ACUITY
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LTL Holdings Limited

Research Note

September 2024

We rate the IPO as a "Buy/ Subscribe" with a 12M Price Target of LKR 16.80 subject to our concerns on short-term market sentiment

LTL Holdings Limited's ("LTL" or "the Company") upcoming IPO is priced at c. 5.0x PER on estimated forward earnings of LKR 2.91 per share in FY26E, the first full year in which the boost in revenue and earnings from the part commissioning LTL's largest power plant in 2Q FY25E will be fully reflected. LTL's IPO discount to its intrinsic value, reasonable relative valuation and high potential dividend yield present a compelling investment thesis supported by its past track record, new project pipeline and secular growth narrative. However, the relatively large IPO size given the prevailing negative market sentiment at the Colombo bourse in view of the impending national elections is likely to dampen price appreciation in the short to medium term. We therefore recommend the IPO for investors with holding power and willingness to average down/ accumulate if necessary, if market uncertainty persists post elections.

Multi-disciplinary expertise coupled with a strong track record of project execution

LTL is a Sri Lankan based multinational engineering services, power generation and manufacturing company operating in several Asian and African countries. LTL's offerings span three main verticals, namely, 1) engineering services such as EPC and O&M services for renewable and fossil fuel power plants; 2) power generation through its owned and operated power plants, and 3) manufacture of electrical transformers, switchgear, galvanizing and heavy engineering services for steel fabrication. LTL was founded in 1982 as a public private partnership between the Ceylon Electricity Board ("CEB"), Sri Lanka's state-owned electricity utility, and a European engineering firm, for the manufacture of electrical transformers. LTL has since transitioned into power generation as an independent power producer ("IPP"), operating a portfolio of renewable and fossil fuel power generation assets in Sri Lanka, Bangladesh and Nepal. Leveraging its expertise in building and operating power plants, LTL has ventured into EPC and O&M services for third party IPP's in addition to its own portfolio of generation assets. The pre-IPO shareholding structure of LTL comprises the CEB which directly owns 35% whilst employees own 37% through two employee-owned investment vehicles, with the balance held by a CEB and state-owned IPP, West Coast Power.

Power generation and EPC/ O&M services currently account for 78% of LTL's consolidated revenues whilst the manufacturing cluster accounted for the remaining 22% See Chart 1a).

LTL's power generation cluster currently operates 594 MW of generation assets that are either solely or majority owned (see Chart 1b). In addition, LTL owns a 10.89% stake and manages West Coast Power, a 300 MW liquefied natural gas ("LNG") capable combined cycle plant.

LTL's EPC/ O&M engineering services business serves both external clients and its in-house generation assets. West Coast Power is currently the largest third-party client within the services cluster and accounts for the bulk of LTL's recurring O&M revenues. In-house EPC and O&M capabilities through its 300+ experienced technical team allows LTL to improve its blended operating margins by retaining greater share of wallet within the group whilst presenting opportunities for diversifying revenues streams from providing high margin/ capital light engineering services for third-party clients.

IPO Price	LKR 14.50
Bloomberg Ticker	n.a.
Est. Market Cap (LKR Bn) I (USD Mn)	LKR 89.5 Bn | US 299 Mn
No. of Shares Offered (Mn)	1,379.3
IPO Float	22%
Share Price at Pre-IPO Transactions	Feb 2024 : LKR 19.40
IPO Opening Date	10 Sept 2024
P/E (X) (TTM EPS)	18.1 x
P/E (X) (FY26E EPS)	5.0 x
PBV (X) at Pre-IPO Book Value	1.2 x
Industry and Year End	Power & Energy | 31 Mar

IPO Recommendation	
Rating as of	(Sep-24)
Rating	**Buy/ Subscribe**
12M Target price (LKR)	16.80
Potential upside (%)	**16%**
Avg of FY25E & FY26E DPS (LKR)	1.25
Total return (%)	**24%**
Industry view: Power & Energy	In-Line

Post-IPO Shareholding Structure (if fully subscribed)	Shares (Mn)	%
CEB	1,679.8	27%
West Coast Power	1,344.3	22%
Peradev	1,296.1	21%
Teckpro Investments	481.0	8%
IPO Shareholders	1,379.3	22%
Total	**6,180.5**	**100%**

Chart 1a: LTL Segmental Revenue & Gross Profit FY24

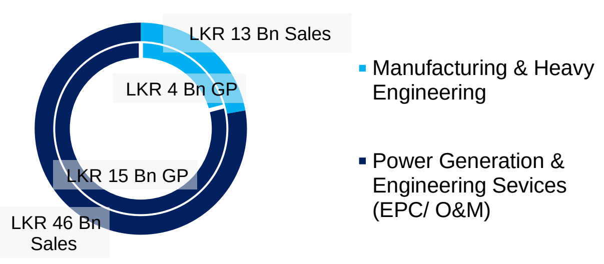
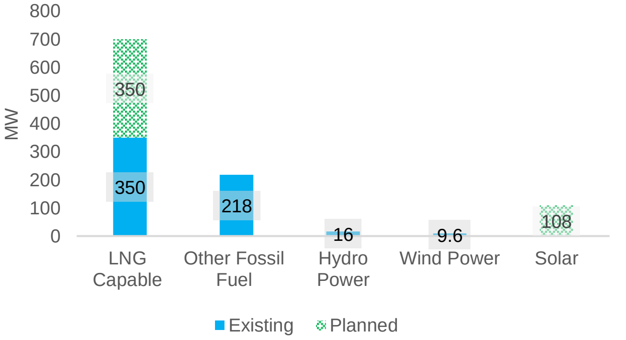


Chart 1b: LTL Installed Capacity by Energy Source*



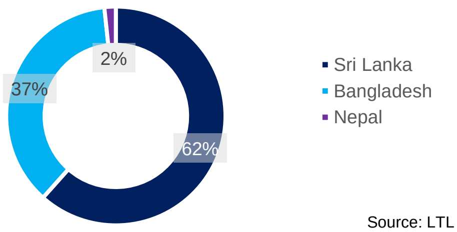
* For power plants with majority ownership by LTL
Source: Company Reports

USD linked revenue and secular growth narrative with a long potential runway

LTL's current operating markets where it has built up substantial capabilities in engineering services and in operating power generation assets (see Chart 2a), and prospective new markets in emerging economies, provide a long runway in terms of future demand for electricity given the current low level of industrialization (see Chart 2b). This will require the build out of substantial power generation infrastructure in the coming years providing ample growth opportunities for established EPC's and IPP's such as LTL.

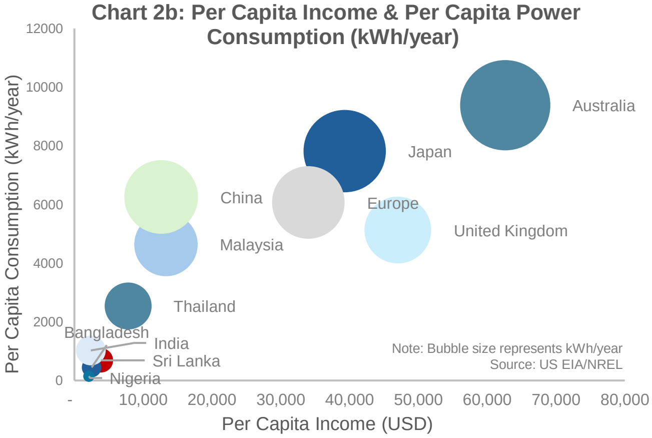
The IPP business is secular providing stable and predictable revenues/ earnings (often linked to hard currency in the case of larger projects) given the nature of power purchase agreements ("PPA's") in LTL's operating markets. Whilst PPA's for larger dispatch-based power projects are typically awarded to IPP's through competitive bidding, the fixed capacity payment component of the PPA's are designed to give the IPP a target equity IRR c. 15% in USD terms and variable components are also adjusted for the exchange rate/ inflation to provide a predictable return to the asset owner.

Chart 2a: LTL Power Plant Installed Capacity By Country



Source: LTL

Chart 2b: Per Capita Income & Per Capita Power Consumption (kWh/year)



Accordingly, c. 65% of LTL's average revenue over the last 3 years was USD linked.

Given LTL's entrenched position and the niche/ frontier nature of its operating markets, coupled with the large required investments into power generation infrastructure in the coming years, we expect that LTL's IPP business will continue to secure future PPA's priced at levels that will meet internal hurdle rates of return despite potentially higher competition for future projects. LTL's capital light engineering services business also stands to gain from the envisaged power infrastructure outlay by leveraging its multi disciplinary expertise built up in recent years spanning multiple industry verticals and energy sources and localized knowledge/ foothold in its target markets.

LNG projects in the pipeline possibly a game-changer which will open-up new EPC opportunities

LTL commissioned the open cycle phase of its first LNG capable multi-fuel (diesel or LNG, and up to 30% hydrogen) combined cycle power plant, Sobadhanavi ("SOBA"), in August 2024. The project will have an installed capacity of 350 MW on completion and will initially operate on diesel until LNG is added to Sri Lanka's energy mix in the near future. LTL has entered into an MoU with Petronet of India to secure LNG for its operations. It's expected that LNG supplies will commence closer to the commissioning of LTL's second LNG capable multi-fuel combined cycle plant, Sahasdhanavi ("SAHA"), which will add a further 350 MW of installed capacity. Combined with the conversion of West Coast Power to run on LNG, LTL's total portfolio of LNG based generating assets will reach 1,000 MW.

In addition to substantially growing the revenues/ earnings of LTL's IPP business, the rollout of the LNG plants is expected to open-up new avenues for LTL's engineering services business to pitch for EPC/ O&M contracts for new LNG power plants in Bangladesh and other markets. LNG is a versatile flexible load power source which has the benefit of being both cost effective and more environmentally friendly than other fossil fuel sources, whilst also facilitating the integration of a larger share intermittent renewable energy to national grids. LNG is emerging as an economically feasible flexible/ base load power source for developing economies given its favorable overnight cost (building cost excluding interest during construction) both in terms of capital outlay and generation cost, compared with nuclear power which involves both much higher complexity and longer construction time (see Chart 3a and 3b).

Except for SOBA, we have not specifically factored in any growth in LTL's engineering services business from new EPC/ O&M contracts. Potential revenue growth leveraging on LTL's growing capabilities in building/ operating LNG power plants is a potential upside in the medium to long term to our base case projections/ valuations.

Table 1: Operating Performance Summary

In LKR Mn	FY19	FY20	FY21	FY22	FY23	FY24	3M FY24	3M FY25	YoY%
Revenue		17,510	20,965	40,129	53,785	59,753	15,481	14,985	-3%
Gross Profit		7,622	9,907	9,341	17,188	18,910	4,566	3,317	-27%
GP Margin (%)		44%	47%	23%	32%	32%	29%	22%	(736) Bps
EBIT / Operating Profit		11,835	9,219	21,166	19,922	13,048	3,331	2,757	-17%
EBIT Margin (%)		68%	44%	53%	37%	22%	22%	18%	(312) Bps
Finance cost		716	787	787	4,193	5,353	1,124	1,182	5%
PBT		11,119	8,432	20,379	15,729	7,695	2,207	1,576	-29%
Tax		1,235	949	1,553	2,496	1,945	528	221	-58%
Net Profit		9,884	7,483	18,826	13,234	5,750	1,679	1,355	-19%
Net Profit Margin (%)		56%	36%	47%	25%	10%	11%	9%	(180) Bps
Diluted EPS (LKR)		1.59	1.12	3.04	2.16	0.91	0.30	0.19	-36%
TTM EPS (LKR)		1.59	1.12	3.04	2.16	0.91	0.3	0.19	-36%

Chart 3a: Overnight Capital Cost per kW by Energy Source

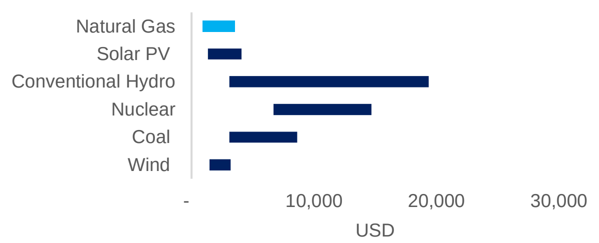
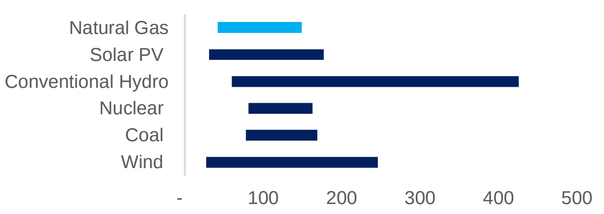


Chart 3b: Overnight Cost $/ MWh by Energy Source



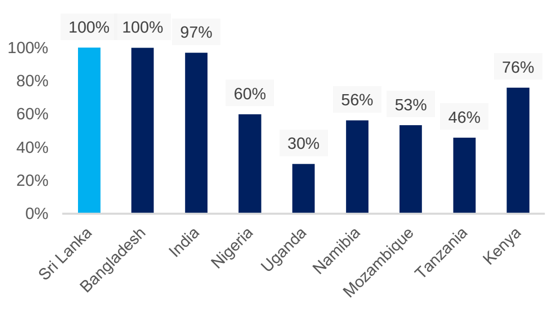
Source: US EIA/NREL

Manufacturing cluster is expected to grow sales by penetrating underdeveloped markets

LTL currently manufactures and sells transformers in over 25 export markets in addition to supplying the CEB in Sri Lanka and is an accredited supplier for multiple power utilities in India. LTL operates the sole galvanizing plant in Sri Lanka capable of handling large steel structures and supplies various industries such as shipbuilding and construction of power and telecom towers. LTL in also an accredited manufacturer of low/ medium voltage switchgear in India.

LTL intends to open a facility in Tanzania to assemble transformers initially targeting the East African market. The lower level of electricity penetration in the African markets (see Chart 4) provides an opportunity for LTL's transformer manufacturing business to grow incremental revenues given that higher grid coverage in Sri Lanka limits opportunities to grow incremental revenue in the domestic market.

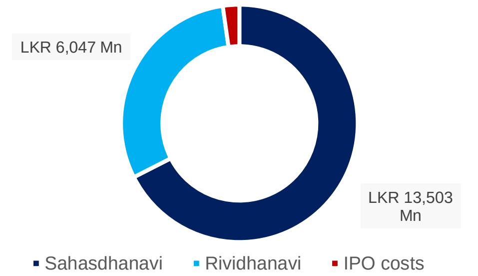
Chart 4: Electrification % of Households



Utilization of IPO Proceeds

LTL intends to utilize the bulk of IPO proceeds (see Chart 5) for investment in its second 350 MW LNG capable combined cycle plant, SAHA, and for investment in a 30% equity stake in Rividhanavi ("RIVI"), a 100 MW solar project. Neither SAHA nor RIVI is factored into the earnings forecast or valuation, which are on a pre-money basis.

Chart 5: Use of IPO Proceeds



Interim performance in FY25E does not capture part commissioning of SOBA in 2Q FY25E

LTL reported high revenue growth in FY22 and FY23, mostly reflecting the impact from depreciation of the reporting currency against the USD, the currency to which c. 60% of LTL's revenues are linked. LTL's interim performance in 1Q FY25E (see Chart 6a and 6b) shows a flattening out of TTM revenues to c. LKR 60 Bn partly on account of LKR appreciation in 1H 2024 whilst TTM EBIT was seen bottoming out at c. LKR 12 Bn. Higher EBIT levels and operating margin variation observed in FY23 through FY24 period was attributable to non-recurring income and exchange gains/ losses, which are assumed to normalize in FY25E onwards.

LTL's is expected to report significant revenue and EBIT growth in 2H FY25E with the commissioning of the first phase of SOBA (see Chart 7a and 7b).

Chart 6a: LTL TTM Revenue

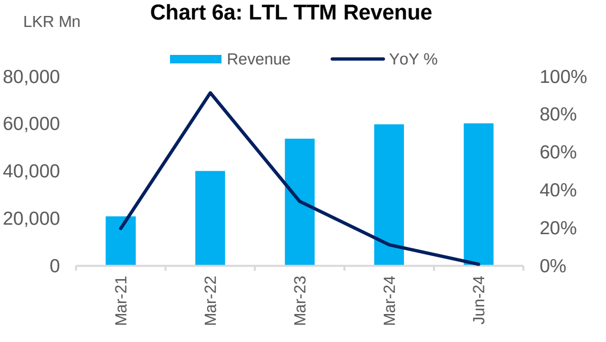
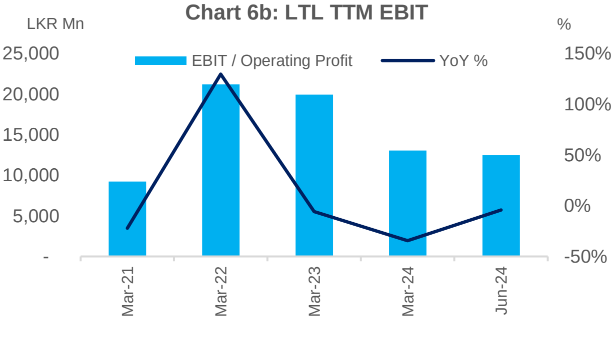


Chart 6b: LTL TTM EBIT



Revenue and earnings growth over the next two years is expected to come in substantially higher cf. historical CAGR primarily on account of SOBA

We expect SOBA to contribute c. LKR 22 Bn and LKR 85 Bn in incremental revenue in 2H FY25E and in FY26E respectively.

EBIT contribution from SOBA in FY26E is expected to account for c. 55% of LTL's consolidated EBIT.

LTL is reasonably valued relative to regional and local peers notwithstanding its unique capabilities which differentiate it from generic IPP's

Tables 3 and 4 summarize the salient assumptions used in our intrinsic SOTP valuation of LTL, which is presented in Table 5. On a relative valuation basis, IPP's in Sri Lanka and Bangladesh are currently trading within a TTM PER range of 7.6x to 24.1x (see Table 2). LTL's IPO is priced at c. 1.7x EV/ Sales and c. 5.0x PER on estimated forward EPS. We believe LTL's growth potential and unique positioning as an IPP, EPC and O&M contractor and manufacturer of electrical systems would support a valuation premium and would justify multiple expansion over the medium to long-term.

Chart 7a: Historical and Forecast TTM Revenue

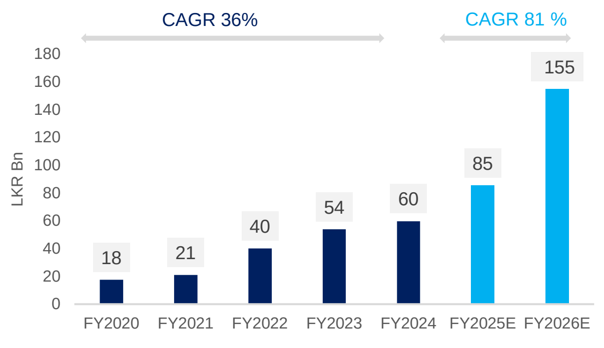


Chart 7b: Historical and Forecast TTM EBIT

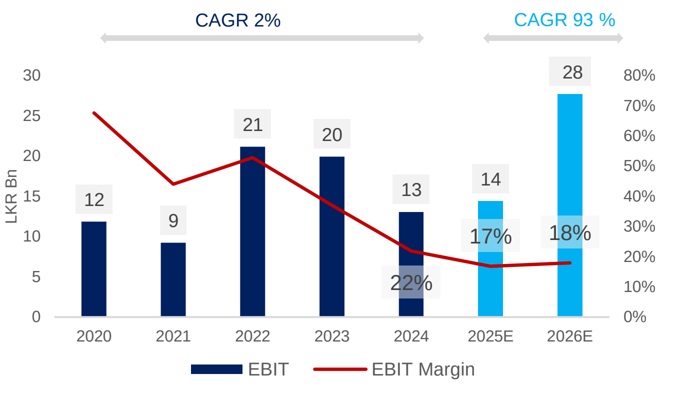


Table 2: Peer Valuation Comparison

Company	TTM PER (x)	EV/ EBITDA (x)	EV/ EBIT (x)	EV/ Sales (x)	Beta	Installed Capacity (MW)
LTL Holdings	**18.13**	**5.85**	**8.00**	**1.72**	**N/A**	**594**
Domestic Peers						
Wind Force PLC	17.30	6.42	11.00	5.61	0.37	245
Panasian Power PLC	9.51	3.77	5.00	1.84	0.88	22
Vidullanka PLC	8.22	4.74	6.00	3.03	0.51	49
LVL Energy Fund PLC	9.49	16.15	20.59	13.69	0.74	N/A
International Peers						
Summit Power Limited (Bangladesh)	7.56	N/A	N/A	N/A	1.12	976
Baraka Patenga Power Ltd	24.11	N/A	N/A	N/A	1.63	316
United Power Generation & Distribution Company Ltd	11.85	N/A	N/A	N/A	1.20	895

Table 3: Financial Summary and Key Forecast Assumptions

For the year ended 31-March	Actual					Forecast	
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E
Revenue (LKR Mn)	17,510	20,965	40,129	53,785	59,753	85,367	154,702
Revenue Growth (%)		**19.73%**	**91.41%**	**34.03%**	**11.10%**	**42.87%**	**81.22%**
EBIT (LKR Mn)	11,835	9,219	21,166	19,922	13,048	14,363	27,692
EBIT Margin (%)	**67.59%**	**43.97%**	**52.75%**	**37.04%**	**21.84%**	**16.83%**	**17.90%**
Effective Tax Rate	11%	11%	8%	16%	25%	19%	9%
Exchange Rate (LKR/ USD)	179	189	208	356	317	310	326
Investor Ratios							
Earnings per Share (LKR)	1.59	1.12	3.04	2.16	0.91	1.24	2.91
Earnings per Share Growth (%)		-30%	171%	-29%	-58%	36%	135%
Dividend Payout (%)	46%	19%	27%	0%	0%	81%	51%

Table 4: Valuation Assumptions

IPP segment	Equity IRR (%)	Cost of Equity (%)	Comments
Sri Lanka	19.0%	14.0%	• Investment value and estimated equity (IRR) return is used to estimate the project cashflows.
Bangladesh	18.0%	17.0% - 19.0%	• The cost of equity rate which is used to discount expected cash flow is based on the risk-free interest rate in the respective country, expected beta into market risk premium plus a country risk premium reflecting perceived macroeconomic risks (i.e. Higher rate is used for Bangladesh for the first 4 years and expected to revert to 17.0%).
Nepal	18.0%	16.0%	

Manufacturing segment	Year 1 -2 (FY25 & FY26)	Year 3 onwards (FY27)	Terminal Period	Comments
Manufacturing and Distribution of Transformers				
Revenue	35.0% & 2.0%	13.5%	4.0%	• Due to global macroeconomic environment, exports sales were limited during FY23 & FY24. With the revival of the economy, higher revenue growth rate is assumed for FY25E based on management guidance on order visibility. Terminal growth rate assumption is 4.0% in-line with expected long-term inflation/ LKR depreciation.
EBIT margin	15.0% - 12.0%		10.0%	• Based on historical performance and expectations increased competition, OPM is estimated to converge from 15% to 12.0% over the next five years (from FY25 to FY29).
Galvanizing and Fabrication of Steel Structures				
Revenue	10-15%	12.0%	4.0%	• Services are provided to the CEB, other Group companies and private customers in the telecom, shipping, construction and other industrial sectors. With the revival of the local economy, steady growth is assumed over the forecast period.
EBIT margin	27.0% - 22.0%		21.0%	• Based on historical performance, OPM is estimated to converge from 27.0% to 22.0% over the next five years (from FY25 to FY29) and reflects LTL's monopoly within the sector enabling higher pricing.
Cost of Equity	14.0%			• Assuming the (long term) risk-free rate to settle at c. 11.0% (with an estimated levered beta of 0.4 and market risk premium of 7%), CoE is assumed to be at 14.0% over the forecast period for both Transformers and Galvanizing companies.
Manufacturing of Switchgear Products				
Revenue	27%	9.0%	4.0%	• Company is expected grow at a rate of 9.0% and 4.0% during the forecast and terminal period respectively on account of growth potential in both India and its key export markets.
EBIT margin	8.0 - 10.0%		10.0%	• Based on historical performance and expectations, OPM is estimated to converge from 8.0% to 10.0% over the next five years (from FY25 to FY29).
Cost of Equity	15.5%			• Assuming the (long term) risk-free rate to settle at around 7.0%, risk premium of 6.0% and Country risk premium of 2.5%, CoE of Indian switchgear operation is assumed to be at 15.5% over the forecast period.

O&M / EPC of Power Plants	Year 1 -2 (FY25 & FY26)	Year 3 onwards (FY27)	Terminal Period	Comments
Lakdhanavi Limited				
Revenue	33% & -40%	6.0%	5.0%	• Company is currently in the process of providing (one-off) EPC services for SOBA, which accounts for the high revenue variation in the next two years. Steady growth of 6.0% and 5.0% is assumed during the remaining forecast period and terminal period respectively on account of O&M services provided to local and foreign plants.
EBIT margin	50.0 - 60.0%		60.0%	• Based on historical performance, OPM is estimated to converge from 50% to 60.0% over the forecast period.
Cost of Equity	14.0%			• Assuming the (long term) risk-free rate to settle at around 11.0% (with an estimated levered beta of 0.4 and market risk premium of 7%), CoE is assumed to be at 14.0% over the forecast period for both companies.

Peer company	PER (x)
Wind Force PLC	17.3
Panasian Power PLC	9.5
Summit Power Limited (Bangladesh)	7.6
LVL Energy	9.5
Vidullanka PLC	8.2
Average	10.4

Peer companies (from Sri Lanka and Bangladesh) are currently trading at PER (x) range of 7.6 x – 17.3 x. Our 12M forward price target is based an estimated PER of 8.0x on estimated (TTM) EPS as at 30-Sep-2025 (i.e. average of FY25E and FY26E EPS) of LKR 2.08.

Table 5: Valuation Summary

Segment	Cost of Equity (%)	Valuation method	Valuation summary	
			Equity value	% contribution to Equity Value
Hydro Power Generation	14.0% / 16.0% (NPR)	DCF	1,082	1.3%
Wind Power Generation	14.0%	DCF	450	0.5%
Thermal Power Generation	19.0% - 17.0% (BDT)	DCF	5,372	6.4%
Thermal Power Generation – SOBA	14.0%	DCF	22,815	27.4%
Manufacturing and Distribution of Transformers	14.0%	DCF	6,011	7.2%
Galvanizing and Fabrication of Steel Structures	14.0%	DCF	4.302	5.2%
Manufacturing of Switchgear Products	15.5% (INR)	DCF	3,516	4.2%
O&M / EPC of Power Plants	14.0%	DCF	40,056	48.0%
Others		NAV	2,792	3.3%
Dividend declared for FY24			(3,000)	- 3.6%
Equity value			**83,395**	**100.0%**
No of shares (Mn)			4,801	
Equity value per share (LKR)			**17.00**	
12M Target Price @ expected PER (8.0x) on estimated TTM EPS of LKR 2.1 in Sept 2025			**16.80**	
IPO price of LTL (LKR)			14.50	
Discount/ potential upside to estimated 12M Target price (%)			**16%**	

We value LTL at LKR 17.00 per share and rate the stock as a "Buy"

Based on our DCF valuation, the IPO price is at a reasonable discount of c. 16% to its intrinsic value. We assign a **12M forward price target** of **LKR 16.80 per share** based on an expected trading multiple of 8.0x on estimated TTM EPS of LKR 2.08 in September 2025. The price target gives a 16% upside to the IPO price of LKR 14.50, while we estimate DPS of LKR 1.00 and LKR 1.50 per share for FY25E & FY26E respectively resulting in a total return of c. 24%.

Refer Table 7 for risk factors that may negatively impact our ratings and price targets in the next 1-2 years.

Table 6: Summarized P&L Forecast

For the year ended 31-March in LKR Mn	Actual					Forecast	
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E
Revenue	**17,510**	**20,965**	**40,129**	**53,785**	**59,753**	**85,367**	**154,702**
COGS	9,888	11,058	30,788	36,597	40,843	64,156	120,034
Gross Profit	**7,622**	**9,907**	**9,341**	**17,188**	**18,910**	**21,212**	**34,668**
EBIT	**11,835**	**9,219**	**21,166**	**19,922**	**13,048**	**14,363**	**27,692**
Net Interest Cost / (Income)	716	787	787	4,193	5,353	4,632	8,280
PBT	11,119	8,432	20,379	15,729	7,695	9,731	19,412
Tax	1,235	949	1,553	2,496	1,945	1,878	1,733
Recurring Net Profit	**7,613**	**5,392**	**14,578**	**10,372**	**4,365**	**7,853**	**17,679**
Earnings per share (LKR)	**1.59**	**1.12**	**3.04**	**2.16**	**0.91**	**1.24**	**2.91**
Dividends per share (LKR)	0.73	0.21	0.83	-	0.62	1.00	1. 50
Dividend Yield (%)	5%	1%	6%	0%	4%	7%	10%
Price / Earnings Ratio (X) *	9.12	12.95	4.77	6.71	15.93	11.72	4.98
Price / Book Value (X) *	3.27	2.66	1.70	1.29	1.23		
Return on Equity (%)		22.70%	43.50%	21.80%	7.90%		

* For historical/ forward periods share price-based ratios calculated using the IPO price.

Table 7: Risk Factors

Risk Factors	Likelihood of Negative Impact on Ratings in Next 1-2 years	Negative Impact on Ratings	Positive Impact on Ratings
Market Sentiment	High	Market sentiment in Sri Lanka may be impacted if there is further political/ economic uncertainty post the upcoming presidential elections. Furthermore, general elections are due in early 2025 which could prolong uncertainty which may negatively impact overall market sentiment and share prices.	A positive outcome at the presidential and general elections with a stable investor friendly government in place would positively impact market sentiment and share prices.
Economic Conditions in Operating Markets	Moderate	Sri Lanka and Bangladesh, the primary operating markets of LTL, experienced significant economic crises in the last few years, which materially impacted the operations and financial performance of the Company through fuel and currency shortages, project delays and higher off-taker risk/ prolonged payment delays. Any deviation from the current IMF programs in place in Sri Lanka/ Bangladesh would lead to a repetition of such crises with ensuing impact on LTL.	Stable and sustainable economic policies in-line with IMF program parameters would reduce the likelihood of future balance of payments and debt crises in Sri Lanka/ Bangladesh. In such a scenario LTL would benefit from lower external risks to its operating/ financial performance, more business opportunities and lower cost of capital.
Off-taker Risk	Moderate	PPA's in Sri Lanka/ Bangladesh and other emerging markets are typically structured with the sole off-taker being the state-owned electricity utilities. Hence there is a high degree of single client risk. Balance of payments/ debt crises and/ or changes to the cost reflective electricity tariffs currently in place in Sri Lanka could render the off-taker unable to make timely payments to LTL thus adversely impacting the operating/ financial performance of the Company.	Stable and sustainable economic policies in-line with IMF program parameters and continuation of cost reflective electricity tariffs would reduce the off-taker risks in Sri Lanka/ Bangladesh and potential negative impact on the operating/ financial performance of the Company.
Project Implementation Risk	Moderate	The nature of the business entails significant project implementation risks/ delays given the complexity, regulatory hurdles and exposure to external risks such as economic conditions. Delays in implementation of projects could lead to revenue/ earnings falling short of our forecast levels.	N.A.
Capital Expenditure/ ROIC	Moderate	Increase in capital intensity of the business or decline in ROIC from adverse competitive forces or Company specific factors.	Decrease in capital intensity of the business or increase in ROIC from favourable competitive forces or Company specific factors.
Inflation/ Cost Pressures	Moderate	Increase in localised inflationary pressures which cannot be passed on to end customers and/ or lower the real value of fixed price LKR revenues.	Decrease in localised inflationary pressures possibly leading to some margin expansion.
Exchange Rate/ Currency Risk	Moderate	Sustained appreciation of the reporting currency against the functional currency can lower reported revenue/ earnings from foreign operations.	Devaluation of the reporting currency against the functional currency surpassing our forecast assumption of avg. 5% p.a. can increase reported revenue/ earnings from foreign operations and our valuations/ price targets in LKR.
Changes to WACC	Moderate	Increase in market interest rates/ equity risk premium or beta values and accordingly the cost of capital or lower market valuation multiples can negatively impact our valuations and ratings.	Decrease in market interest rates/ equity risk premium or beta values and accordingly the cost of capital or higher market valuation multiples can positively impact our valuations and ratings.
Loss of Human Capital	Low	Sustained loss in talent/ key management personnel.	N.A.

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