



Kapruka Holdings Limited Initial Public Offering

IPO DETAILS

Issue price	LKR 15.40
Issue Value	LKR 506 Mn
% of total shareholding	20%
IPO shares (Mn)	32.8
Post IPO shares (Mn)	164
Subscription open date	22/12/2021
Subscription close date	10/01/2022

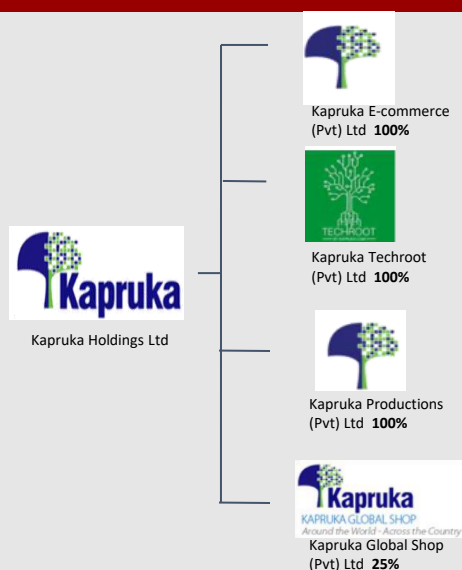
SHAREHOLDING INFORMATION

Pre IPO	Ownership
Mr. Dulith Herath	100%
Post IPO	Ownership
Mr. Dulith Herath	80%
IPO Shareholders	20%

UTILIZATION OF IPO PROCEEDS

- Existing technologies and infrastructure upgrades.
- Launching Kapruka platform services.
- Kapruka partner central.
- Used-goods marketplace.
- Kapruka wholesale marketplace.
- Kapruka cross-border exports.

GROUP STRUCTURE



COMPANY OVERVIEW

Kapruka is Sri Lanka's first and largely locally owned e-commerce enterprise. Kapruka E-commerce (Pvt) Ltd facilitates online purchase of goods to Sri Lankan & expatriate consumers via its website. The group partners with over 500 high end brands & execute order fulfillment & last mile delivery for online orders. The company having a backward integration sells its own - label products such as Kapruka bakery items, flowers and value added fruits & vegetables which are produced under Kapruka Productions (Pvt) Ltd.

Kapruka provides a superior online shopping experience to consumers and caters to over 1.1Mn expatriate Sri Lankans predominantly in USA and the company has expanded its geographical footprint to UK, Australia and India.

IPO HIGHLIGHTS

The IPO is expected to raise LKR 506 Mn for a 20% stake of Kapruka with an issue price of LKR 15.40. The funds raised through the IPO is expected to be invested in 4 new platforms - Kapruka Partner Central, Used goods Marketplace, Kapruka Wholesale Marketplace and Cross Border Exports. Also the IPO proceeds will be utilized by Kapruka E-commerce (Pvt) Ltd to upgrade the existing technologies and infrastructure to offer a world-class online purchasing experience.

PERFORMANCE HIGHLIGHTS

Financial Year (LKR Mn)	FY17	FY18	FY19	FY20	FY21
Revenue	506	591	652	730	968
<i>YoY Growth</i>		<i>16.75%</i>	<i>10.37%</i>	<i>11.93%</i>	<i>32.58%</i>
Gross Profit	168	197	202	237	354
<i>YoY Growth</i>		<i>17.10%</i>	<i>2.61%</i>	<i>17.32%</i>	<i>48.93%</i>
EBIT	7	4	(1)	2	68
<i>YoY Growth</i>		<i>(47.10)%</i>	<i>(134.55)%</i>	<i>243.87%</i>	<i>3,731.74%</i>
Net Profit	5	7	(39)	22	44
<i>YoY Growth</i>		<i>47.61%</i>	<i>(684.80)%</i>	<i>155.99%</i>	<i>101.01%</i>

With the Covid-19 pandemic Kapruka's revenue increased by 32.58% YoY in FY21 to LKR 968 Mn for the period. The EBIT has increased drastically by 3,731.74% YoY to LKR 68 Mn. This was mainly due to the high increment in revenue and marginal increment in administrative expenses and distribution expenses compared to FY20. For the 7 months ended FY22 Kapruka shows exceptional performance with a revenue of LKR 1,010 Mn and a net profit of LKR 133 Mn.

FUTURE OUTLOOK

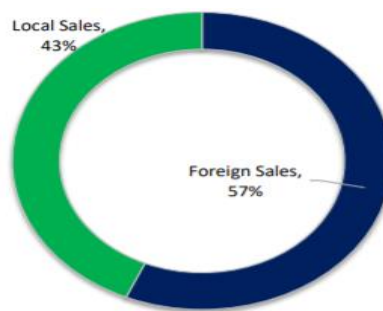
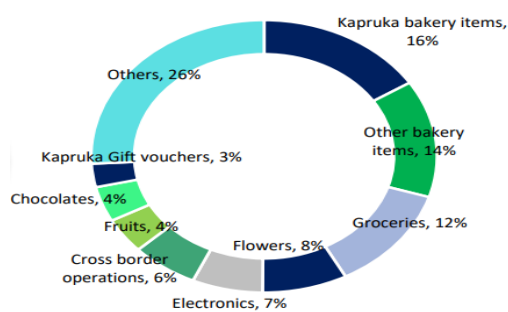
Tendency of online shopping due to the Covid 19 pandemic and the improvement in computer literacy acts as a catalyst in the increment of revenue for Kapruka.

The Kapruka website is planned to be upgraded adding several features to it. The new features will enable both the customer and the supplier to track the order with greater visibility. It will also have features such as WhatsApp or SMS integrated notifications and automated billing emails. After the upgrade, suppliers will enjoy a better Customer Relationship Management (CRM) system and have access to analytical data such as repeat purchase patterns and purchase abandonment patterns.

The Company also plans to upgrade Kapruka app experience. Kapruka is currently heavily reliant on its website for e-commerce sales. The app, although is developed and operational, requires enhancement in its features for the mobile and desktop applications, to provide a greater shopping experience for the customers.



REVENUE BREAKDOWN (7M FY22)



VALUATION SUMMARY

DISCOUNTED CASH FLOW VALUATION (DCF)

We estimate the group's position to grow at a 13.84 % CAGR from FY2022E to FY2027E, PAT is expected to grow from 214 Mn in 2022E to 440 Mn by 2027E. Using DCF as the primary valuation method, we have arrived at a price of LKR 17.21 giving an upside of 11.7 % to the issue price of LKR 15.40.

Financial Year	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue (LKR Mn)	1,483	1,939	2,304	2,537	2,749	2,907
YoY Growth %	54.23%	30.76%	18.80%	10.15%	8.35%	5.74%
Gross Profit (LKR Mn)	682	892	1,060	1,167	1,320	1,425
GP Margin	46.00%	46.00%	46.00%	46.00%	48.00%	48.00%
EBIT (LKR Mn)	249	286	340	375	461	516
EBIT Margin	16.8%	14.8%	14.8%	14.8%	16.8%	17.8%
Net Profit (LKR Mn)	214	242	288	318	392	440
NP Margin	14.46%	12.48%	12.51%	12.53%	14.26%	15.13%
Earnings Per Share (LKR)	1.31	1.47	1.76	1.94	2.39	2.68

NPV of FCF (Enterprise Value)	2,406,788,921
(+) Cash and cash equivalents	75,080,415
(-) debt	221,821,096
Equity Value	2,260,048,240
Shares outstanding (Pre-IPO)	131,304,360
Fair value per share (LKR)	17.21

EQUITY RESEARCH TEAM

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