,824	503,890	171,383	188,521	207,373
Provision for Gratuity	-	250,000	250,000	250,000	250,000	250,000
Operating profit/(loss)before working capital changes	**2,421,098**	**13,275,485**	**25,707,477**	**30,387,882**	**34,299,009**	**41,615,672**
(Increase)/ Decrease in inventories	(14,110,457)	(5,031,681)	(10,530,061)	(8,012,582)	(6,158,406)	(6,767,134)
(Increase)/decrease in other receivables	(19,555,151)	(13,229,428)	(11,758,007)	(8,262,670)	(6,523,435)	(7,210,989)
(Increase)/decrease in amount due from related parties	3,887,173	-	-	-	-	-
Increase/(decrease) in amount due to related parties	(10,547,550)	(4,395,705)	-	-	-	-
Increase/(decrease) in trade & other payables	(9,313,668)	20,045,551	9,219,617	6,410,145	4,912,603	5,377,810
Cash generated /(used in) operation	**(47,218,554)**	**10,664,221**	**12,639,026**	**20,522,775**	**26,529,771**	**33,015,360**
Interest paid	(511,115)	(810,824)	(503,890)	(171,383)	(188,521)	(207,373)
Income tax paid		(680,639)	(3,839,041)	(6,429,052)	(5,548,546)	(6,309,393)
Net cash generated from/(used in) operating activities	**(47,729,670)**	**9,172,758**	**8,296,095**	**13,922,340**	**20,792,704**	**26,498,594**
Cash flow from investing activities						
Purchase of plants & equipment's	(1,379,140)	-	(5,000,000)	(5,000,000)	-	-
Interest Income Received	5,321	-	-	-	-	-
Net cash generated from/(used in) investing activities	**(1,373,819)**	**-**	**(5,000,000)**	**(5,000,000)**	**-**	**-**
Cash flow from financing activities						
Interest bearing borrowings	-	-	-	-	-	-
Share Issued	29,999,000	10,000,000	-	-	-	-
Net Cash flow from investing activities	**29,999,000**	**10,000,000**	**-**	**-**	**-**	**-**
Net increase in cash or cash equivalents during the year	**(19,104,489)**	**19,172,758**	**3,296,095**	**8,922,340**	**20,792,704**	**26,498,594**
Cash or cash equivalents at the beginning of the year	**2,314,322**	**(16,790,167)**	**2,382,591**	**5,678,686**	**14,601,025**	**35,393,729**
Cash or cash equivalents at the end of the year	**(16,790,167)**	**2,382,591**	**5,678,686**	**14,601,025**	**35,393,729**	**61,892,323**

Table 8.11 -**Ratio Analysis**

	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Profitability Ratios						
GP Margin	8%	11%	13%	13%	14%	14%
EBITDA Margin	1.35%	5.07%	7.77%	7.99%	8.18%	9.00%
EBIT Margin	1.27%	4.99%	7.71%	7.81%	7.89%	8.74%
NP Margin	0.66%	3.18%	5.60%	6.29%	6.33%	7.32%
YoY-Growth Rates						
Revenue	38%	43%	27%	15%	10%	10%
ROE	3.72%	16.29%	26.75%	25.72%	22.22%	22.10%
ROA	1.65%	8.95%	15.05%	15.68%	14.36%	15.10%

9.0 THE TEAM

Rohan Seneviratne – Founder| Managing Director

A veteran in the Sri Lankan capital markets industry with three decades of experience across Regulatory Organizations (Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange) and market intermediary institutions (Securities Brokerage Firms and Unit Trusts) in his career. Rohan is a Director / Shareholder of ACPL, with corporate experience across multiple industries and institutions.

Rohan joined the capital markets industry in 1992 as a Management Trainee of the Colombo Stock Exchange. In 1994, he joined Lanka Securities (Pvt) Limited (a joint venture stockbroking firm between Bank of Ceylon and Merchant Bank of Sri Lanka) as an Investment Advisor and rose to the level of Director Sales in 2001. In 2003, he joined Lanka ORIX Securities (Pvt) Limited (former subsidiary of Lanka ORIX Leasing Company PLC) as an Executive Director. During his career in stockbroking, he has successfully structured many strategic transactions (listed and unlisted) and has offered investment advice to clients ranging from local retail investors to global foreign funds functioning in Frontier Markets sphere.

In 2008 Rohan joined the Global Service Delivery Centre of HSBC in Colombo, its Hedge Funds and Traditional Funds Administration division as Vice President Operations and subsequently rose to the level of VP / Country Head, HSBC Securities Services COE Colombo in 2011.

Rohan joined the capital markets regulator, Securities and Exchange Commission of Sri Lanka as Consultant - Special Projects in 2013. He was instrumental in development and implementation of the first ever USD denominated investment product in the Sri Lankan capital market (Dollar Bond Fund Unit Trusts) during his tenure at SEC.

Rohan is a Graduate / Passed Finalist of Association of Business Executives UK and also graduated with a Master's Degree in Business Administration from University of Wales in 2008.

Chandana Wijesundara – Head of Investment Banking

After completing a successful career spanning over 9 years at the Colombo Stock Exchange (CSE), Chandana joined Atarah Capital Partners in February 2020 and currently serving in Atarah Capital (Pvt) Limited, a fully owned subsidiary of Atarah Capital Partners. His experience encompasses Corporate Finance / Investment Banking, complemented with vast experience on end-to-end process of public listing of securities gained whilst holding key responsibilities at the Listings Division of the CSE. He was a member of the regulatory teams that launched the Multi Currency Board and the Empower Board (for SME's) as listing platforms and has been involved in many other regulatory process implementations and revisions with ample exposure to capital market related practices, laws and regulations. He has been a key resource person representing CSE at various forums conducted to promote listing of securities amongst prospective issuers. He has been involved in many business valuations for capital raising via CSE as well as in the private equity space.

Chandana also possesses hands on experience in Financial Reporting and Auditing where he carried out numerous tasks during statutory audits at Ernst & Young for over 3 years. Formally qualified with a Bachelor of Business Management (Finance) Special Degree (2nd Lower) from University of Kelaniya Sri Lanka, Chandana is also an Affiliate of Association of Chartered Certified Accountants (ACCA) UK.

Tharusha Wickramarachchi – Junior Associate

Tharusha's professional experience is predominantly in business valuations and research where he is involved in data analysis, building financial models, industry analysis etc. under his present role at ACPL. Tharusha's practical acumen is further exemplified by his prior stint at a reputed BOI firm. In this role, he actively contributed to various aspects of financial operations, including Financial Accounting, Internal Audit, and Taxation. Throughout this experience, Tharusha gained valuable knowledge and honed his analytical skills, demonstrating a keen ability to interpret complex financial data.

Tharusha is currently reading for Bachelor of Science (Finance) Special Degree at University of Sri Jayewardenepura. His academic pursuits have equipped him with a solid foundation in financial principles, and he is on track to graduate with a degree that reflects his commitment to excellence in the field. Tharusha is a Passed Finalist of AAT Sri Lanka, showcasing his dedication to continuous professional development. This affiliation has given him an understanding of industry practices and enhanced his proficiency in financial management and accounting standards.

10.0 DISCLAIMER

Valuation model of this report has been prepared by ACPL based on the analysis of historical audited financial statements from FY 2020 - FY 2024 of MFL and MML together with the future plans provided by the management of the Company. The financial forecasts are based on several assumptions made by the Company and preparer's judgements of significance subjectivity. Therefore, such information should not be considered as a guarantee or representation, expressed or implied of the future achievements of the Company and are subject to change according to the Company's ability to execute its business plans and may vary depending on the macro-economic conditions prevailing time-to-time.

ACPL's independent verifications were limited to analysis of historical financial statements of the Company, present operational structure and use of professional judgement as regard to the assumptions disclosed under section of 'Discounted cash flows". Forecasted results and assumptions have been discussed with the management of MFL and assumptions used have been compared with the past trends and macro-economic factors to the extent of availability of such information. ACPL has made inquiries with the management on future plans in place to achieve the expected results. Assumptions on the DCF valuation were applied by the preparer according to the macro-economic factors and based on the professional judgement.

ACPL assumes no responsibility over the omission of information furnished by the Company. The industry information included in this report is based on external information sources mentioned therein and ACPL has not independently verified such information.

Accordingly, the information and results should not be considered as a representation made by ACPL and does not by any mean is a guarantee of the future achievements of the Company. ACPL does not accept any liability of a loss incurred by any person by acting or not acting based on the information presented in this Report. The recipients of this report are expected to make their own analysis and judgments considering the historical financial information and macro-economic factors that could affect the present and future operations of the Company.

The value recommendation provided in this report is valid for a period of 3 months from the date of the Prospectus, provided no material changes are taking place in the Company's operating environment during the aforesaid period.

We also confirm that we are neither a related party of MFL as defined in Sri Lanka Accounting Standards, nor has a significant interest or financial connection with the Company.

Valuation Date: 30th April 2024

Report Date: 15th May 2024