

# JAT HOLDINGS LIMITED

Initial Public Offering

## INFORMATION MEMORANDUM

PRIVATE & CONFIDENTIAL



Financial Advisors and Managers to the Offer



## Glossary

Bn	Billion	Mn	Million
c.	circa	NC	Nitrocellulose
CAGR	Compounded Annual Growth Rate	No.	Number
cf.	Compared to	NP	Net Profit
CSE	Colombo Stock Exchange	P/E	Price to Earnings Ratio
DCF	Discounted Cash Flow	PAT	Profit After Tax
E	Expected	PBT	Profit Before Tax
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	PER	Price to Earnings Ratio
FY	Financial Year	PU	Polyurethane
GDP	Gross Domestic Product	Q	Quarter
GoSL	Government of Sri Lanka	R&D	Research and Development
GP	Gross Profit	ROCE	Return on Capital Employed
H	Half	sq ft	Square Feet
IPO	Initial Public Offering	TTM	Trailing Twelve Months
IRR	Internal Rate of Return	USD	United States Dollars
LKR	Sri Lankan Rupees	UV	Ultraviolet
LMD	Lanka Monthly Digest	WB	Water Based

# Table of Contents

---

	<b>Page</b>
Introduction to JAT	<b>4 &amp; 5</b>
Key IPO Highlights and Investment Thesis	<b>6 &amp; 7</b>
Company Overview	<b>8 – 19</b>
Future Growth Drivers	<b>20 – 28</b>
Board of Directors and Management	<b>29 – 33</b>
Financial Forecasts and Valuation	<b>34 – 39</b>
Annexures	<b>40 – 45</b>

# AT A GLANCE

JAT has been the **undisputed market leader in the wood coatings space for over 20 years in Sri Lanka**, whilst also representing global and homegrown brands in varied spheres such as decorative paints, chemicals, brushes, office furniture, kitchens, wardrobes, flooring and ceilings.

The Company's partnership with the renowned wood coatings brand **"Sayerlack" spans over 25 years**, with JAT having been recognised as the **no. 1 partner globally for Sayerlack**. Since 2010 Sayerlack has been a part of **The Sherwin-Williams Company, a multinational paints and coatings player who is the global market leader for wood coatings**.

The Company has expanded its wood coatings footprint to Bangladesh, Maldives, India and Africa. JAT has enjoyed **market leadership in this segment for over 10 years in Bangladesh (accounting for over 25% of JAT's revenue)** and is also the **no. 1 player in the Maldives**.

With its unique offering of products, JAT has secured contracts in prestigious projects such as Altair, One Galle Face, 606 The Address, The Waterfront, Luna Apartments, Defense Headquarters Complex and Prime Grand.



**28**  
Years of operations



**20**  
Brands represented



**07**  
Overseas markets



**LKR 1.8 Bn**  
Overseas revenue



**8,500+**  
Customer touchpoints in  
Sri Lanka and Bangladesh



**35**  
No. of distributors

# AN INTERNATIONAL PAINTS AND COATINGS PLAYER

## Sri Lanka



**Market leader** in wood coatings and brushes (over 50% and c. 25% market shares respectively)

Group Revenue Contribution

**72%**

**5,000+** customer touchpoints. Wood coatings, paints & chemicals and brushes contribute **over 80%** of local revenue

Sri Lanka's **real GDP growth** is expected to recover post-covid to an average of **4%** between 2021 and 2025

**Construction sector growth tends to outperform real GDP growth** – average of **9% vs 5%** respectively between 2011 and 2019

## Bangladesh



**Market leader** in wood coatings with a c. 28% market share in PU category

Group Revenue Contribution

**26%**

**3,500+** customer touchpoints. The name "JAT" is well entrenched in the **customer's mind** and has strong **brand equity**

Bangladesh is expected to maintain strong **real GDP growth** of **7%** between 2021 and 2025, in line with its historical average

The **construction sector is expected to grow exponentially** going forward, following historic trends – **CAGR of 16%** between 2012 and 2020

## Rest of the World



**Market leader** in wood coatings in the **Maldives**. Currently also present in India, Ghana, Kenya, Seychelles and Mauritius

Group Revenue Contribution

**2%**

Has obtained **exclusivity to distribute Sayerlack** in all of South Asia and most countries in Africa

South Asia and Africa are expected to post real GDP growth of **7%** and **4%** respectively between 2021 and 2025

Emerging regions home to rapidly **growing middle class populations** with increasing disposable incomes – South Asia: c. **2 Bn** and Africa: c. **1.3 Bn**

# KEY IPO HIGHLIGHTS

 **Ordinary Voting**  
Type of share

 **LKR 27.00**  
IPO price per share

 **LKR 2.2 Bn**  
Offer size

 **82,904,846**  
# Shares offered

 **16.24%**  
Stake offered

 **LKR 13.8 Bn**  
Market capitalisation

## USE OF PROCEEDS



**LKR 515 Mn**

Set up manufacturing plant in Bangladesh



**LKR 433 Mn**

Enhancing the existing R&D facility to a fully fledged state-of-the-art facility in Sri Lanka



**LKR 257 Mn**

Expanding the "WHITE by JAT" brilliant white paint range - Marketing and Development Initiatives



**LKR 302 Mn**

Set up manufacturing plant and expanding the reach in Africa

## IMMEDIATE UPSIDE ON THE JAT SHARE

The IPO price per share of LKR 27.00 offers an **immediate upside of 21%** to an incoming investor on the value per share of LKR 32.70 derived from a combination of DCF and Forward PER valuation

**21%**  
IMMEDIATE  
UPSIDE

The Company intends to maintain a **dividend pay out ratio of 40% at a minimum**. The dividend yield (post-IPO) is expected to be between **3.5% - 8.7%** over the forecast period

**40%**  
DIVIDEND  
PAYOUT

# INVESTMENT THESIS

## Overseas Market Driven Growth

**Market leader** in the PU wood coatings space in **Bangladesh** – **over 25% of JAT's revenue**

Overseas revenue (LKR 1.8 Bn in FY20) to record a **CAGR of 21.3%** between FY20 and FY26E

To Become a Global Player with Presence in **16 countries in 3 different continents** by FY26E

## Existing Brand Equity to Solidify Local Market Position

**Market leader** in the PU and WB wood coatings space in **Sri Lanka** with **over 50% market share**

New "WHITE by JAT" brilliant white paint range to disrupt paint market via **e-commerce driven business model** – **market opportunity of LKR 15 Bn**

Maintain strong position in providing furnishing solutions to the projects space - **existing pipeline of c. LKR 11 Bn**

## Favorable Industry Dynamics to act as a Tailwind

**Construction and real estate sectors** in key geographies are poised for **strong growth post-pandemic**

Rapid urbanization giving rise to a **growing middle class with rising disposable incomes** to drive demand

**Strong real GDP growth** forecasted for South Asia and Africa (JAT's core markets) between 2021 and 2025

## Lucrative Financial Returns for Long Term and Short Term Investors

**Immediate upside of 21%** to incoming investors – translating to an IPO discount of 17%

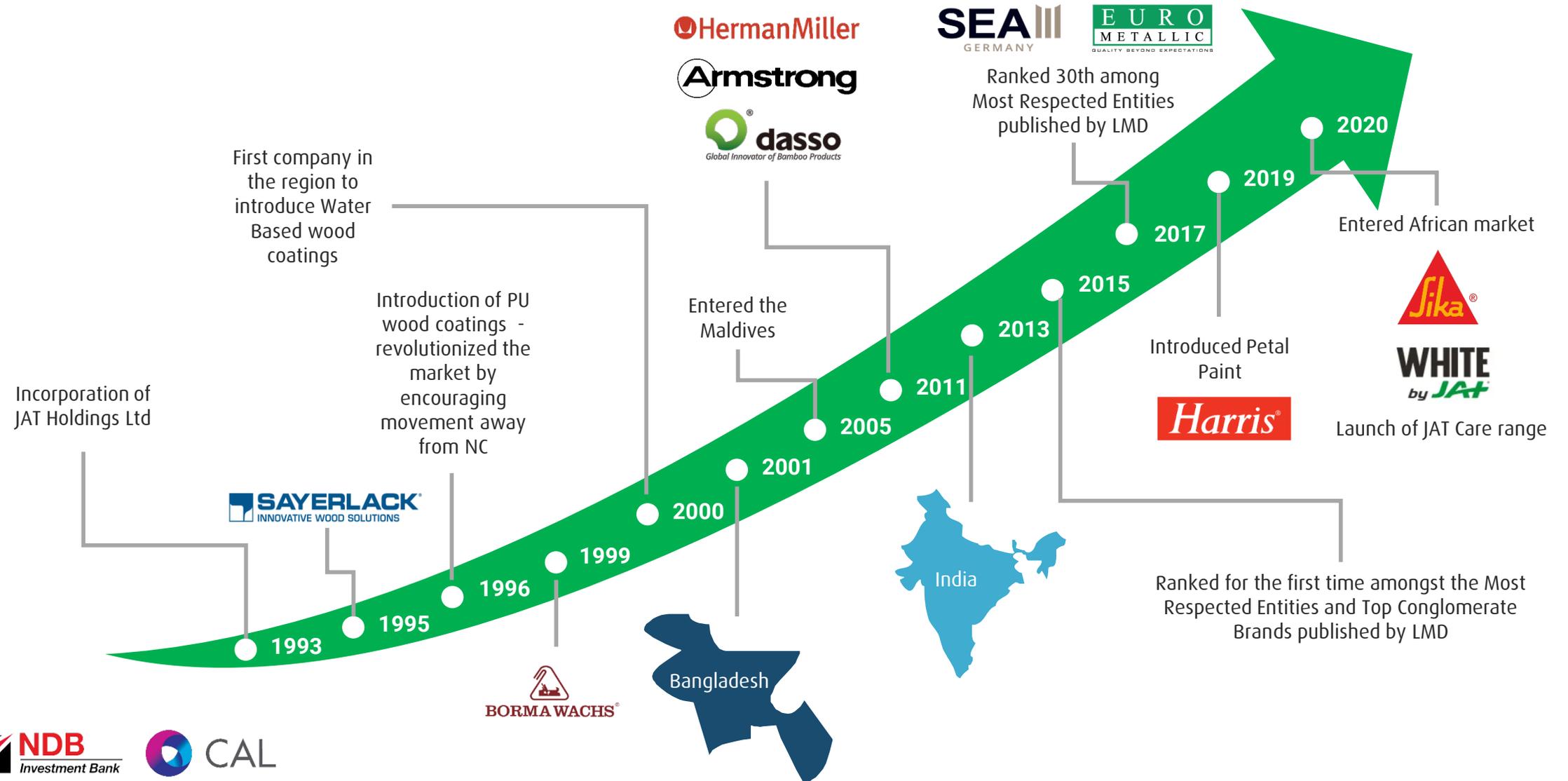
At an implied PER of 10.3x on FY22E earnings, the IPO price is at a **40% discount** to the current adjusted peer PER of 17x

JAT to **maintain a 40% dividend payout at a minimum**, resulting in dividend yields of between **3.5% - 8.7%** during the forecast period

# COMPANY OVERVIEW

Sri Lanka's foremost finishing and furnishing solutions provider with a growing global presence

# JAT has Evolved Overtime From a Family Business to a Large Corporate, Driven by Rapid Growth and Expansions into a Range of Solutions



## Trailblazer in Finishing and Furnishing Solutions with Strong Market Positions Across Key Segments

	Finishing Solutions			Furnishing Solutions	
	Wood Coatings	Paints and Chemicals	Brushes and Rollers	Retail	Projects
<b>Key Products</b>	A range of WB/PU/UV/Polyester /Epoxy Resin/NC Coatings	Interior/Exterior Emulsion and Enamel, Filler, Wall Putty and Waterproofing Chemicals	Classic, Interior/Exterior Rollers and Wood Coating Brushes	Office Furniture, Kitchens, Wardrobes and Vanities	Office Furniture, Kitchens, Wardrobes, Decking, Wooden Flooring, Ceilings and Ad-mixture
<b>Years of Presence</b>	28	7	9	10	12
<b>Market Positions</b>	<b>No. 1</b> in Sri Lanka, Bangladesh and Maldives ( <b>over 50% market share</b> in WB & PU wood coatings in Sri Lanka)	<b>WHITE by JAT</b> range launched in Dec 2020 has been a <b>huge success</b> with first of its kind online platform	<b>No. 1</b> player in Sri Lanka with c. <b>25%</b> market share (up from c. 10% in 2018)	<b>No. 1</b> player for bespoke luxury kitchens, decking and ergonomic office furniture in Sri Lanka (over 2,000 luxury bespoke kitchens installed and secured)	
<b>3 Year Average Revenue Mix</b>	69.4%	15.4%	4.0%	0.4%	10.8%

# JAT has Branched Out into a Number of Overseas Markets Over Time, Diversifying its Geographical Footprint

## Bangladesh



JAT has capitalized on strong average GDP growth of **over 7%** posted by Bangladesh overtime, to cement its position as **market leader** in the wood coating space

JAT commands a market share of **c. 28%** for PU wood coatings, with the **“JAT” brand name synonymous with “high quality wood coatings”**

JAT’s range of wood coatings also enjoys dominance amongst Bangladesh’s furnishing export industry. JAT is the **exclusive supplier to 7 of the 15 largest industrial furnishing exporters** in Bangladesh

## Rest of the World

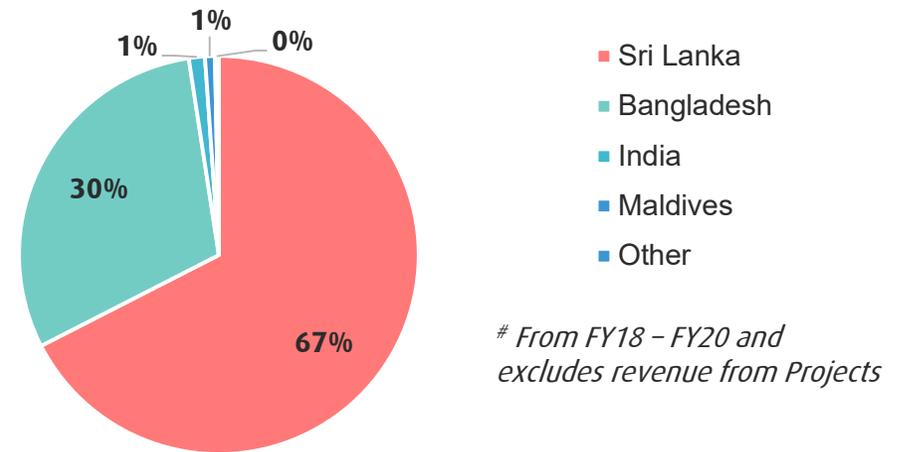


The Company is also the **market leader in the Maldives** having ventured into the country over 15 years ago and building a strong brand presence within the hotels/industrial sector. It is also present in India

In FY20 JAT ventured into Africa (a virgin market for wood coatings). JAT has obtained the **exclusive rights to market Sayerlack products** in most of the African region. The Company is in the process of strengthening its distribution and sales network to capitalize on the market opportunity

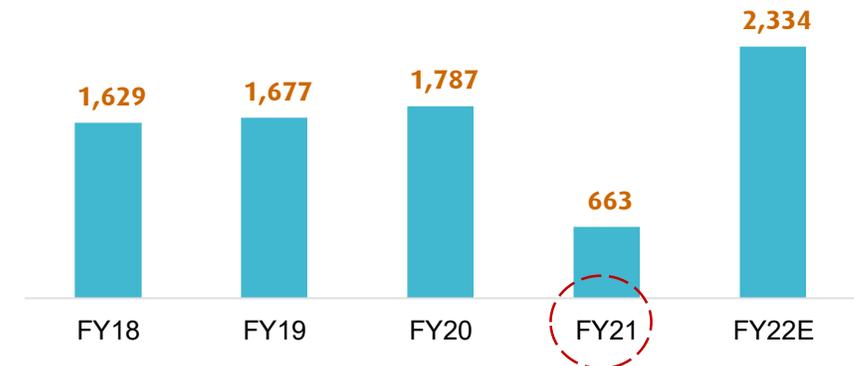
JAT’s **focus markets** in Africa for expansion comprise Ghana, Kenya, Uganda, Mauritius, Seychelles, Ethiopia, Somalia, Tanzania and Sudan

COVID Adjusted Geographical Revenue Mix #



# From FY18 – FY20 and excludes revenue from Projects

Revenue from Overseas Markets (LKR Mn)



Due to the impact from COVID in overseas markets

## Leading Paints and Coatings Player with a Robust Portfolio of Homegrown and Global Brands (1/2)

### Wood Coatings



**SAYERLACK**  
INNOVATIVE WOOD SOLUTIONS

**Masters**

**BORMA WACHS**

**J CHEM**

- Sayerlack is a part of The Sherwin-Williams Company - the **market leader for wood coatings globally**
- JAT's trust and association with the Sayerlack brand spans **over 25 years**
- J Chem and Masters offer a range of solutions to the **middle/mass retail market and the industrial space**
- **Own brands:** J Chem and Masters

### Paints and Chemicals



**WHITE**  
by **JAT**

**J CHEM**

**Sika**

- The newly launched brilliant white paint under WHITE by JAT posted LKR 76 Mn revenue for FY21 since its Dec 2020 launch, and **LKR 62 Mn in April and May 2021** exceeding its budgets
- Sika was launched in 2019 and has a range of **waterproofing chemicals**
- **Own brands:** J Chem (floor paint and enamel) and WHITE by JAT

### Brushes and Rollers



**Harris**

**BrushMaster**  
මුත් මාස්ටර්

- Acquired **exclusive rights to manufacture and distribute** Harris brushes, rollers & accessories in FY19. Harris is a part of **Orkla – market leading brush company** in the Scandanavian region
- **Own brand** - Brush Master
- Harris and Brush Master produce a range of brushes catering to **wood coatings and decorative paints**

## Leading Paints and Coatings Player with a Robust Portfolio of Homegrown and Global Brands (2/2)

### Retail and Projects



- Solutions include; **kitchens, wardrobes and vanities by SEA**; **admixtures by Sika**; office furniture by Herman Miller and Houros; ceilings by Armstrong and Euro Metallic; and timber flooring and decking by Lifewood / Dasso
- Retail sales are recorded via walk-ins to JAT's 3 experience centers and comprise of office furniture and kitchens
- JAT's wide array of solutions for has resulted in the Company being a **preferred partner for large real estate projects**. Eg. Altair, Ritz Carlton, One Galle Face, The Waterfront, Luna Apartments, Prime Grand etc.
- **Own brand**: Euro Metallic metal ceilings

## A Time Tested Partnership of Over 25 Years with Internationally Renowned Brand for Wood Coatings - Sayerlack



**Multinational** paints and coatings conglomerate

**Global market leader** in wood coatings and the **first** to introduce water based wood coatings globally

Active in over **120 countries** via own and third party distribution networks

Listed on the NYSE with a market capitalization of **c. USD 75 Bn**



**Globally renowned brand** in the wood coatings segment

Acquired by **The Sherwin-Williams Company** in 2010

Caters to over **40,000 customers** in over **80 countries**

**Wide range** of WB, PU, NC, UV, thinners, additives, oils, stains etc. for interior and exterior applications



**Exclusive Sayerlack distributor in all of South Asia** and most countries in Africa

Recognized as the **No. 1 distributor and the largest partner** for Sayerlack globally

An integral part of Sayerlack's value chain in **South Asia – an emerging region** with a population of **c. 2 Bn**

Providing **customized local input and R&D** to Sayerlack to enhance quality/finish of its products regionally

# Unrivalled Distribution Network and Brand Loyalty

<b>Local Distribution Network</b>	27 distributors with <b>5,000+</b> customer touchpoints and a low concentration ratio
<b>International Distribution Network</b>	Access to <b>3,500+</b> customer touchpoints in Bangladesh and <b>8</b> distributors covering international markets
<b>Company Salesforce</b>	Cadre of <b>87</b> with <b>6</b> comprising regional managers and other senior managers
<b>Customer Experience</b>	Operates <b>3 Experience Centers</b> in strategic locations catering city/suburban dwellers and <b>2 Technical Centers</b>
<b>Customer Loyalty</b>	Runs a <b>loyalty program</b> for the Sayerlack brand – Has over 100,000 members, with around <b>48%</b> of the total local Sayerlack sale being driven via the loyalty base

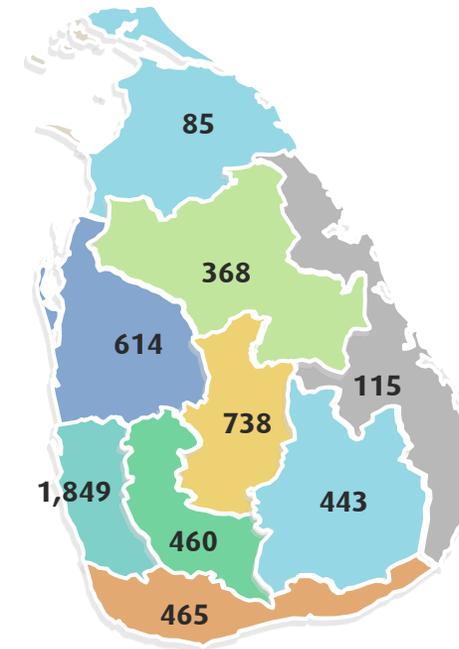


No. of Industrial Customers – > **250**



No. of Industrial Customers – > **150**

Distribution Mix of Local Customer Touchpoints (Nos.)

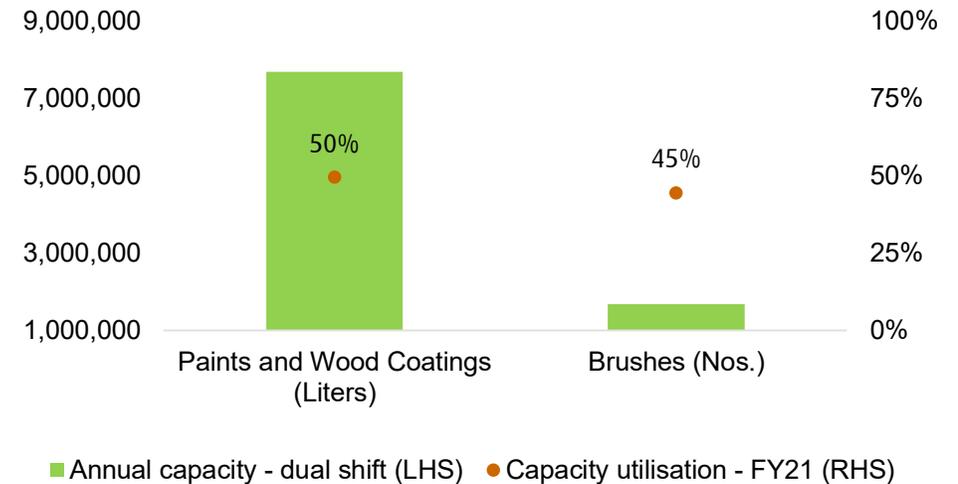


JAT profiles its dealers via a grading system and has in place a sales force automation system to **ensure product availability and drive individual dealer performance**

## Shift Towards Increased Value Addition Locally has Ensured Stable Margins Over Time



	Manufacturing facilities in Kahathuduwa, Katunayake and Horana with cumulative square footage > <b>59,000</b>
	The facilities are ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certified
	<b>121</b> Production Related Employees
	Potential to boost margins via <b>increased capacity utilization</b> driven by volume growth from FY22E onwards



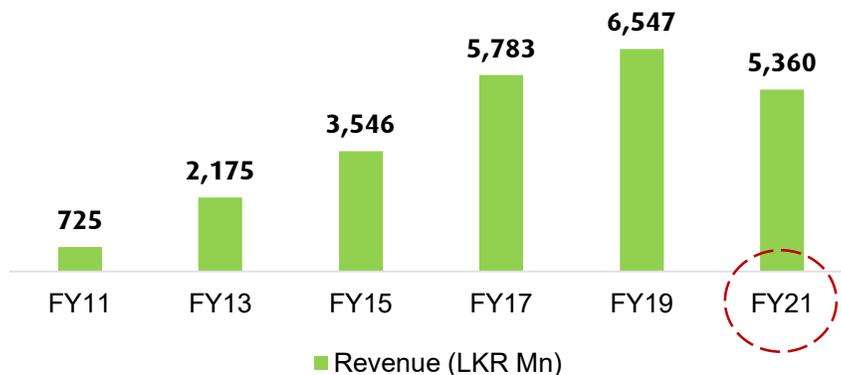
### Recent Process Improvements Carried Out

- Backward integration of brush making facility to **produce brush handles in-house**
- Complete **automation** of Sayerlack Wood Stain and Top Coating Processes
- Introduction of a new bar code system for warehousing, including a high tech tracking system

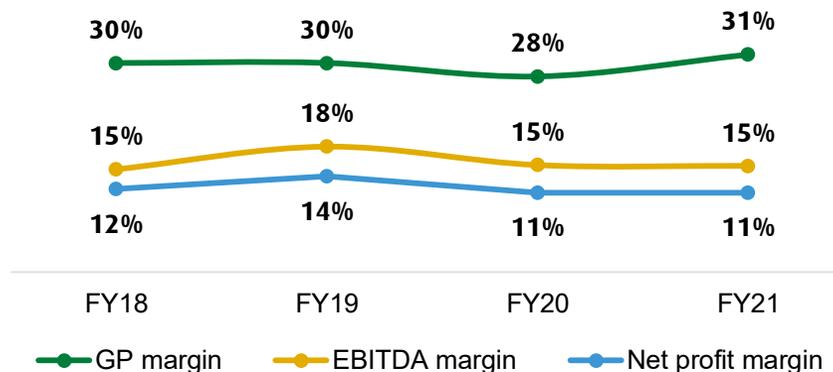
Over the past few years JAT has continued its **shift towards focusing on manufacturing and increased value addition** in the production process for its product offering in wood coatings, paints and brushes. This has resulted in the Company having greater control of the overall supply chain and **enhancing product GP margins by c. 5%** over the past 3 years

# JAT's Core Competencies Have Led to a Robust Financial Performance Over Time

**Strong Revenue CAGR of 27% from FY11 to FY20**



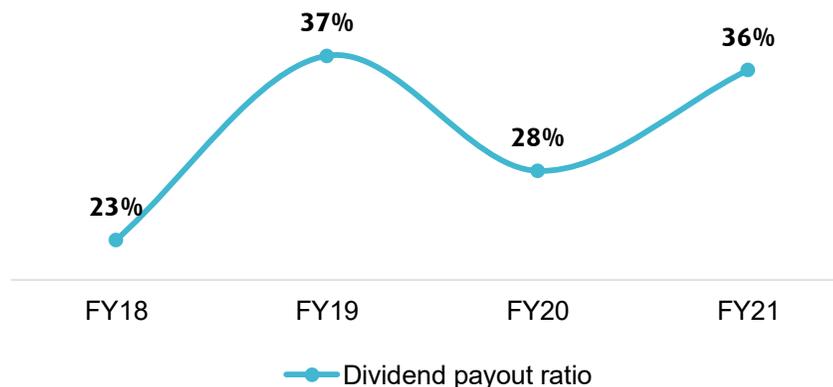
**Stable operating and net margins maintained over time**



**Healthy levels of ROCE enhancing shareholder wealth**

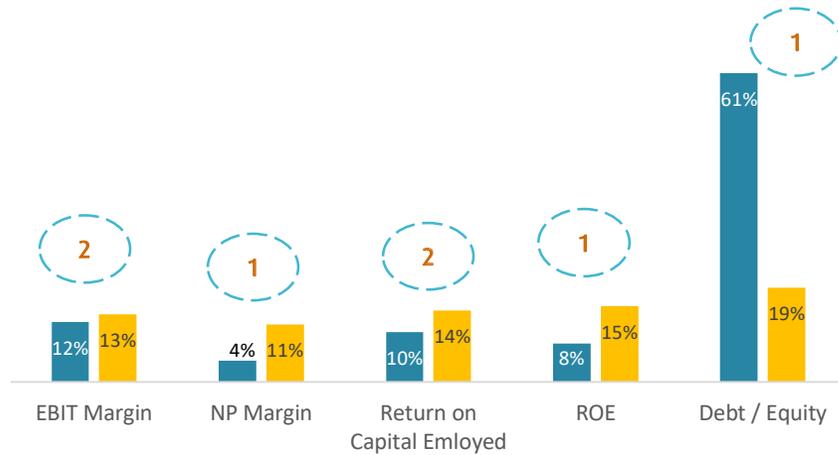


**Solid dividend payouts stemming from strong FCF position**

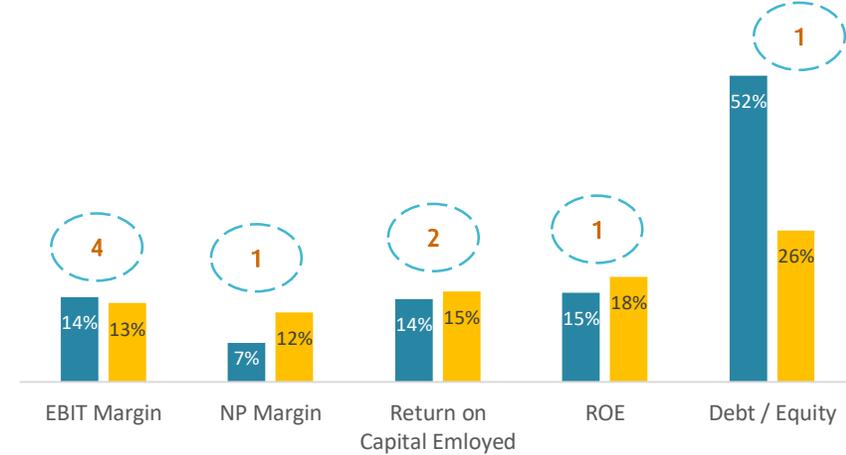


# JAT's Performance Stands Out Among Sri Lanka's Top 20 Listed Companies and Peers

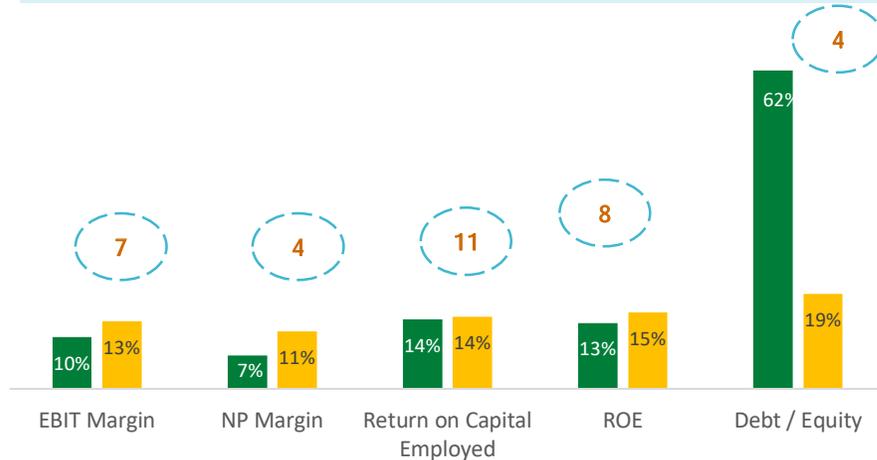
JAT vs Local Peers – 3 Year Median



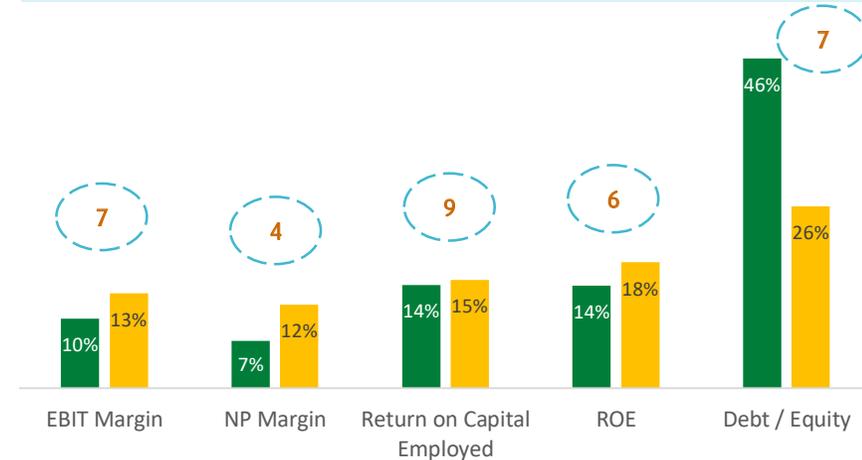
JAT vs Local Peers – 5 Year Median



JAT vs S&P SL20 – 3 Year Median



JAT vs S&P SL20 – 5 Year Median





## A Plethora of Awards and Accolades Solidifying JAT's Status as a Trailblazer



**A+ (Stable)  
Rating**



One of the first private corporates to be recognised with a rating of A+ with a stable outlook for 5 consecutive years



An unprecedented four accolades at the National Business Excellence Awards 2019 including the 'Bronze Award for Overall Excellence', '2nd Runner Up in the Extra-large Sector' and 'Gold Award in the Trading Sector'



'Top 10 winner' in 2019 and 2016 at **CNCI Achiever Awards** by the Ceylon National Chamber of Industries



Recognition at the **Presidential Export Awards 2019**.



Recognised among the **Top 100 Most Respected Companies** for four consecutive years.

Ranked amongst **LMD's Top 20 Conglomerate Brands** in Sri Lanka in 2020



Bronze award for "Sayerlack" as the B2B brand of the year at the **SLIM Brand Excellence** in 2015.



Bronze at the **Effie Awards 2013** in the Household Supplies and Services category for Sayerlack.



Sri Lanka's first ever 'wood pencil' at **D&A awards in London** in the environmental sustainability program.

Gold in Lotus Innovation award and Gold in Lotus Roots award at the **Adfest 2019** held in Thailand

## FUTURE GROWTH DRIVERS

The global paints and coatings market is estimated to be USD 155 Bn of which wood coatings account for c. USD 11 Bn. In turn the APAC paints and coatings market is estimated to be c. USD 60 Bn and grow at a 5% CAGR between 2021 and 2026, with the South Asian region (population of c. 2 Bn) expected to be a key driver of this growth.

Growth in construction and real estate sectors in South Asia are strongly correlated to overall growth in the paints and coatings market in the region and it is anticipated that the construction and real estate sectors in key South Asian economies are poised for strong growth post-COVID 19, coupled with high single digit economic growth, a growing middle class with rising disposable incomes and rapid urbanization.

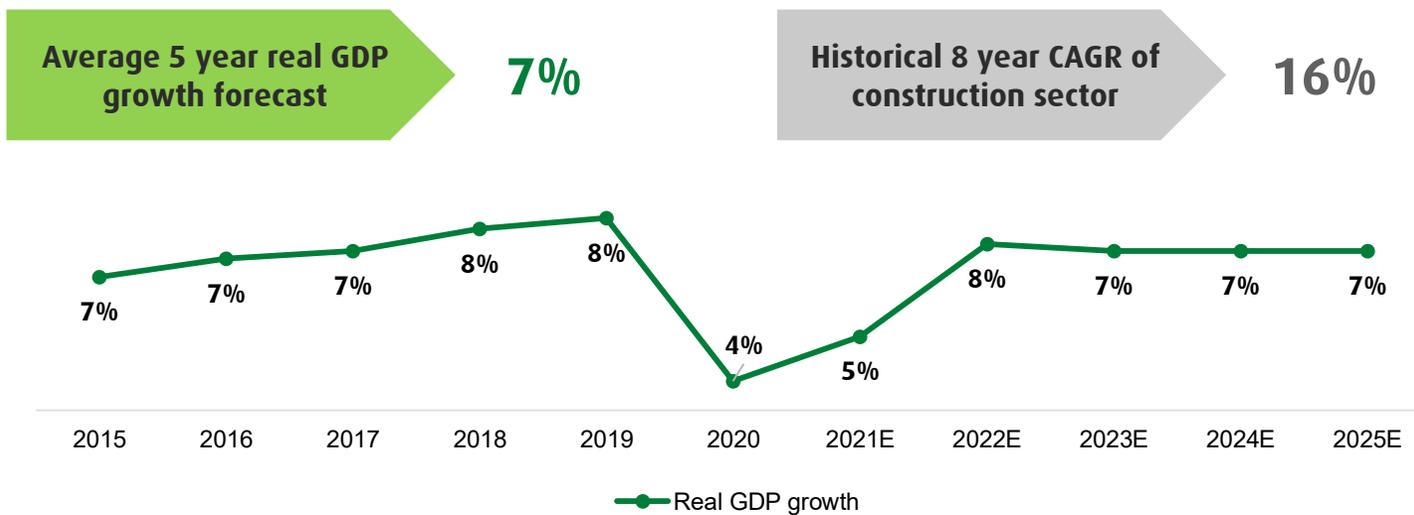
# Bangladesh – Rapid Economic Growth to Continue to Propel Paints and Coating Industry....



- ❑ The rapid development of large cities such as Dhaka and Chittagong, has resulted in an exponential growth in construction and real estate development sectors – **construction sector contribution to GDP has increased from 6% in 2012 to 8% in 2020**
- ❑ The above, coupled with the rise in investments by local and foreign entities (into the industrial and infrastructure sectors), has led to the success of the **paints industry** in Bangladesh with the market posting a **6% growth in 2019** as per Coatings World
- ❑ Furthermore, strong **historic real GDP growth of c. 7%** has led to rapid urbanization and a rising middle class population in Bangladesh, with increasing disposable incomes. Bangladesh is expected to continue to post strong **average real GDP growth of 7% between 2021 and 2025** as per IMF, thereby expanding JAT’s addressable market size and boosting the demand for quality furnishing and finishing solutions offered by the Company

Population **163 Mn**  
 GDP **USD 302 Bn**

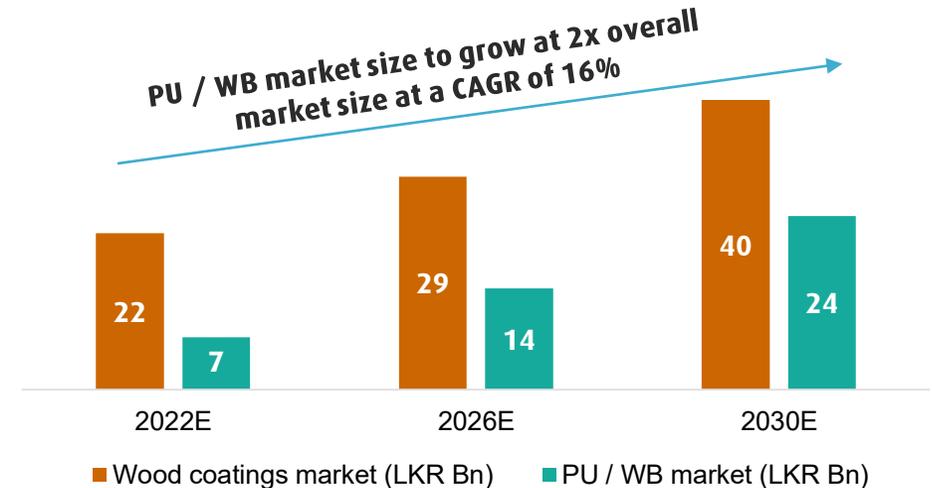
*Sources*  
 Coatings World 2020, IMF, World Bank, CEIC databases and NDBIB & CAL Research



## .... Enabling JAT to Solidify its Existing Presence in Bangladesh, Propelling the Company to Become a Regional Powerhouse

JAT aims to revolutionize key overseas markets such as Bangladesh by **leveraging on its track record of operating in Bangladesh**, and convert traditional users of NC and varnish wood coatings to **higher value PU coatings at an accelerated pace** driven by the establishment of its manufacturing plant and innovation capabilities via its R&D

JAT enjoys a **market share of c. 28%** in the PU wood coating space in Bangladesh. Based on estimation, the **wood coatings market size in Bangladesh is over LKR 20 Bn, with c. 70% accounting for NC/varnish**. The graph on the right indicates the estimated conversion rates from NC to PU in the long term in Bangladesh



Bangladesh – GDP per capita (2019)

**USD 1,856**

**Expected to overtake Sri Lanka’s current GDP per capita of c. USD 3,800 by 2028E**

Bangladesh’s current GDP per capita is **reflective of Sri Lanka’s corresponding figure in 2008** (USD 2,037)

Sri Lanka witnessed a **9% CAGR in Greater Colombo housing approvals from 2009 – 2015, outpacing average real GDP growth of 6%**. A similar trend is expected to follow in Bangladesh during 2021 – 2025

**PU/WB proportion** of Bangladesh’s total wood coatings market is expected to be c. **60% by 2030E** – similar to Sri Lanka’s existing mix

### Bangladesh Manufacturing Facility

#### Advantages

- Cost savings leading to gross margin improvement
- Expand market share by leveraging on existing local network and ability to pass on portion of cost savings to customers
- Well poised to capitalize on emerging middle class in Bangladesh

Total expected investment : **LKR 515 Mn**

Estimated construction start date : **Q2 FY22**

Estimated completion date : **Q4 FY22**

# Sri Lanka – Construction and Real Estate Industries are Poised for a Strong Re-emergence...



## Drivers for Construction Industry

- ❑ Construction has been identified as a priority growth sector given its strong correlation with economic growth – the sector has accounted for c. **7% of Sri Lanka's total GDP** for the past 10 years
- ❑ **Construction sector growth has outperformed real GDP growth historically** – average growth rates of **9% and 5%** respectively between 2011 and 2019, and the same pattern is expected to continue going forward
- ❑ Large infrastructure projects previously on hold are also **expected to re-commence together with the onset of new projects** related to highways, roads, ports, airport and mega mixed development projects

## Drivers for Real Estate Sector Boom

- ❑ Lower cost of capital with **all-time low borrowing rates** (mortgage-backed loan interest rates reduced to a record 7%) is expected to **catalyze potential first time home buyers of homes** and drive demand for apartments
- ❑ Low interest rates have encouraged investors to seek alternate investment opportunities with **real estate being a preferred asset class** considering the ability to earn stable rental yields and potential capital gains
- ❑ Completion of landmark mixed development projects over the next 4 years - **Over 7,000 residential units are estimated to be added to Colombo and its suburbs** between 2021 and 2024 from selected real estate projects by reputed developers

Population **21.8 Mn**

GDP **USD 84 Bn**

### Sources

CBSL, IMF, Department of Census and Statistics - Sri Lanka, News Articles, Monetary Policy Review November 2020 and NDBIB & CAL Research

Sri Lanka's **real GDP growth is expected to recover post-covid** to an average of **4% between 2021 and 2025**, with the construction industry outperforming overall economic growth

## .... Driving JAT to Build on its Existing Brand Equity and Cement its Local Market Position Across Finishing Solutions....



- ❑ The wood coatings market in Sri Lanka is primarily NC based, with the NC market estimated to account for c. **40%** of the total market size of **LKR 10 Bn**, with PU/WB accounting for the balance. JAT intends to continue its track record of **converting the NC market into higher value PU/WB**. It is estimated that c. **LKR 3 Bn** in such conversions has occurred in the past 15 years
- ❑ The Company intends to **leverage on its brand name, product range and dominance in the space** to capture market share from competitors
- ❑ JAT also intends to capitalize on its new R&D facility and launch new products to the market. Eg. **3 in 1 wood coating product for ceilings** to be introduced in 1QFY22 under Masters Brand



- ❑ Growth in the Paints and Chemicals segment is expected to be driven by the Company's newly launched "brilliant white" range under WHITE by JAT. It is estimated that **over 60% of the Sri Lankan paint market comprises of "brilliant white"** i.e. a market opportunity of c. **LKR 15 Bn**
- ❑ Sales for WHITE by JAT are envisaged to be **e-commerce driven** by a unique business model of offering a **direct 40% discount to end customers that purchase the product online** (such discounts are offered only to dealers by competitors who pass a marginal benefit to end consumers)
- ❑ JAT has allocated **LKR 257 Mn of the IPO proceeds for advertising and promotion** to grow the WHITE by JAT brand, for FY22E and FY23E. The Company also intends to expand islandwide delivery in line with traction gained over this period



- ❑ Growth in JAT's Brush segment is expected to be **led by the renowned Harris brand** – i.e. a part of **European brush giant Orkla**. Harris and Brush Master combined have propelled JAT to **market leadership in this segment** with a wide product offering for wood coatings and decorative paints. However, having sales dampened in FY20 and FY21 due to external shocks, the Company is yet to unlock the full potential of revenue from the Harris brand
- ❑ A **complete automation of the brush factory** is expected to be carried out during Q3 of FY22 to improve cost efficiencies and product quality. JAT also intends to invest in additional production lines to increase the component of value addition carried out at the factory and enhance gross margins

## .... Whilst Maintaining its No. 1 Position for Furnishing Solutions for Large Real Estate Projects



- ❑ JAT is expected to **continue to maintain its strong position** as preferred supplier of furnishing and finishing solutions for large real estate projects and other developments due to its vast range of products and perception of quality built over the years
- ❑ Revenue from **projects already contracted and expected to be completed by FY23E amounts to c. LKR 900 Mn**, whilst the value of the pipeline of projects that are in evaluation stages is over **LKR 10 Bn**
- ❑ The Sika range of admixtures is also expected to contribute positively to this segment during the forecast period given the volume of **public and private infrastructure projects** etc. in the pipeline

# Investment in State-of-the-art R&D Facility to Result in a GP Margin Expansion of c. 2% in Both FY23E and FY25E Across JAT's Wood Coatings, Brushes and Paints Categories



The existing R&D facility is in Kahathuduwa with an area of c. 1,000 sq ft. The current R&D team consists of 3 research professionals and scientists

## Recent Product Innovations by JAT



Introduction of **WHITE by JAT brilliant white** emulsion paints with best opacity, higher coverage and whiteness index in December 2020 to capitalize on market opportunity by leveraging the JAT's strong brand



Launch of the **Harris budget range** of paint brushes to provide an "affordable quality" product to an untapped market segment

Introduction of the Brush Master **wood coating brush range**



Providing **customized local input** to Sayerlack in terms of **enhancing the quality and finish** of wood coating products regionally

Imminent launch of **3 in 1 wood coating product for ceilings** under Masters brand in 1QFY22

## New R&D Facility



Specifications : c. 8,000 sq ft of built up area, **State-of-the-art lab and testing equipment** with a team of 18 research professionals

### Benefits

- Value engineer existing products through increased localized R&D
- Improve collaboration with the principal's R&D facilities to improve JAT's wood coating product range
- Offer innovative new products/solutions at an optimal cost via reverse engineering

Total expected investment : **LKR 433 Mn**

Estimated construction start date : **Q2 FY22**

Estimated completion date : **Q4 FY22**

Project Update : The land for setting up the new facility has already been identified and is adjoining JAT's head office. Negotiations are currently ongoing for purchase of the same. Indicative quotations for machinery have already been secured from suppliers

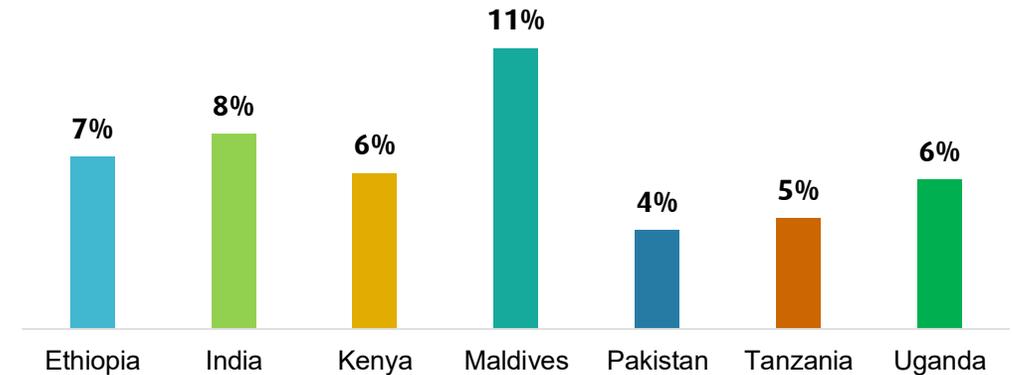
# Rest of the World – Driven by Expansion of African Footprint, Coupled with Maldives and Other Key South Asian Markets....

South Asia and Africa are emerging regions home to rapidly **growing middle class populations** - South Asia: c. **2 Bn** and Africa: c. **1.3 Bn**

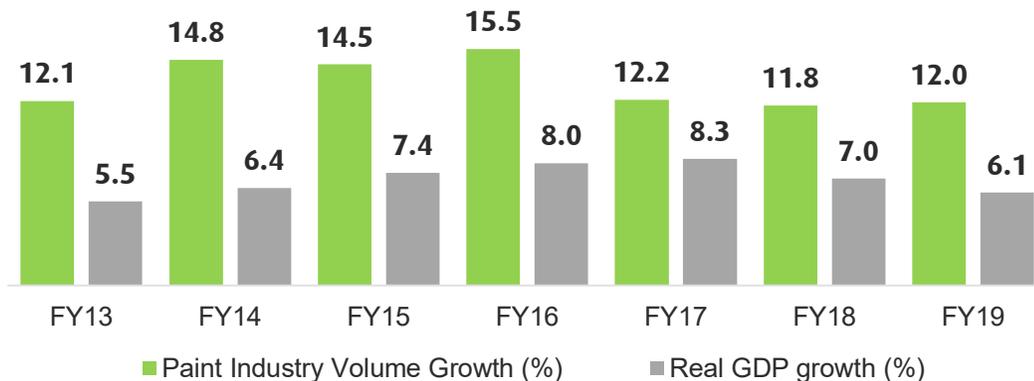
JAT has obtained the **exclusive rights to distribute Sayerlack in all of South Asia and in c. 75% of countries in Africa**. Apart from its focus markets in Africa, JAT intends to grow its presence in **Maldives, India, Pakistan and Nepal** in South Asia

Growth of the paints and coatings market tends to **outperform economic growth in emerging markets** as evidenced below in the example from India. JAT plans to capitalize on the **forecasted strong economic growth** in its focus international markets in the future

Average Real GDP Growth - 2021 to 2025



Real GDP vs Paint Industry Growth - India



East-Africa Manufacturing Facility

**Advantages**

- Build on first-mover advantage in Africa
- Capitalise on regional trade agreements to expand reach
- Key economies in the region are forecasted to grow at c. 6% from 2021 – 2025, with JAT well poised to capitalize on the potential market opportunity

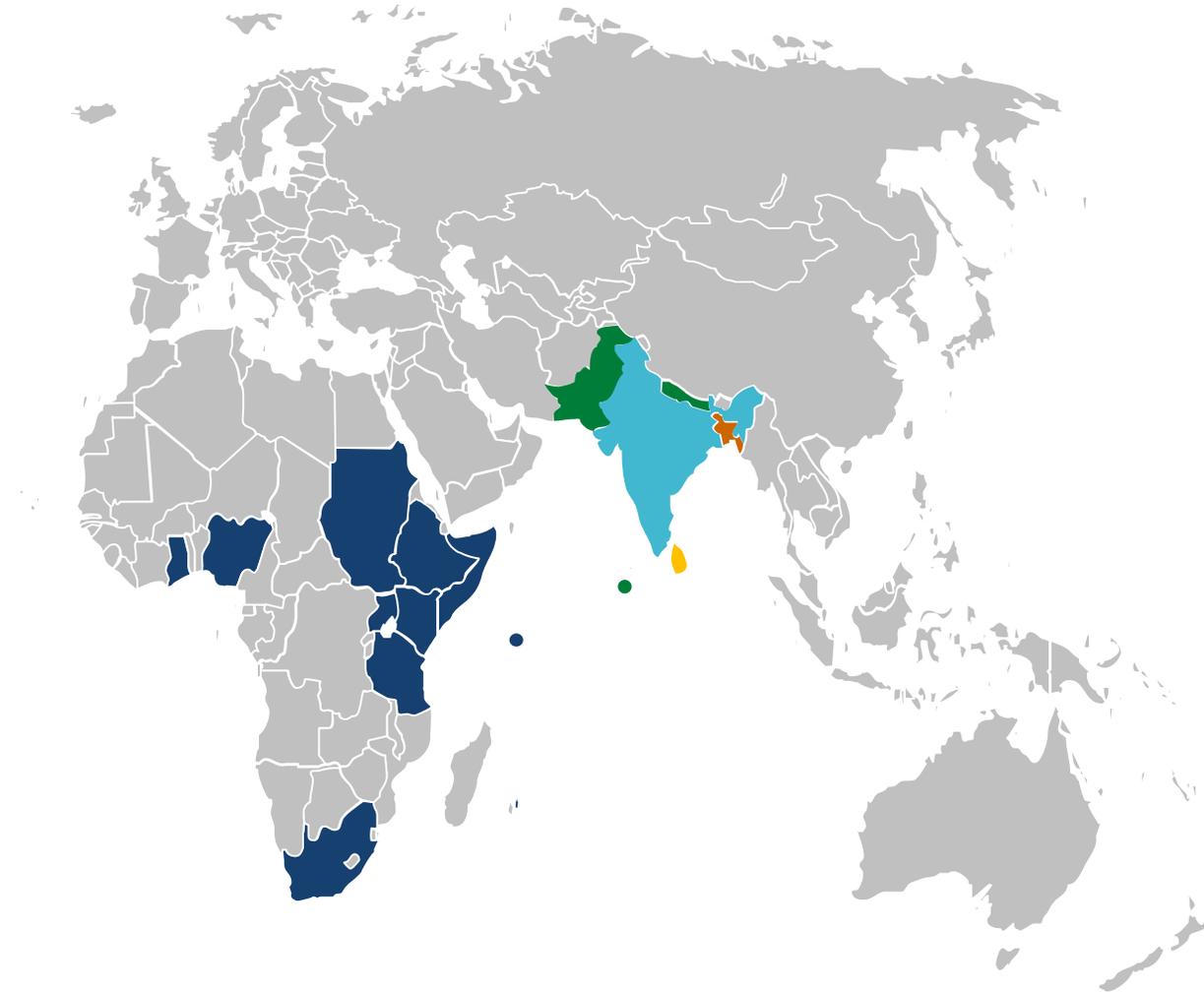
Total expected investment : **LKR 302 Mn**

Estimated construction start date : **Q2 FY23**

Estimated completion date : **Q4 FY23**

## ... Positioning JAT to Become a Global Player with Presence in 16 Countries in 3 Different Continents by FY26E

Sri Lanka	LKR 12.5 Bn*
Bangladesh	LKR 4.7 Bn*
Africa	LKR 440 Mn*
India	LKR 269 Mn*
Other	LKR 241 Mn*



\* Based on the forecasted revenue of JAT Group in FY26E as per the Research Report

## BOARD OF DIRECTORS AND MANAGEMENT

Despite being a privately held entity, for the past 8 years JAT has been run with the highest levels of corporate governance and professionalism akin to a listed entity, with a high caliber board and respective board sub-committees such as Audit & Risk Management, HR & Remuneration, Related Party Transactions, Investment etc.

In addition, the Company has also been publishing annual reports for the past 8 years, with the annual reports for FY17 and FY18 winning the Bronze awards under trading companies' category at the 53<sup>rd</sup> and 54<sup>th</sup> Annual Report Awards of the Institute of Chartered Accountants of Sri Lanka.

## High Caliber Board with Expertise in Diverse Fields Adopting Best-in-class Governance Practices (1/3)



**Dr. Sivakumar Selliah**

**Chairman  
- Non-Executive Director/Independent**

Dr. Selliah has been the Chairman of JAT Holdings since 2014 and he possesses more than two decades of experience in multiple fields including manufacturing, health care, insurance, logistics and packaging, renewable power, plantation and retail.

He serves as the Deputy Chairman of Asiri Hospitals Holdings PLC, Asiri Surgical Hospital PLC and Central Hospital Ltd. Dr. Selliah is also a Director of HNB Assurance PLC, Lanka Tiles PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminum Pvt Ltd. He is also the Chairman of Cleanco Lanka (Pvt) Ltd and Vydexa (Lanka) Power Corporation (Pvt) Ltd. He is the Deputy Chairman of Evoke International Ltd too. He has also served as a Senior Lecturer in the Medical Faculty and currently serves as a Council Member of the University of Colombo.

He holds an MBBS degree and a Master's degree (MPhil)



**Mr. Aelian  
Gunawardene**

**Founder & Managing Director  
- Executive Director**

Mr. Gunawardene is the Founder of JAT Holdings Limited has been the driving force of the company ever since.

As a Marketing professional he has pioneered new innovations while increasing JAT's presence both locally and internationally and has built unequivocal brand equity.

Under his direction, JAT Holdings became the only Sri Lankan Private Company to be awarded a Moody's ICRA rating of 'A+ (Stable)' outlook for five consecutive years

Mr. Gunawardene is one of Sri Lanka's most respected Corporate Leaders, and a recipient of the accolade of Sri Lanka's Entrepreneur of the year in 2017. He was also recognized among LMD's Top 23 Businesspeople of the Year in 2017. In addition, he has been on the LMD's A List for three consecutive years commencing in 2018.



**Mrs. Joycelyn  
Gunawardene**

**Non-Executive Director/Non-Independent**

Mrs. Gunawardene has over 15 years of experience in the field of Advertising and Promotion and was appointed to the Board of Directors of JAT Holdings in 2015.

She currently also serves as an Executive Director of Brush Master (Private) Limited.

She holds a B.Sc. Degree in Psychology from the University of NSW Australia.

## High Caliber Board with Expertise in Diverse Fields Adopting Best-in-class Governance Practices (2/3)



**Mr. Hussain Akbarally**

### Non-Executive Director/Independent

Mr. Akbarally currently serves as an Executive Director of Akbar Brothers (Pvt) Ltd and its subsidiaries and was appointed to the Board of JAT Holdings in 2016.

He has spearheaded the Group's ventures into the avenues of solar power, hospitality and agriculture amongst others. He was recognized as one of the New Energy Leaders by the Asian Development Bank in 2018 for his work in the renewable energy sphere. He is the incoming Chapter Chair for YPO Colombo and serves as the treasurer of the Ceylon Motor Sports Club.

He holds a degree in Science from the University of Melbourne, and an MBA from Harvard Business School.



**Mr. Girish Patil**

### Non-Executive Director/Independent

Mr. Patil was appointed to the Board of JAT Holdings in 2019.

He currently serves as the Managing Director of NDB Zephyr Partners Lanka (Pvt) Limited which manages the Emerald Sri Lanka Fund I Limited, which is the largest Private Equity fund in Sri Lanka.

He has more than 15 years of investment experience with cumulative investments of approximately USD 270 Mn across diverse sectors such as manufacturing, consumer, media, power, IT/ITES and education.

He holds a Post-Graduate Degree in Business Administration from SDM-IMD, India.



**Mrs. Anika Williamson**

### Non-Executive Director/Non-Independent

Mrs. Williamson was appointed to the Board of JAT Holdings in 2020 and she also currently serves as an Executive Director at JAT Global (Private) Limited.

She has over 8 years of experience in the fields of Finance, International Trade and Banking.

She holds a Double Degree in Accounting and Entrepreneurship from the Curtin University, Australia and was a member of the Pro Vice Chancellor's Chapter.

## High Caliber Board with Expertise in Diverse Fields Adopting Best-in-class Governance Practices (3/3)



**Mr. Richard  
Gunawardene**

### Non-Executive Director/Non-Independent

Mr. Gunawardene was appointed to the Board of JAT Holdings in 2020.

He is a marketing professional with multi-faceted experience, and he currently also serves as an Executive Director of Worldwide Resins & Chemicals (Private) Limited.

He was also a co-founder of JAT Property Group (Private) Limited, the Ceylon Hemp Effect (Pvt) Ltd, and a founding member of EO Sri Lanka (Entrepreneurs Organization).

He holds a Bachelor's Degree in Entrepreneurship and Marketing from Curtin University, Australia and was also listed in the LMD A-List of Millennial Torchbearers in 2020.



**Mr. Devaka Cooray**

### Non-Executive Director/Independent

Mr. Cooray was appointed to the Board of JAT Holdings in February 2021.

He functioned as the Deputy Managing Partner of Ernst & Young from 2016 to 2019 and served as a member of its Management Committee from its inception until his retirement in 2019.

Mr. Cooray is the Managing Director of Management Systems (Pvt) Ltd and a Director of some of its Subsidiaries and also serves as a Director of Hatton National Bank PLC, HVA Foods PLC and Life Insurance Corporation (Lanka) Ltd.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.



**Mrs. Priyanthi Pieris**

### Non-Executive Director/Independent

Mrs. Pieris was appointed to the Board of JAT Holdings in February 2021.

She has over 39 years of experience in the sphere of Corporate/Securities Law. Mrs. Pieris currently serves on the Boards of LOLC Finance PLC, Associated Electrical Corporation Ltd, MTN Corporate Consultants (Pvt) Ltd and is the current Chairperson/Consultant of P W Corporate Secretarial (Pvt) Ltd.

She has also served as a Legal Consultant to both the Ministry of Finance and the Colombo Stock Exchange and was also a Member of the Law Commission, a Member of the Committee of the Securities and Exchange Commission of Sri Lanka on Takeovers and Mergers Code and a Member of the Corporate Governance Committee of the Institute of Chartered Accountants.

She is an Attorney-at-law of the Supreme Court of Sri Lanka. She is also a Solicitor of England and Wales.

## Professional and Driven Senior Management Team



**Mr. Nishal Ferdinando**

### Chief Executive Officer

Was appointed to JAT as the CEO in 2017.

Over 10 years of experience as an Executive Director and over 15 years of experience in the construction, manufacturing and trading industries.

Strategically directs the company to achieve short and long-term objectives by providing strong leadership, management expertise and skills which has resulted in the Company gaining many national and international awards and recognition.

Has completed the Program for Leadership Development from Harvard University. Possesses an MBA from University of Wales, Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA) and a Post Graduate Certificate in Project Management from the University of Southern Queensland.



**Mr. Wasantha Gunaratne**

### Director Sales and Technical – South Asia

One of the pioneers of the Company joining in 1994.

Over 20 years of experience in Sales, marketing and technical training.

Currently oversees the sales and technical operation in Sri Lanka while heading the Bangladesh and Maldives export sales.

Has pioneered the introduction of waterbase wood coatings to Sri Lanka.

Having received extensive training from JAT Holdings principals in Italy, UK and USA, he utilizes this knowledge in areas under his purview; especially those of the sub- continent.

Possesses an MBA from the Anglia Ruskin University, UK.



**Mrs. Rizna Dilshard**

### Director Finance

Joined JAT as the Director Finance in 2015.

over 23 years of experience in the field of Finance and Management in the manufacturing, retail and export trade.

Utilizes her well founded finance and management knowledge, expertise and experience to provide effective direction to the company's financial strategy formulation.

Fellow Member (FCMA, CGMA) of the Chartered Institute of Management Accountants, UK.

# FINANCIAL FORECASTS AND VALUATION

The JAT IPO Offers an Immediate Upside for Investors, whilst also Offering Attractive Returns in the Long Run for Value Investors

## COVID Adjusted Normalised Profit After Tax of LKR 913 Mn Estimated for FY21

Income Statement (LKR Mn)	FY19	FY20	1HFY21	2HFY21	FY21
Revenue	6,547	6,296	1,809	3,551	5,360
<b>Gross Profit</b>	<b>1,932</b>	<b>1,739</b>	<b>552</b>	<b>1,092</b>	<b>1,644</b>
<i>GP Margin</i>	<i>29.5%</i>	<i>27.6%</i>	<i>30.5%</i>	<i>30.8%</i>	<i>30.7%</i>
<b>EBITDA</b>	<b>1,156</b>	<b>952</b>	<b>102</b>	<b>702</b>	<b>804</b>
<i>EBITDA Margin</i>	<i>17.7%</i>	<i>15.1%</i>	<i>5.6%</i>	<i>19.8%</i>	<i>15.0%</i>
<b>Profit After Tax</b>	<b>881</b>	<b>707</b>	<b>(21)</b>	<b>622</b>	<b>600</b>
<i>PAT Margin</i>	<i>13.5%</i>	<i>11.2%</i>	<i>-1.2%</i>	<i>17.5%</i>	<i>11.2%</i>
<b>Profit Attributable to Equity Holders</b>	<b>884</b>	<b>712</b>	<b>(22)</b>	<b>620</b>	<b>599</b>

Key assumptions used in arriving at the FY21 normalized PAT are;

- Normalised international revenue of LKR 1.97 Bn assumed due to a YoY decline of 63% in FY21 international revenue
- Addition of LKR 346 Mn on account of a decline of 77% witnessed in local revenue during April and May 2021 cf. the same period in FY19 and FY20
- A normalized GP margin of 29.5%
- Proportion of fixed cost in selling and distribution cost – 60%
- Effective income tax rate – 6.8%

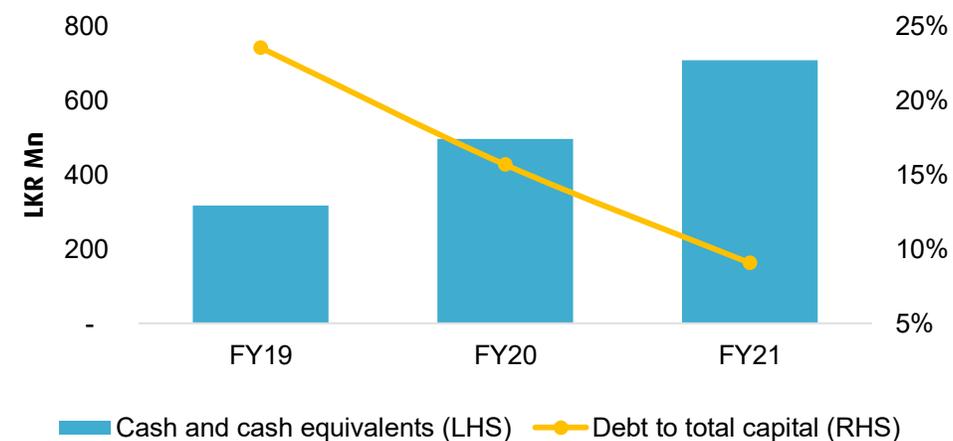
COVID 19 adversely impacted the 1<sup>st</sup> half performance of FY21 in both local and overseas markets, resulting in JAT recording a loss during this period

As such, it is estimated that the COVID adjusted FY21 normalized Profit After Tax for JAT is **LKR 913 Mn**

	LKR Mn
Actual local revenue	4,696
International revenue	1,965
Additions to local revenue	346
<b>Adjusted revenue</b>	<b>7,008</b>
<b>Adjusted gross profit</b>	<b>2,067</b>
Net operating costs	(1,047)
Net finance cost	(40)
<b>Adjusted PBT</b>	<b>980</b>
<b>Adjusted PAT</b>	<b>913</b>

## Strong Financial Position and Credit Worthiness

Balance Sheet (LKR Mn)	FY19	FY20	FY21
Property, Plant and Equipment	1,487	1,435	1,531
Intangible Assets	24	24	22
Investment Property	135	137	142
Inventories	1,434	1,782	1,563
Trade and Other Receivables	3,062	2,989	2,836
Short Term Financial Assets	-	-	214
Cash and Cash Equivalents	317	497	494
Other Assets	534	291	254
<b>TOTAL ASSETS</b>	<b>6,993</b>	<b>7,157</b>	<b>7,058</b>
<b>Total Equity</b>	<b>4,568</b>	<b>4,962</b>	<b>5,341</b>
Interest Bearing Loans and Borrowings	1,407	923	532
Trade and Other Payables	962	1,206	1,127
Other Liabilities	57	66	57
<b>Total Liabilities</b>	<b>2,426</b>	<b>2,195</b>	<b>1,717</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,993</b>	<b>7,157</b>	<b>7,058</b>



JAT was the **first private company** to receive a rating from a global credit rating agency

The Company has maintained a rating of **A+ with a stable outlook for 5 consecutive years** as per ICRA (a Moody's Group company) showcasing JAT's robust financial position

## Focused Growth Strategies to Drive Earnings Generation Going Forward

Income Statement (LKR Mn)	FY22E	FY23E	FY24E	FY25E	FY26E
Local Revenue	6,970	7,877	9,096	10,659	12,452
Overseas Revenue	2,334	2,910	3,787	4,909	5,697
<b>Revenue</b>	<b>9,305</b>	<b>10,787</b>	<b>12,882</b>	<b>15,568</b>	<b>18,149</b>
<b>Gross Profit</b>	<b>2,601</b>	<b>3,503</b>	<b>4,047</b>	<b>5,027</b>	<b>5,841</b>
<i>GP Margin</i>	<i>28.0%</i>	<i>32.5%</i>	<i>31.4%</i>	<i>32.3%</i>	<i>32.2%</i>
<b>EBITDA</b>	<b>1,493</b>	<b>2,183</b>	<b>2,702</b>	<b>3,525</b>	<b>4,162</b>
<i>EBITDA Margin</i>	<i>16.0%</i>	<i>20.2%</i>	<i>21.0%</i>	<i>22.6%</i>	<i>22.9%</i>
<b>Profit For The Year</b>	<b>1,194</b>	<b>1,672</b>	<b>2,057</b>	<b>2,728</b>	<b>3,012</b>
<i>PAT Margin</i>	<i>12.8%</i>	<i>15.5%</i>	<i>16.0%</i>	<i>17.5%</i>	<i>16.6%</i>
<b>Profit Attributable to Equity Holders</b>	<b>1,194</b>	<b>1,671</b>	<b>2,057</b>	<b>2,728</b>	<b>3,012</b>

Revenue is expected to grow at a **CAGR of 19%** between FY20 and FY26E vs the **historical revenue CAGR of 27%** between FY11 and FY20

Innovation via R&D are expected to lead to c. **2% GP margin improvement** in both FY23E and FY25E across wood coatings, brushes and paints in Sri Lanka

GP margins on wood coatings sales in Bangladesh and Africa are expected to **improve by c. 10% and 5%** respectively upon setting up the manufacturing plants

A further **GP margin expansion of 5%** is expected in FY23E for the brush segment in Sri Lanka driven by the automation of the manufacturing facility in FY22E

However, the above expansions in GP margins would be **partially offset by the depreciation of the LKR** (expected to depreciate 15% vs the Euro in FY22E and at an average of 4.5% thereafter)

The one-off advertising and promotion campaign for brilliant white paints driven in part by funds raised via the IPO will end in FY23E, leading to an **expansion in EBITDA margin in FY24E** despite the contraction in GP margin

## IPO Price of LKR 27.00 per share at a 10.3x Implied PER on FY22E Earnings Results in an Immediate Upside of 21% for an Investor

### VALUATION AND INVESTMENT REQUIRED

JAT is listing on the CSE via an IPO to meet the dual objectives of **raising additional capital for business expansion projects** and of providing an **exit option for an existing investor**

Out of the **LKR 2,238 Mn to be raised via the IPO, LKR 1,507 Mn will be infused into JAT** to set up manufacturing facilities in Bangladesh and Africa, enhance existing R&D facilities and promotional activities for "WHITE by JAT".

### AT A SIGNIFICANT DISCOUNT TO PEERS

The implied PER based on the FY22E earnings, of LKR 1.2 Bn, is at 10.3x – a **40% discount** to the current adjusted peer PER of 17.3x

**10.3x**  
IMPLIED PER

The trailing PER based on the normalised FY21 earnings, of **LKR 913 Mn**, is at 13.4x – a **22% discount** to the current adjusted peer PER of 17.3x

**13.4x**  
NORMALISED PER

IPO - PRICE	LKR 27.00/SHARE	
VALUATION METHODOLOGY	WEIGHTAGE	VALUE PER SHARE (LKR)
Discounted Cash Flows	90%	32.50
PER – Forward #	10%	34.51
Average Value Per Share (LKR)		32.70

# Based on a target earnings for the Financial Year Ending 31 March 2022

### LUCRATIVE RETURNS FOR INVESTORS

The IPO price per share of LKR 27.00 offers an **immediate upside of 21%** to an incoming investor on the value per share of LKR 32.70 derived from a combination of DCF and Forward PER valuation

**21%**  
IMMEDIATE UPSIDE

**IRRs in excess of 35%** on average for IPO investors with a 1 – 4 year investment horizon – assuming JAT maintains 40% dividend payout and the investor exiting at a PE multiple of 16.0x

**35%+**  
IRR AT EXIT

## Growing Dividend Yields and Earnings Generated from New Projects to Provide Strong Returns for Long Term Investors

ADJUSTED PER OF PEERS AT AN AVERAGE OF 17.3x

Listed Peer	Country	PER#	Adjusted PER#
Royal Ceramics Lanka PLC	Sri Lanka	7.0x	7.0x
Tokyo Cement Company (Lanka) PLC	Sri Lanka	5.3x	5.3x
Alumex PLC	Sri Lanka	9.5x	9.5x
ACL Cables PLC	Sri Lanka	8.7x	8.7x
Lanka Walltiles PLC	Sri Lanka	6.2x	6.2x
Berger Paints Bangladesh Limited	Bangladesh	35.4x	31.9x
Nahee Aluminum Composite Panel Ltd.	Bangladesh	22.5x	22.5x
Fu-Wang Ceramic Industry Limited	Bangladesh	28.3x	28.3x
RAK Ceramics (Bangladesh) Limited	Bangladesh	36.2x	36.2x
<b>Average Peer Multiple</b>		<b>17.7x</b>	<b>17.3x</b>

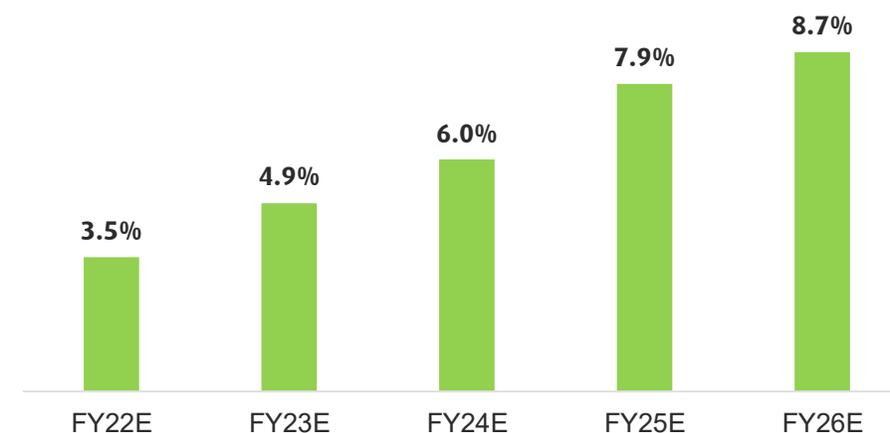
# Source: Colombo Stock Exchange, S&P Capital IQ, Dhaka Stock Exchange, Respective company financials  
Market Capitalization as at 04 June 2021 and earnings on a TTM basis



Sri Lanka does not have pure play listed paints and coatings companies, whilst Bangladesh has one such player – Berger Paints. Hence the peers mainly consist of companies in adjacent sectors

In comparison to many of the said peers in their respective lines of business, the **“JAT” brand is well grounded in the consumer’s mind** for wood coatings and enjoys **“Top of the Mind”** recall

INCREASING DIVIDEND YIELDS WITH A MINIMUM 40% PAYOUT



# ANNEXURES

## Peer Groups

S&P SL20	Local Peers
Teejay Lanka Plc	Tokyo Cement Plc
John Keells Holdings Plc	Royal Ceramics Plc
Hemas Holdings Plc	ACL Cables Plc
Access Engineering Plc	Lanka Walltiles Plc
Chevron Lubricants Lanka Plc	Aumex Plc
Dialog Axiata Plc	
Dipped Products Plc	
Expolanka Holdings Plc	
Hayleys Plc	
Tokyo Cement Company (Lanka) Plc	
Distilleries Company Of Sri Lanka Plc	
Melstacorp Plc	
Royal Ceramics Lanka Plc	
Ceylon Tobacco Company Plc	
Browns Investments Plc	
Cargills (Ceylon) Plc	
Sri Lanka Telecom Plc	
Nestle Lanka Plc	
Ceylon Cold Stores Plc	
Lion Brewery Ceylon Plc	

Banks and Financial Institutions in the S&P SL20 have been replaced with counters with the highest market capitalization levels thereafter

Source: S&P Capital IQ

## Risk Factors and Mitigants (1/2)

Risk	Description	Mitigants
<b>Political and Economic Climate</b>	Business and financial performance of JAT Group could be impacted by adverse government policy and political instability	<p>JAT has been able to diversify its international market base in recent times (28% of total revenue from overseas markets in FY20), and this is set to increase further in line growth plans of the Company</p> <p>Further, JAT has been increasing its presence across the value chain via backward integration over the past few years</p>
<b>COVID 19 Pandemic</b>	A prolonged pandemic and its long-term implications may have an indirect impact on JAT's future performance	Construction and real estate related activities are expected to see a rebound in Sri Lanka, particularly with the backdrop of the existing low interest rate environment
<b>Exchange Rate Related Risks</b>	The depreciation of the LKR could have a direct impact on the Company's gross profit margins due to an increase in cost of sales	<p>JAT has historically been able to pass on such cost increases to its customers due to its strong brand, and stable gross margins overtime. Furthermore, continuous innovations in terms of new product introductions (particularly lower cost products targeting a broader customer base with the establishment of the fully fledged R&amp;D facility), increased focus on manufacturing and value addition locally and growth of revenue from overseas markets are expected to aid the Company in negating the impact of LKR depreciation</p>
<b>Loss of Key Employees</b>	Loss of key employees could result decline of the quality of products and services of JAT and a loss of business	JAT implements an annual performance appraisal and conducts appropriate training and development in order to retain and nurture its employees. The shareholders have also approved an ESOP to be implemented post-IPO in order to align management's interests with the objectives of the Company and reward key employee performance

## Risk Factors and Mitigants (2/2)

Risk	Description	Mitigants
<b>Increased Competition</b>	Increased competition from local and foreign players may adversely impact the demand for JAT's products	JAT's strong brand name and proven track record are likely to enable the Company to sustain market leadership in wood coatings. The Harris and Brush Master range of brushes allows them to cater to all segments of the market, whilst its newest product (brilliant white emulsion paint) is expected to be a winning product in the paints category. Further, R&D and innovation will propel JAT to continue to stay ahead of its competition, whilst the new plants in Bangladesh and Africa will also strengthen its position as a global player
<b>Loss of Key Relationships</b>	Loss of key relationships with global giants such as Sherwin Williams (Sayerlack), Borma Wachs, Harris Brushes, Herman Miller and SEA Group could impact JAT negatively	Many of these relationships (particularly in the core wood coating segment) are time tested since they have been maintained for over 20 years. Hence, the risk of loss of the said relationships is minimal With regards to Sherwin Williams - JAT has also obtained the exclusive agency to sell their products in overseas markets such as Bangladesh, India, the Maldives, the Seychelles, Ghana, Kenya and Mauritius. This endorses the strength of the partnership between the 2 entities In addition, JAT's continued focus on backward integration for its key product segments as well as its strategy to set up manufacturing plants overseas is expected to further negate any such risks
<b>Import Restrictions on Selected Goods</b>	Continuous measures to temporarily restrict imports may have a negative impact on JAT due to the exposure of its Projects segment	The products in this segment are closely linked with large real estate, construction and infrastructure projects, including several ongoing projects. Hence, the likelihood of blanket restrictions on such products is unlikely

## Pre and Post IPO Shareholding Structure

Name of the Shareholder	Percentage of Shareholding Pre-IPO	Percentage of Shareholding Post-IPO
Mr. Aelian Gunawardene (Founder) and his family members	80.60%	71.80%
Dr. Sivakumar Selliah, his family members and related parties	5.13%	4.58%
Akbar Brothers Group	5.96%	5.31%
Emerald Sri Lanka Fund I Limited	5.96%	-
Others	2.35%	2.08%
<b>IPO Shareholders</b>	<b>n/a</b>	<b>16.24%</b>

## DISCLAIMER

This presentation has been prepared by Capital Alliance Partners Limited (“CAL”) and NDB Investment Bank Limited (“NDBIB”) and unless otherwise expressly authorized by CAL and NDBIB, shall not be used by any third party. This report is for the use of the intended recipient only. Access, disclosure, copying, distribution or reliance on any of it by anyone else is prohibited and may be a criminal offence. The presentation does not constitute or form of any offer for sale or invitation, or solicitation of an offer, to subscribe for or purchase any securities and neither this presentation nor anything contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

This presentation has been prepared and issued on the basis of publicly available information, internally developed data, information provided by JAT Holdings and other sources, believed to be reliable. CAL and NDBIB however do not warrant its completeness or accuracy. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. This presentation may contain forward-looking statements regarding, amongst other things, the Company's outlook, business and strategy which are current as of the date they are made. These forward-looking statements are based largely on the current assumptions, expectations and projections of the directors and management of the Company about the business, and the industry in which the Company operates in. These statements are not guarantees of the Company's future performance and are subject to a number of risks and uncertainties, some of which are beyond the Company's control and are difficult to predict. Future developments and actual results could differ materially from those expressed in the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will prove to be accurate. Certain data in this presentation has been obtained from various external data sources and CAL and NDBIB have not verified such data with independent sources.

The recipients of this presentation must make their own independent decision regarding any securities, investments or financial instruments mentioned herein. CAL, NDBIB, its directors, officers, consultants, employees, associates or business partners, will not be responsible, for any claims damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of this presentation suffers or incurs directly or indirectly arising out actions taken as a result of this presentation.

