

Research Report



Myland Developments Limited

We, Atarah Capital Partners (Pvt) Limited (“ACP”) hereby declare that we possess the requisite expertise to perform reports of this nature involving a company that would be classified under the Real Estate Sector of the Colombo Stock Exchange.

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



Atarah Capital Partners (Pvt) Limited
Financial Advisor & Manager to the Offer

Atarah Capital Partners (Pvt) Ltd

📍 95/H/1 Meemanagoda Road, Kalalgoda, Pannipitiya, Sri Lanka.

☎ : + 94 112 193 874 🌐 : www.atarahcapital.com

✉ : info@atarahcapital.com

(PV 00205036)



25th October 2021

The Board of Directors
Myland Developments Limited
136/19
2nd Floor, Kandy Road
Kadawatha

Dear Sirs,

Myland Developments Limited – Research Report Prepared by the Manager to the Offer for the Inclusion in the Prospectus

We are pleased to submit the Research Report prepared as required by the CSE Listing Rules for the purpose of justifying the share Offer price of the Company in the proposed Initial Public Offering of 6,250,000 shares.

Based on our research and valuation, we recommend a per share value of LKR 12.00 to issue shares in the proposed IPO. The detailed report is enclosed herewith for your perusal.

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

Thank You

Yours Sincerely,

Sgd.

Atarah Capital Partners (Pvt) Limited

Table of Contents

1.0	INTRODUCTION	2
1.1	Executive Summary	2
1.2	Objectives of the Report	2
2.0	OVERVIEW OF THE COMPANY	3
2.1	The Company	3
2.2	Main Business Activities	3
2.3	Summary of historical financial information	5
3.0	OVERVIEW OF THE COUNTRY AND INDUSTRY	9
3.1	Sri Lanka Outlook – Challenged with an anticipated prolonged recovery	9
3.2	Investments in Infrastructure despite the pandemic	10
3.3	Investment in Land and property as a popular means of low risk investment	10
3.4	The relationship between property prices and the Expressway development in Sri Lanka	11
3.5	Continuous growth in Land prices	12
3.6	Growth in number of households	13
3.7	Current Pandemic to be a secret blessing	13
3.8	Land purchases to consider as a long-term investment	14
4.0	VALUATION RESULTS	15
4.1	Discounted Cash flow Methodology	15
4.2	Relative Value Methodology	16
5.0	VALUATION METHODOLOGY	17
5.1	Discounted cash flow Methodology	17
6.0	ASSUMPTIONS USED IN FINANCIAL FORECASTS	18
6.1	Revenue	18
6.2	Cost of Sales and Gross profit	18
6.3	Other Income	19
6.4	Administrative Expenses	19
6.5	Selling and Distribution	19
6.6	Depreciation	19
6.7	Finance Costs	19
6.8	Taxation	19
6.9	Working capital	19
7.0	FORECASTED FINANCIAL STATEMENTS	20
7.1	Statement of Comprehensive Income	20
7.2	Statement of Financial Position	21
7.3	Statement of Cash Flow	22
7.4	Financial Ratios	23
8.0	THE TEAM	24
9.0	DISCLAIMER	25

GLOSSARY OF TERMS AND ABBREVIATIONS

ACP	Atarah Capital Partners (Pvt) Limited
CAGR	Compound Annual Growth Rate
ADO	Asian Development Outlook
BOI	Board of Investments of Sri Lanka
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
DF	Discount Factor
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
FCFF	Free Cash Flows to Firm
FY	Financial Year
FYE	Financial Year Ended
GDP	Gross Domestic Production
GICS	Global Industry Classification Standards
IPO	Initial Public Offering
LHS	Left Hand Side
MDL, the Company	Myland Development Limited
Mn	Million
NAV	Net Assets Value
P/ BV	Price to Book Value ratio
P/ E or PER	Price to Earnings Ratio
PV	Present Value
Rs or LKR	Sri Lankan Rupees
SEC	Securities and Exchange Commission of Sri Lanka
SMEs	Small and Medium Sized Enterprises
USD	United States Dollars
WACC	Weighted Average Cost of Capital
WC	Working Capital
YoY	Year on Year

1.0 INTRODUCTION

1.1 Executive Summary

We, Atarah Capital Partners (Pvt) Limited has conducted a research and carried out the valuation of shares using the methods of Discounted Cash Flows valuation and Relative P/E multiple techniques to arrive at an appropriate equity value for the Company. The results are summarized as below.

Valuation Technique	Price/ Price range Per Share
Discounted Cash flow Basis *	LKR 13.61 - 14.22
Forward P/E	24.28

* Within the value range, the per share value resulting from the DCF method is LKR 13.90

We have adopted the DCF method as the primary valuation technique that most appropriately reflects the fair value of the shares due to the following reasons:

- Given the nature of business operations of the Company and expected business growth backed by the proposed IPO proceeds, internal strategies and general macro-economic developments, DCF will be the most suitable method to capture the growth potential of the Company.
- Assets based valuation approach has not been considered since the Company is still in the growth trajectory where the growth is reflected through cash flows than the assets base. In addition, majority of the assets are related to trading hence MDL is not a typical asset holding Company.
- Market based approach adopted is the relative P/E valuation technique considering the Real Estate sector P/E. However, absence of direct comparable peers that mimic the operations of the Company (i.e. land development and sales) made us to use the sector P/E reflecting the probable value of MDL's shares based on entire sector. Therefore, P/E basis of valuation is used as supplementary technique that would justify the DCF value. The Market Based Valuation setout herein for the Company is dependent upon the relative size of the companies in the Real Estate Sector of the CSE, compared to the Company

Based on our analysis, we recommend a value of LKR 12.00 per share as the "Issue Price" of a share for the proposed Initial Public Offer.

The "Issue Price" recommended by ACP is with a discount of 13.7% to the value per share derived using the DCF method i.e. LKR 13.90 per share. The aforesaid discount is recommended to maintain the fair value of a share around the equity value range arrived as explained above, and it would be an attractive price for issuance of shares to the general investing public. The DCF value per share setout herein is subject to the viability of the forecasts/assumptions made in Section 6 of this Research Report

1.2 Objectives of the Report

ACP has been engaged by the management of Myland Developments Limited (MDL) to determine the fair value of a share and advise the Company on the appropriate "Issue Price", for the shares to be offered via the proposed listing through Initial Public Offer (IPO). Accordingly, this Research Report has been prepared by ACP in order to provide the said basis in determining the fair value of Ordinary Voting Shares of MDL in connection with the proposed IPO as required under Rule 3.1.4 (b) (ii) of the CSE Listing Rules.

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

2.0 OVERVIEW OF THE COMPANY

2.1 The Company

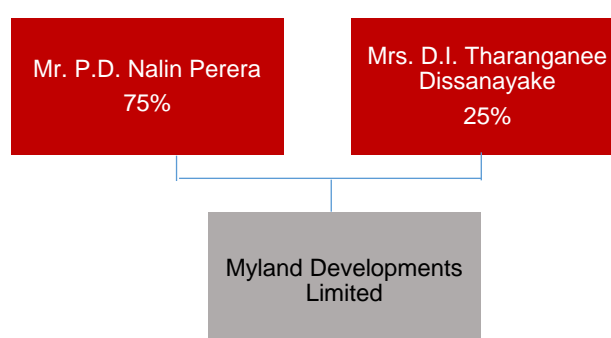
MDL was incorporated as a limited liability company in Sri Lanka in March 2017, under the Companies Act No. 07 of 2007, with the noble objective to support every Sri Lankan individual living within the country or outside the country to purchase a land plot and build their dream home or purchase a land for investment purposes. Registered office of the Company is situated at No: 136/19, 2nd Floor, Kandy Road, Kadawatha.

The initial focus of the Company has revolved around the objective of supporting and assisting the buyer community with fair and reasonable price ranges, and operations have been predominantly focused within the Western region of Sri Lanka.

MDL at present is considered as an emerging and a notable player in the real estate sector in Sri Lanka (especially within the Western region, Gampaha District), most importantly a company that has successfully identified the gap amongst young individuals who aspire to become land owners, either to build their future homes or to hold such properties as investment assets. MDL was created to meet this gap by mainly focusing on the said market segment.

The Company was founded by Mr. Nalin Perera, who commands decades of proven experience in key real estate sector companies in Sri Lanka (both listed and unlisted), whilst demonstrating vast knowledge on the prevailing land sales market and its dynamics within the Western Province.

The shareholding structure of the Company is as follows;



2.2 Main Business Activities

MDL's main operations are focused on purchasing of lands which have the potential to be developed and to be sold to the general public.

The lands are purchased outright from the original owner/s at the initial stage. For this purpose, the management generally utilizes internally generated cash flows and short-term financial leverage mainly from banks. Within a period of two to three months, the purchased land will be developed i.e. the land will be cleared of any unwanted structures, removal of flora and fauna and thereafter will be levelled suitably. Then the land will be divided into different blocks whilst constructing internal road networks, drainage systems etc. The Company at the same time launch targeted marketing campaigns where a project is generally sold out within a period of six to twelve months.

The number of plots in a given project varies according to the size of the land whilst the pricing is dependent on the location and marketability of the properties. In the past, an average size of a land block has been 12 perch, which generally vary from project to project.

In addition, MDL provides financial assistance towards their clients who wish to purchase lands via an easy payment scheme. The maximum tenor provided under such a scheme is five years.

Since the ownership of the land will be transferred only after the settlement of the full payment, the risk of default is low for MDL. However, if a default occurs MDL restructures the remaining payable amount or the captioned land will be sold in the prevailing market and the company will recover the remainder of dues outstanding.

As of 30th September 2021, the Company has fully completed twenty-three projects and two projects were ongoing.

The following table summarizes the projects undertaken by MDL as at 30th September 2021:

No	Project	Status	Total Units	Sold Units	Available Units	Total Project Value (LKR)	Year of Completion
1	The Heritage – Kelaniya	Completed	4	4	0	28,936,000.00	2017
2	Super Six – Weliveriya	Completed	6	6	0	4,933,400.00	2018
3	My City – Udugampola	Completed	11	11	0	18,278,150.00	2018
4	Top Four – Pasyala	Completed	4	4	0	3,845,000.00	2018
5	Nature View – Kadawatha	Completed	7	7	0	16,771,625.00	2018
6	Ragama	Completed	1	1	0	8,000,000.00	2018
7	Elegant Gardens - Kiribathgoda	Completed	8	8	0	39,784,600.00	2018
8	Green Zone – Dompe	Completed	5	5	0	7,935,250.00	2019
9	Dreamland – Dompe	Completed	30	30	0	29,910,750.00	2019
10	Capital Point – Delgoda	Completed	56	56	0	77,545,537.50	2020
11	Town View – Dompe	Completed	9	9	0	14,350,000.00	2020
12	Upland – Imbulgoda	Completed	3	3	0	8,450,000.00	2020
13	Menara Gardens – Kadawatha	Completed	4	4	0	31,560,000.00	2020
14	Right Place – Waturugama	Completed	4	4	0	4,020,800.00	2020
15	New Life – Kadawatha	Completed	16	16	0	34,451,250.00	2020
16	Gurugedara 1 – Dompe	Completed	20	20	0	23,980,750.00	2021
17	Liberty – Kaduwela	Completed	18	18	0	34,948,750.00	2021
18	Free Zone – Delgoda	Completed	12	12	0	20,021,250.00	2021
19	Arunalu 1 – Biyagama	Completed	11	11	0	19,542,500.00	2021
20	Arunalu 2 – Biyagama	Completed	24	24	0	42,390,406.50	2021
21	Kingston Park – Malabe	Completed	10	10	0	49,175,000.00	2021-
22	Gurugedara 2 – Dompe	Completed	8	8	0	10,155,000.00	2021-
23	Rotunda Gardens – Kadawatha	Ongoing	9	5	4	53,427,000.00	-
24	Highway Drive - Mirigama	Completed	41	41	0	82,305,950.00	2021-
25	Green Heaven - Divulapitiya	Ongoing	52	0	52	61,197,812.00	
Total			373	317	56	725,916,781	

2.3 Summary of historical financial information

Revenue

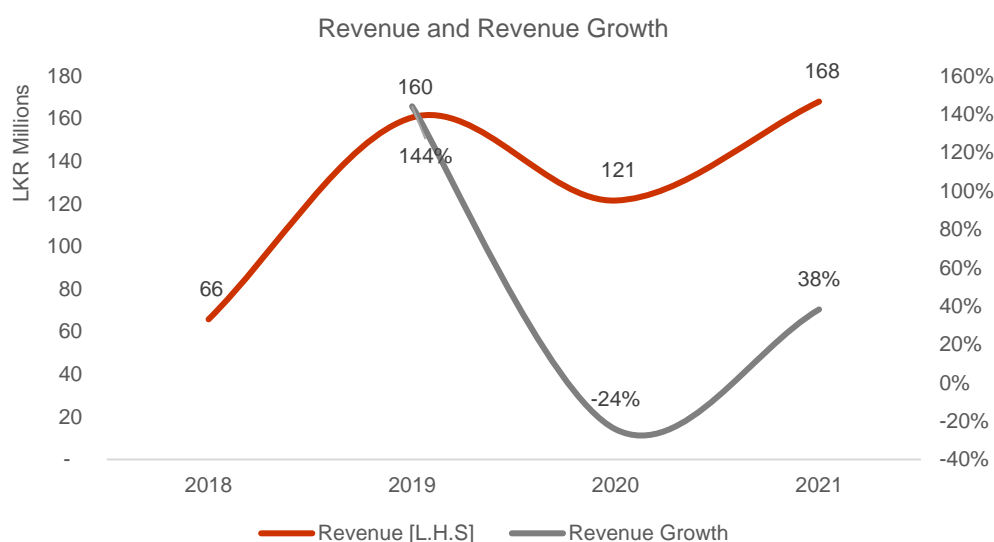
Revenue for the Company is recognized and charged only at the point of the transaction i.e. once all the formalities to transfer the ownership are completed. Sale price will be determined by charging a premium to the incurred purchase cost and development cost. Historically the average maintained premium has been at c.37%

As mentioned in the preceding sections of this report, the Company commenced its operations in March 2017. However, during the FY2016/17, the management has been predominantly focused on identifying suitable lands in order to create a “land bank”. Upon such preliminary activities, MDL made their first sale in FY2017/18, where the total revenue for the year was recorded as LKR 66 million. In the following year, MDL recorded revenues of LKR 160 million implying an annual growth of 144%.

During the FY 2019/20, Easter Sunday bomb attacks, high interest costs and level of existing land bank have limited the Company of outperforming the revenue recorded in FY2018/19. The negative sentiment caused due to Easter Sunday attacks that occurred in April 2019 has also been a contributory factor for general investing public’s reduced appetite for land investments due to uncertainty.

Despite the COVID 19 impact in the year 2020, where Sri Lanka went for a full lockdown for two-three months and additional partial district wise lockdowns, the Company has been able to secure a total revenue of LKR 168 million for the FY2020/21 implying a year-on-year growth rate of 38%.

Financial Year	2017/18	2018/19	2019/20	2020/21
Revenue (LKR Mn)	66	160	121	168



Source: Management Information

Given the fact that Revenues are dependent on the number of land projects launched and different project specifications [including size of the land, required developments, number of blocks, prevailing land prices etc.] significant volatility can be expected and such volatility has been observed when historical revenues are considered. However, with the prevailing situation of the land market combined with other related factors such as the low interest rate environment, preference among general public on land investment as a safe/ secure mode of investment with guaranteed price appreciation potential, and also considering MDL’s management experience to secure attractive projects etc., the Company is positive on long term upward trend in revenues.

During the period from FY2017/18 to FY2020/21, overall revenue has increased from LKR 66 million to LKR 168 million, indicating a 3 Year compound annual growth rate of c.36%. Given the nature of the business, the impact of COVID - 19 has been comparatively low, other than the limitations that arise through temporary lockdowns affecting the completion of formalities on sales.

From the existing projects as of 30th September 2021, the management expects a revenue of approximately LKR 87 million and one new project is on the verge of commencement, which would support achieving the revenue forecasts for FY 2021/22.

Revenue forecasts have been made considering the current businesses in hand, expected changes in macro-economic conditions supporting future business growth coupled up with fresh funds from the IPO, and with a reasonable growth expectation as described under 'Forecasted financial statements' and 'Assumptions' sections of this report.

Cost of Sales

The Company's operation is mainly focused on purchasing and developing the lands prior to selling in the market.

Depending on the location and the features of the land, both the purchase cost and development cost will vary significantly. Average purchase cost for a perch has hovered around LKR 125,000 in FY2020/21. Development cost has been varied from 2% - 36% as a percentage of purchase price whilst the average has been c. 18%.

Other Income

Other income includes one-off events such as default interest income and other non- operational income such as land resale income and share investment income. Such income categories vary in each year as the majority of these income components are not under the Company's control.

<i>Breakdown of Other Income</i>				LKR
	2018	2019	2020	2021
Land resale Income	-	430,000	1,094,052	717,731
Default Interest Income		-	116,060	412,635
Investment Income	1,341	24,726	130,487	9,771,251

Source: Management Information

Over 90% of the investment income recorded in the FY2021 is contributed from the capital gain generated through investments made in listed securities, as a result of the market boom experienced in the Colombo Stock Exchange.

Administrative Expenses

Administrative expenses mainly include overhead items such as staff salaries, other staff costs, utility expenses and maintenance costs etc. relating to daily back-office activities.

During the FY2020/21, MDL has closely managed the overhead costs with the impact of COVID-19 pandemic. However, costs are expected to rise in FY 2021/22 and future financial years due to the increase in costs relating to execution of Company's future strategic plans and also due to expected increases in price levels and resulting impact on cost items. Administration expenses [including depreciation and amortization] has increased from LKR 6 million [FY2018] to LKR 16 million in FY2021.

Selling and Distribution Expense

Selling and distribution expense mainly include advertising, promotional expenses, sales commission etc. The cost has increased from LKR 1.8 million to LKR 6.6 million during the last four years together with the increase in revenues.

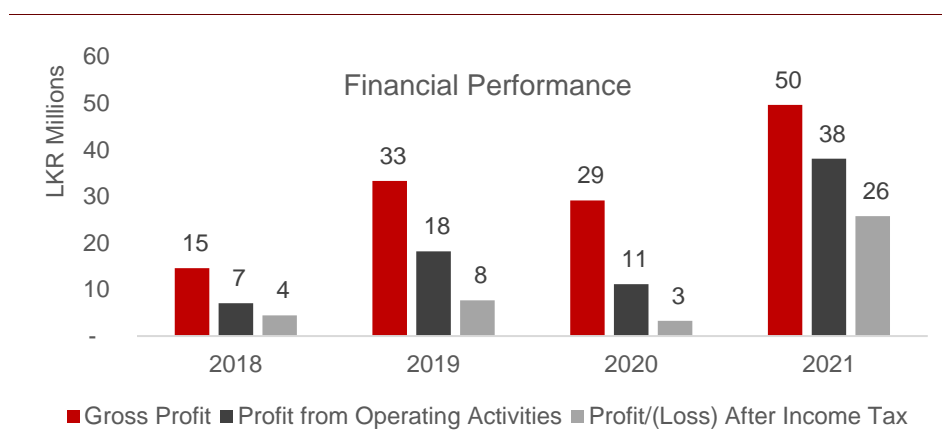
Finance Costs

At present the company incurs interest costs on term loans, leases and bank overdrafts obtained to facilitate fund requirements for the purpose of capital investments, working capital and for the development of the business. Since the current operational model is based on utilizing short term debt in funding for land purchases, the finance cost is expected to increase in line with the revenue where short term borrowings will continue. However, no long-term borrowings are anticipated in the years to come.

Profitability

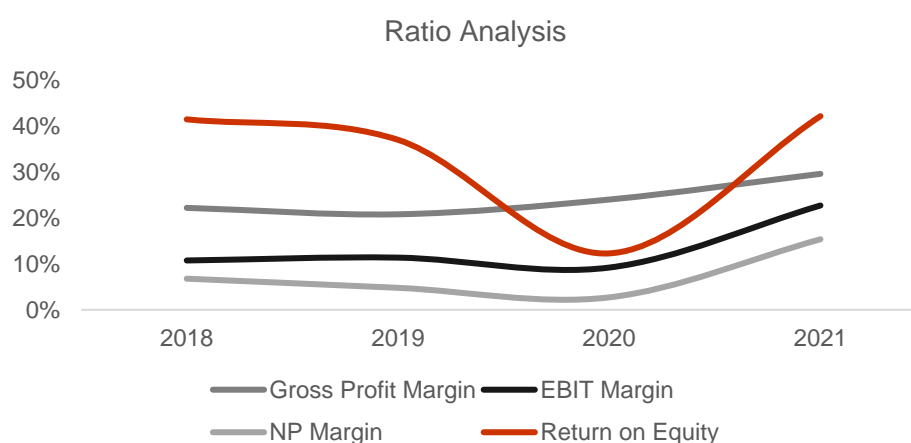
The profitability of the company has been varying with the revenues and costs relating to number of secured projects as well as the overhead cost levels. It can be noted that the gross profit margins have improved during the year mainly due to the low cost of currently held “land bank” and significant increase in the prices during FY2021. However, going forward the management expects to maintain the historical average level of 25% at the gross profit level. It is also observed that the volatility of gross margins and other investment income has resulted in volatile returns at each financial year in the past.

Despite the operations having commenced in 2017, the leadership and management team of the Company has been successful in maintaining positive net profit income during the historical period.



Source: Management Information and Audited Financial Statements

However, the management’s continuing efforts on managing the running cost of operations and more focus on high traction generating lands will support future profitability of the Company.



Source: Management Information and Audited Financial Statements

Detailed description of assumptions made in the financial forecast is set out under Section 5.3 of this Research Report.

Interim Financial Statements for the period ended 30th September 2021 (Unaudited)

During the six-month period, the Company has been able to record a revenue of LKR 119.3 million, with a gross profit of LKR 50.3 million. The derived gross profit margin for the captioned period was 42.2%, which tends higher compared to last two financial years (i.e. 2019/ 20 and 2020/21) where MDL was able to achieve better selling prices and above average margins mainly for two land projects in Mirigama and Kadawatha areas. This has been mainly due to the strategic locations of those lands (i.e. closer to expressway entry points), land price increases with the demand for land investments driven by relatively low interest rates prevailed. It is unlikely to achieve such higher margins for each and every project in the future which is expected to average out in the long run.

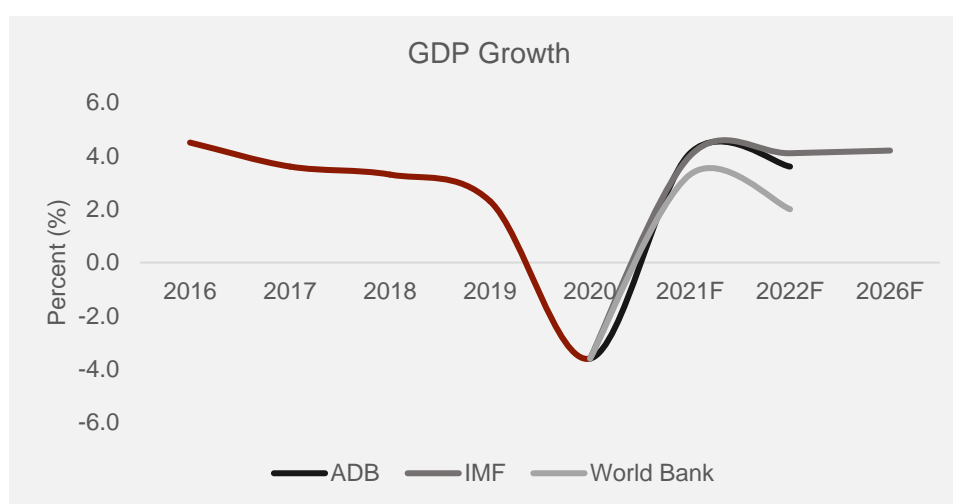
The Net profit of the company for the six-month period is LKR 33 million, yielding a net profit margin of 27.7%. Total asset position of the company is LKR 160 million as at 30th September 2021, whilst the total equity value is LKR 104.8 million at the same date.

3.0 OVERVIEW OF THE COUNTRY AND INDUSTRY

3.1 Sri Lanka Outlook – Challenged with an anticipated prolonged recovery

GDP Outlook

As in the case for the rest of the world, Sri Lanka too witnessed the adverse impacts of COVID-19 pandemic, whilst the country was progressing towards a recovery from the Easter Sunday attacks that occurred in April 2019. In 2020, the GDP was severely crippled, especially the second quarter economic activity due to complete lockdown of the country. The economy showed signs of resilience towards COVID-19 2nd wave which started in the beginning of October 2020, which in fact led to a marginal recovery in economic activity for 2020. Such momentum gained continued into the 1st quarter of 2021; however, the 3rd wave of COVID-19 that hit the country during the month of April and the 4th wave in August are bound to yet again slow down economic activity for the remainder of 2021.



Sources:

IMF World Economic Outlook Report download through [World Economic Outlook, April 2021: Managing Divergent Recoveries \(imf.org\)](https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021) (https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021) - 20/09/2021

ADB - [Asian Development Outlook \(ADO\) 2021: Financing a Green and Inclusive Recovery \(adb.org\)](https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf) (https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf - 20/08/2021 - 20/09/2021

World Bank - <https://www.worldbank.org/en/news/press-release/2021/10/06/sri-lanka-projected-to-grow-by-3-3-percent-amidst-uncertainties-shifting-gears-to-services-led-growth-can-help-build-bac> - 07/10/2021

The country's Government imposed a locked-down during the months of August / September 2021 and reopened in mid-October with certain restriction on social gatherings etc. allowing economic activities to move on. The last lockdown is bound to negatively impact economic activity for the remainder of the year 2021. However, growth is expected to somewhat rebound during 2022, as both global and local economic activities are expected to show some recovery, and also the completion of vaccination drives would allow further relaxation of border controls. Yet, International agencies maintain positive outlook towards the real GDP growth during the year 2021. ADB, IMF and World Bank has forecasted a minimum 3% growth for the year 2021 (Information sources as given in the above graph). However, Sri Lanka's challenging macroeconomic situation is likely to moderate growth in 2022.

Monetary and Fiscal Policies to support Economic Recovery

During the initial stages of the pandemic, the Government provided a six-month debt moratorium for sectors which are adversely affected as well as on the lease rentals of vehicles. Tourism moratoriums were extended to

March 2021 due to the airport closure and also zero tourism earnings. In addition, certain other facilities were provided to revive the economy.

Further, the CBSL slashed policy rates in January 2020, followed by additional cuts during the same year, lowering the short-term interest rates to unprecedented levels. This has resulted in an excess liquidity in the market, leading to a sharp decline in the government bonds and bills market. High liquidity levels caused overnight rates to move towards the lower bound of the policy corridor throughout 3Q and 4Q of 2020. During August 2021, CBSL increased its Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 50 basis points each, to 5% and 6%, respectively. This would also result in the Bank Rate, which is linked to the SLFR with a margin of +300 basis points, automatically adjusting to 9%. [Source: [press 20210819 Monetary Policy Review No 6 2021 e J72sp.pdf \(cbsl.gov.lk\)](https://www.cbsl.gov.lk/press/20210819/Monetary-Policy-Review-No-6-2021-e-J72sp.pdf) – 1/09/2021]

Prevailing low-cost financing environment (despite recent increases) fueled by low interest rate environment will magnify the borrowing preference and capacity through the younger generation, which in turn will support elevated demand over the leading medium term.

However, Central Bank outlined the intention of maintaining a low single digit interest rate to boost the economic activity and to maintain a sustainable growth trajectory. This can be challenging with the increasing private sector credit growth and reliance on domestic sources to provide a significant portion of net deficit financing.

Credit Rating Downgrades

Due to existing challenges on the debt repayment plans coupled with high budget deficits, rating agencies downgraded Sri Lanka. In September 2020, Moody's Investor Services downgraded Sri Lanka's long-term foreign currency issuer and senior unsecured ratings to Caa1 from B2 and changed the Outlook to Stable. In July 2021, Sri Lanka's 'Caa1' sovereign rating has been placed on review for downgrade by Moody's citing weak external position and decreasing institutional strength. [Source: https://www.moodys.com/research/Moodys-places-Sri-Lankas-Caa1-rating-under-review-for-downgrade--PR_450080 - 30/09/2021].

Measures to curtail non-essential imports together with significantly lower global petroleum prices assisted to reduce import expenditure in 2020, resulting in a notable improvement in the trade deficit. Recovery of demand in the export markets, increase in worker remittances coupled up with current import restrictions, the ADB's current account deficit forecast is expected to hover around 2.8% of the GDP in 2021. [Source: ADB - <https://data.adb.org/dataset/current-account-balance-asia-and-pacific-asian-development-outlook> - 25/10/2021]

3.2 Investments in Infrastructure despite the pandemic

Despite the pandemic, Government entities and agencies maintained the course of infrastructure development in the country.

In 2020, the Road development authority incurred LKR 226.1 billion for the maintenance and development of expressways and highways, widening and improvement of roads, construction of bridges and flyovers and also rehabilitation of roads affected by natural disasters, which was 49% higher compared to 2019. In addition, the development towards an efficient highway network is continuing. Investments in other transport related sectors have increased during the year as well. [Source: CBSL annual report 2020 - <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2020-1/09/2021>]

3.3 Investment in Land and property as a popular means of low risk investment

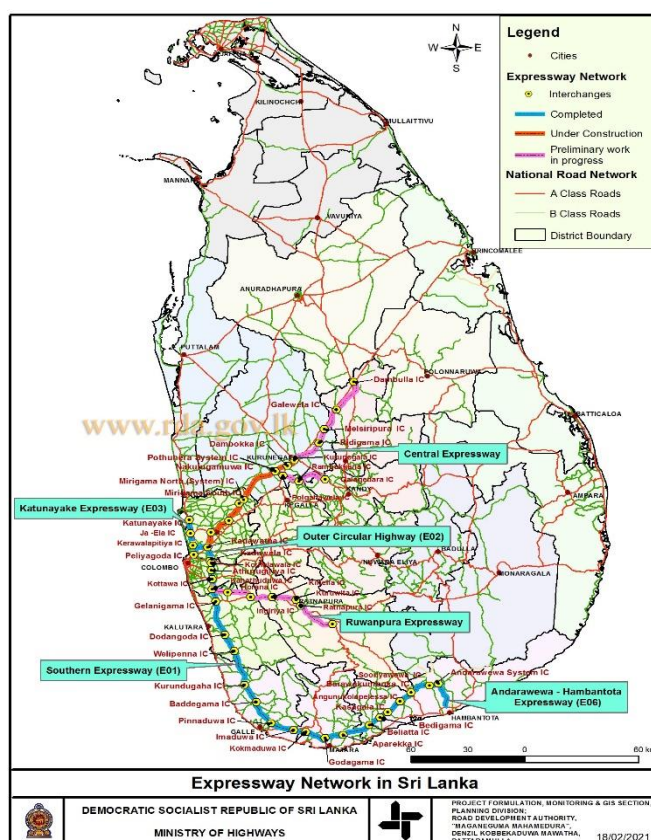
The Sri Lankan mindset is vastly tilted towards investing surplus cash in Fixed Deposits (FDs) and Savings Deposits (SDs), whilst the second choice traditionally has been investing in Land and Property. As at 31st December 2020, LKR 3.254 Trillion was maintained in Savings deposits (in Commercial Banks, Savings Banks owned by the state, Pradeshiya Sanwandana Banks, other Licensed Specialized Banks and Licensed Finance companies), whilst a mammoth LKR 7.371 Trillion was maintained in Fixed Deposits. [Source: Central Bank of Sri Lanka Annual Report

2020, Statistical Appendix, Table 137]. In addition, LKR 141.9 Billion worth Deposits are maintained at District Co-operative Rural Banks [Source: Central Bank of Sri Lanka Annual Report 2020, Statistical Appendix, Table 145], and LKR 24.42 billion worth Deposits are maintained at District Co-operative Rural Bank Unions [Source: Central Bank of Sri Lanka Annual Report 2020, Statistical Appendix, Table 146 - <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2020-1/09/2021>]

However, the regular slashing of policy rates by CBSL (as highlighted in preceding sections of this report) has resulted in Average Weighted Fixed Deposit Rate (AWFDR) Rate % to be at an unattractive 5.64% as at 30th September 2021 (https://www.cbsl.lk/eResearch/Modules/RD/SearchPages/CMB_LendingAndDeposit.aspx - 30/09/2021).

The AWFDR being at such unattractive levels has resulted in low “real returns” on moneys invested in demand deposits. This motivates the general public to divert moneys lying in demand deposits to invest in Land and property, which has much higher price appreciation potential, thus facilitating opportunity to generate higher investment returns in comparison to demand deposits.

3.4 The relationship between property prices and the Expressway development in Sri Lanka



Source: https://www.rda.gov.lk/source/other_maps.htm - 25/10/2021

Over the past decade, high rises, new cities and modern road networks have become an increasingly common sight not just in the commercial capital of Colombo, but throughout the country. Easy access to Colombo and other suburbs have been provided by the expressway network where an individual will have the ability to surpass the routine traffic congestion that will be faced otherwise. In this regard, the demand for lands near the express way entrances has increased significantly. Hence, prices of the lands that are located near the expressway entrances have increased at a higher rate compared to the rest of the country.

A significant increase in the land prices around Gampaha, Mirigama and Veyangoda during the 2016-19 period due to the construction of the Colombo Kandy Expressway (refer below table).

Price increase of lands near Central Expressway [Price per perch]

	Land Price in 2016	Land Price in 2019	% increase	3 year CAGR
Gampaha	170,000	440,000	159%	37%
Veyangoda	155,000	370,000	139%	34%
Minuwangoda	115,000	355,000	209%	46%
Nittambuwa	60,000	240,000	300%	59%
Kalagedihena	56,500	160,000	183%	41%

Source: <https://www.ft.lk/Opinion-and-Issues/Increasing-need-to-invest-along-the-expressway-network/14-680759> - 21/08/2021

Gampaha and Kadawatha has been one of the key upcoming areas for first time land owners as well as individuals who are employed in Colombo, due to the connectivity to travel to work on a daily basis via the Central Expressway.

The same has been noted around other expressways as well.

Access point	City	Land Price in 2012	Land Price in 2015	% increase	3 year CAGR %
Kottawa	Kottawa	235,000	425,000	81%	22%
	Pannipitiya	210,000	447,500	113%	29%
Gelanigama	Panadura	90,000	202,000	124%	31%
Dodangoda	Kalutara	47,000	69,000	47%	14%
Welipenna	Aluthgama	55,000	82,000	49%	14%
Kurundugahahethkma	Ambalangoda	42,000	75,000	79%	21%
Athurugiriya	Athurugiriya	220,000	290,000	32%	10%
	Hokandara	210,000	312,000	49%	14%
Kaduwela	Kaduwela	130,000	190,000	46%	13%
	Malabe	320,000	470,000	47%	14%
Kadawatha	Kadawatha	190,000	255,000	34%	10%
	Weliweriya	56,000	136,250	143%	34%

Source: <https://www.ft.lk/Opinion-and-Issues/Increasing-need-to-invest-along-the-expressway-network/14-680759> - 21/08/2021

3.5 Continuous growth in Land prices

Sri Lanka has witnessed a continuous upsurge in the land prices during the past decade. Land Valuation Indicator (LVI) for Colombo District increased to 155.1 during the first half of 2021 (as per below table). The annual increase of 9.5 and the semi-annual increase of 6.8 of LVI reversed the declining trend observed in the LVI increases over the last two years (as per below table).

Land Valuation Indicator and Growth Rates

Land Valuation Indicator for Colombo District (Base period: 2017 H1)	Indicator Value					Annual Percentage Change			Semi-Annual ² Percentage Change		
	2019 H1	2019 H2	2020 H1	2020 H2	2021 H1	2020 H1	2020 H2	2021 H1	2020 H1	2020 H2	2021 H1
Residential LVI	131.4	137.9	140.7	144.4	154.2	7.1	4.7	9.6	2.0	2.6	6.8
Commercial LVI	132.2	138.8	141.6	145.1	154.0	7.1	4.5	8.8	2.0	2.5	6.1
Industrial LVI	133.0	139.6	142.5	146.1	157.0	7.2	4.6	10.1	2.1	2.5	7.4
LVI	132.2	138.8	141.6	145.2	155.1	7.1	4.6	9.5	2.0	2.5	6.8

Source: Central Bank of Sri Lanka -

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20210806_land_valuation_indicator_first_half_2021_e.pdf - 30/09/2021

As per www.lankapropertyweb.com, one of the leading real estate e-commerce platforms, the Western Province (except Colombo Municipality area) overall land price values have increased by 74% from 2018 to 2021. www.lankapropertyweb.com also revealed that, on an annual basis the increase in average land prices between 2018 and 2021 was 15% (Annual Effective Rate) [source: <https://www.lankapropertyweb.com/property-news/land-prices-in-western-province-increase-by-74-from-2018-to-2021/> - 01/09/2020]

With the changes in infrastructure taking place across the Western Province, people's motive to shift towards the suburbs of Colombo and other parts of the province has continuously risen over the years. [Source: [Land Prices in Western Province Increase By 74% – Report - Ceylon Today](#) June 3rd 2021].

Increasing population density especially in the Colombo district has been the prime reason for ever increasing scarcity of land availability for both house building and investment purposes. This has resulted the neighboring Gampaha district, with a higher percentage of land availability to become the next best choice among investors, ably supported by expressway exits, from both the Central Expressway and the Katunayake Expressway.

3.6 Growth in number of households

The average size of a household was dropped from 4.10 persons to 3.80 persons during the time period 2007 to 2016, implying an increase in the number of households. At present, Sri Lanka is witnessing a population growth of 0.6%. The above-mentioned factors will greatly increase the demand for lands, which will trigger an increase in land prices. [Source: Central Bank of Sri Lanka 2 https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/otherpub/publication_sri_lanka_socio_economic_data_folder_2020_e.pdf - 01/09/2021]

In addition, the Government of Sri Lanka proposed to increase the retirement age from 55 years to 60 years during the budget proposal for the fiscal year 2021, with the view of enhancing the labor force of the Country, which in fact will contribute to increase the household income.

3.7 Current Pandemic to be a secret blessing

Due to the ongoing COVID 19 pandemic, Sri Lankan authorities enforced lockdowns where many organizations were forced to work from home. The pandemic acted as a catalyst in the transformation of modern working culture and thinking. Working from Home, the associated digital norms have been popular growing concepts in developed nations, especially among the millennials. The same can be witnessed among the Sri Lankans, especially the younger generation opting to same. Further, organizations have identified cost benefits by having their employee base working from home.

Prior to the era of pandemic, having/renting an apartment/house in the Colombo metro would have benefited when considered with the time spent on traffic congestion. However, with the current working from home structure and not required to be in the office every day, many young individuals have identified the benefit of owning a land plot/house near the suburbs of Colombo area, rather than renting within the Colombo City. In this regard, the demand for the land market around Colombo suburbs and adjoining districts such as Gampaha can be expected to increase in the future.

3.8 Land purchases to consider as a long-term investment

Given the steady increase in price of the land value, many have considered real estate as a long-term investment. In this regard, many would consider funding the purchase through a borrowing, a common phenomenon at present due to the prevailing low interest rate regime in the country (despite recent increases). As discussed earlier, real estate growth is higher when compared with interest cost, resulting in a net positive yield.

Sri Lanka also has a large expatriate workforce, especially domiciled in the Middle East. Often the main priority for migrant work is to finance building a house for their families. This is another factor that would increase demand for affordable housing; the first step in the process is purchasing a land at an affordable price from a location with required facilities.

4.0 VALUATION RESULTS

4.1 Discounted Cash flow Methodology

Equity Value per Share

						LKR
For the year ended 31st March	2022	2023	2024	2025	2026	Terminal Value
EBIT	30,768,101	59,338,692	80,773,297	98,207,798	115,676,688	
Tax	(2,153,767)	(8,307,417)	(11,308,262)	(23,569,871)	(27,762,405)	
Depreciation and Amortization	1,178,454	4,368,472	912,302	1,413,924	1,939,656	
WC Investments	(14,463,953)	(55,388,650)	(29,208,565)	(39,429,035)	(29,642,552)	
FC Investments	(1,437,618)	(2,017,697)	(2,741,367)	(3,274,553)	(3,889,258)	
FCFF	13,891,217	(2,006,600)	38,427,405	33,348,263	56,322,129	628,105,167
DF	0.925	0.822	0.731	0.664	0.593	0.593
PV of FCFF	13,073,775	(1,672,796)	28,375,575	22,264,379	33,503,043	373,626,399
EV	469,170,375					
Add						
Cash and Other Equivalents	1,391,134					
Other Investments	28,882,756					
Investment in bare land classified under PPE *	40,000,000					
Deduct						
Loans and Others	(35,312,598)					
Equity Value	504,131,667					

* Land mentioned herein was revalued on 24th September 2021 by Mr. G, H, A, P, K, Fernando, a Chartered Valuer

Sensitivity Analysis and Price Range

LKR per share		Weighted Average Cost of Capital				
		11.99%	12.24%	12.49%	12.74%	12.99%
Terminal Growth	WACC					
	2.50%	13.34	13.33	13.33	13.33	13.32
	2.75%	13.62	13.62	13.61	13.61	13.60
	3.00%	13.92	13.91	13.90	13.90	13.90
	3.25%	14.23	14.22	14.22	14.21	14.21
3.50%	14.56	14.55	14.55	14.55	14.54	

Based on the different volatilities on WACC and terminal growth rate, value range based on discounted cash flow basis to be LKR 13.61 - LKR 14.22 per share

Key Assumptions

Key Assumptions	
10-year T- Bond secondary market avg. yield as of 15.09.2021	10.05%
Market Risk premium ¹	8.00%
Cost of equity (Ke)	18.05%
Value of Equity ²	40.00%
Weighted Avg. Cost of debt	11.00%
Cost of debt (1-T) @14% tax rate	9.5%
Value of debt	60.00%
Long term growth rate ³	3.0%
WACC at Corporate tax rate of 14% ⁴	12.90%
WACC at Corporate tax rate of 24% ⁴	12.24%

¹ Market risk premium of 8% is considered as appropriate to capture real estate industry related risks. The business model of the Company permits them to reasonably manage the impact of adverse economic and market risks, hence we believe the risk premium applied herein is adequate.

² Considering the fact that the borrowings position is reducing gradually, we assumed a debt and equity composition of 60%: 40% in the long run, giving due consideration to future strategies of the Company.

³ Long term growth rate of 3.0% is applied in the valuation, considering the earnings growth and assuming increasing demand for real estate investments in the long run.

⁴ The tax rate applicable at present is 14% as a SME. However, the rate has been increased to 24% from FY 2024/25 where MDL expects to cross the revenue of Rs. 500 Mn moving to the normal corporate tax rate. Accordingly, the discount factor from FY 2024/25 has been adjusted appropriately.

4.2 Relative Value Methodology

Based on Real Estate sector PER multiple, as published in CSE Daily report on 30th September 2021 and forecasted earnings of FY2021/22, company is witnessing a value of LKR 24.28 per share

	Value
Real Estate Sector PER	16.03
FY 2021/22E – LKR	54,909,442
Value based on PER - LKR	880,198,352
Equity Value per share LKR	24.28

Absence of direct comparable peers that mimic the operations of the Company (i.e. land development and sales) made us to use the Real Estate industry sector P/E reflecting the probable value of MDL's shares based on the entire sector which reflect the overall perception of investors on the Real Estate industry.

5.0 VALUATION METHODOLOGY

5.1 Discounted cash flow Methodology

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

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

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

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

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

FCFF_t = Free Cash Flow to Firm in year *t*

WACC = Weighted Average Cost of Capital

TV = Terminal Value at year *n*

Where the Terminal Value is calculated through,

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

g = Long term Growth rate

And WACC is calculated through,

$$W_d \times K_d \times (1 - T) + W_e \times K_e$$

K_e = Cost of Equity

K_d = Cost of Debt

T = Company's tax rate

Fair value of equity was computed by deducting net debt and adjusting the Non-operational assets and liabilities to the total present value of FCFFs.

5.2 Relative Valuation Methodology

PE Valuation

Profit after tax attributable to shareholders in the FY 2021/22 (forecasted) was multiplied by the PE of Real Estate Sector of the CSE to derive at the valuation of MDL's shares.

6.0 ASSUMPTIONS USED IN FINANCIAL FORECASTS

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

6.1 Revenue

During FY2022, the company expects to start another five new projects and thereafter budgeting seven projects each year. As per the view of the management, the Company is in a position to identify suitable lands closer to the date of the IPO, to be acquired once the proceeds are received by the Company. Having sufficient funds is a key to acquire new properties (i.e increase the volumes) or focus on high value projects. IPO funds of LKR 75 Mn itself will be deployed towards acquisition of new lands for development together with the funds generated through the ongoing business. Equity infusion via the proposed IPO also enables the Company to further leverage on bank borrowings when require (with an improved equity base), therefore it is assumed that there will be adequate funds to support the projected revenue growth in he future.

Given the high variability of the number of blocks and “perches” per given block during the historical period, we have considered an average 20 blocks per project and average 12 perches per block in the forecasted period. In addition, a conservative annual land price growth of 18% is considered during the forecasted period. Furthermore, the 18% captures the management’s focus on investing/purchasing on high value projects in strategic locations going forward.

As a support function to the land sales, MDL provides a payment scheme facility for required clients. However, the overall contribution to the total operation from the same is c.3%. The revenue from the mentioned scheme is calculated based on a percentage of trade receivables [21%] for the forecasted period, which is to be in line with the historical.

As at September 2021, MDL has been able to record a topline of LKR 119 million. Management is confident in securing a total revenue of LKR 247 million for the FY 2021/22, given the prevailing projects at hand and new projects that are in the pipe line.

Considering the above factors and 6 Month revenue achieved for the year 2021/22, below mentioned Revenue growth rates are derived based on the above-mentioned assumptions, and accordingly used in the financial forecast.

	2022E	2023F	2024F	2025F	2026F
Revenue Growth	47%	36%	36%	19%	19%

6.2 Cost of Sales and Gross profit

The reported gross profit margin of the company for past 4 financial years has varied from 21% - 30%. The maintained profit margins have been volatile given the specifications of each project undertaken. During the current financial year [as per interim financial reports] direct costs have dropped to 57% of the revenue.

High gross margin is a result of above average premiums secured by the Company in respect of 3 main projects where prices have escalated due to the specific locations and market price increases evidenced in 1H of 2021. However, the management expects this to stabilize going forward. In addition, the management expects to maintain a low gross margin of c. 25% compared to prevailing margin of c. 38% in order to reduce land inventory turnaround time and higher margins reported attributes to specific projects only.

Hence forecasted Gross profit margin was as follows;

	2022E	2023F	2024F	2025F	2026F
Gross Profit Margin	38%	25%	25%	25%	24%

6.3 Other Income

Other income for the company for the FY 2021, excluding investment income [Investment Income - LKR 9.7 Million], reaches to LKR 1.2 Million. During the forecasted period, it has been assumed that the same would reflect 1% of the revenue.

Investment income has been factored, assuming that the surplus cash generated from operations would be invested at a rate of 3% p.a., in a suitable investment opportunity as decided by the Company.

6.4 Administrative Expenses

Staff related expenses have been forecasted to grow at 7% YoY over the explicit forecasted period. In addition, there will be a new recruitment towards the staff cadre which will lead to additional salary costs. An annual growth rate of 7% has been used in order to arrive at other administrative related expenses over the explicit forecasted period.

6.5 Selling and Distribution

Selling and Distribution expenses are maintained at 4% of total revenue, to be consistent with the historical figures.

6.6 Depreciation

Depreciation of assets are charged so as to allocate the cost of assets and less their residual values over their estimated useful lives using the straight-line method, commencing from the month in which the asset is available for use. Rates used for depreciation are as follows;

Freehold assets (other than lands)	20%
Intangible assets	30%

It is assumed that 0.6% of the revenue will be channeled for new additions to the highly depreciated assets categories of the portfolio.

6.7 Finance Costs

Effective interest rate of 11%-14% has been applied in the forecasted period for the Bank short term borrowing facility driven by the working capital requirements of the company.

6.8 Taxation

The Company is liable for income tax at the rate of 14% on taxable profits, which is the corporate income tax rate applicable for SMEs. There are no tax concessions enjoyed by the Company at present, however, in the event a listing is obtained in the CSE prior to 31st December 2021, MDL will avail for a 50% reduction in the income tax payable for the year of assessment commencing from 1st April 2021 in accordance with the provisions of Inland Revenue (Amendment) Act, No.10 of 2021. In FY 2024/25, tax rate will increase to 24% due to the increase of revenue over LKR 500Mn moving the Company to normal corporate tax bracket.

6.9 Working capital

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

	2022E	2023F	2024F	2025F	2026F
Inventory Days	255	261	225	225	225
Trade Receivable Days	60	50	40	40	30
Trade Payable Days	69	71	61	61	61

7.0 FORECASTED FINANCIAL STATEMENTS

7.1 Statement of Comprehensive Income

						LKR
For the year ended 31st March	2021	2022	2023	2024	2025	2026
Revenue	167,883,163	247,236,275	336,282,750	456,894,484	545,758,797	648,209,662
Cost of Sales	(118,262,293)	(154,341,766)	(247,236,270)	(343,484,257)	(410,290,694)	(490,090,740)
Gross Profit	49,620,870	92,894,508	89,046,480	113,410,227	135,468,103	158,118,922
Other Income	10,901,617	9,160,035	3,549,735	4,602,547	5,753,057	7,562,635
Administrative Expenses	(15,834,126)	(18,825,188)	(18,520,689)	(17,437,447)	(19,104,578)	(20,878,279)
Selling & Distribution Expenses	(6,615,182)	(9,889,451)	(13,451,310)	(18,275,779)	(21,830,352)	(25,928,386)
Profit from Operating Activities	38,073,179	73,339,905	60,624,216	82,299,548	100,286,231	118,874,891
Finance Cost	(9,430,315)	(14,297,494)	(17,628,281)	(21,251,522)	(26,035,488)	(32,036,564)
Profit/(Loss) Before Income Tax	28,642,864	59,042,411	42,995,935	61,048,026	74,250,742	86,838,327
Income Tax Expense	(2,869,346)	(4,132,969)	(6,019,431)	(8,546,724)	(17,820,178)	(20,841,198)
Profit/(Loss) After Income Tax	25,773,518	54,909,442	36,976,504	52,501,302	56,430,564	65,997,128

7.2 Statement of Financial Position

	LKR					
As at 31st March	2021	2022	2023	2024	2025	2026
ASSETS						
Non-Current Assets						
Property, Plant & Equipment	33,863,030	43,526,804	41,006,845	42,633,054	44,289,479	46,024,422
Intangible Assets	68,072	220,716	389,899	592,755	796,960	1,011,619
Deferred Tax Asset	75,537	75,537	75,537	75,537	75,537	75,537
Investment	100,000	100,000	100,000	100,000	100,000	100,000
Total Non-Current Assets	34,106,639	43,923,057	41,572,281	43,401,347	45,261,976	47,211,577
Current Assets						
Inventories	84,334,369	107,867,688	177,008,994	211,436,599	252,560,247	301,682,295
Trade Receivables	26,168,839	39,274,119	44,767,197	48,934,744	58,452,373	52,365,860
Other Receivables	2,340,782	2,457,821	2,580,712	2,709,748	2,845,235	2,987,497
Cash & Cash Equivalents	769,045	80,119,691	58,695,893	66,846,429	67,586,668	85,343,197
Other Assets	22,222,937	22,222,937	22,222,937	22,222,937	22,222,937	22,222,937
Total Current Assets	135,835,971	251,942,257	305,275,733	352,150,456	403,667,460	464,601,785
TOTAL ASSETS	169,942,610	295,865,313	346,848,014	395,551,803	448,929,435	511,813,362
EQUITY & LIABILITIES						
Equity						
Stated Capital *	25,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Revaluation Reserve		10,661,000	10,661,000	10,661,000	10,661,000	10,661,000
Retained Earnings	36,167,010	41,076,452	78,052,956	120,053,997	165,198,449	217,996,151
Total Equity	61,167,010	201,737,452	238,713,956	280,714,997	325,859,449	378,657,151
Non-Current Liabilities						
Loans & borrowings payable after one year	68,764,905	54,516,641	52,098,767	49,414,928	46,435,866	43,129,108
Lease payable after one year	681,742					
Retirement Benefit Obligation	924,000	924,000	924,000	924,000	924,000	924,000
Total Non-Current Liabilities	70,370,647	55,440,641	53,022,767	50,338,928	47,359,866	44,053,108
Current Liabilities						
Lease payable within one year	4,961,584	2,821,663	-	-	-	-
Trade Payables	21,304,558	29,015,253	48,260,986	57,647,572	68,859,815	82,252,798
Other Payables	1,375,306	1,375,306	1,375,306	1,375,306	1,375,306	1,375,306
Income Tax Payable	3,958,541	3,958,541	3,958,541	3,958,541	3,958,541	3,958,541
Accrued Expenses	1,516,458	1,516,458	1,516,458	1,516,458	1,516,458	1,516,458
Bank Overdraft	5,288,506	-	-	-	-	-
Total Current Liabilities	38,404,953	38,687,221	55,111,291	64,497,877	75,710,120	89,103,103
TOTAL EQUITY & LIABILITIES	169,942,610	295,865,313	346,848,014	395,551,803	448,929,435	511,813,362

*In addition to the proposed IPO raise, the company has capitalized a reserve of 50,000,000 by issuing 5 million shares at 10/- per each on 31/07/2021

7.3 Statement of Cash Flow

LKR

For the year ended 31st March	2021	2022	2023	2024	2025	2026
Cash Flows From Operating Activities						
Net Profit/(Loss) Before Taxation	28,642,865	59,042,411	42,995,935	61,048,026	74,250,742	86,838,327
Adjustments for;						
Depreciation/Amortization	2,223,695	2,325,191	4,368,472	912,302	1,413,924	1,939,656
Lease Interest	469,824	-	-	-	-	-
Prior year Adjustment	(351,816)	2,809	-	-	-	-
Gratuity	924,000					
Operating Profit / (loss) before changes in working capital	31,908,567	61,370,410	47,364,407	61,960,328	75,664,666	88,777,983
Changes in working capital						
Increase/(Decrease) Trade Payable	17,859,936	7,710,695	19,245,733	9,386,586	11,212,243	13,392,983
Increase/(Decrease) Director Current Account	(1,374,148)	-	-	-	-	-
Increase/(Decrease) Inventory	(38,442,116)	(23,533,319)	(69,141,306)	(34,427,605)	(41,123,648)	(49,122,048)
(Increase)/Decrease in Other Receivables	(595,096)	(117,039)	(122,891)	(129,036)	(135,487)	(142,262)
(Increase)/Decrease in Other financial assets	(19,522,846)					
(Increase)/Decrease in Trade Receivables	(11,061,920)	(13,105,280)	(5,493,078)	(4,167,547)	(9,517,629)	6,086,513
Net Cash Generated from /(used in) operations	(21,227,622)	32,325,467	(8,147,135)	32,622,727	36,100,144	58,993,169
ESC Paid	(802,085.00)					
Tax Paid	-	(4,132,969)	(6,019,431)	(8,546,724)	(17,820,178)	(20,841,198)
	(22,029,707)	28,192,498	(14,166,565)	24,076,003	18,279,966	38,151,971
Cash Flows From Investing Activities						
Acquisition of Property Plant & Equipment	(412,074)	(1,483,418)	(2,017,697)	(2,741,367)	(3,274,553)	(3,889,258)
Investments	16,908	-	-	-	-	-
	(395,166)	(1,483,418)	(2,017,697)	(2,741,367)	(3,274,553)	(3,889,258)
Cash Flows From Financing Activities						
Loans obtained during the year	27,033,010	64,478,340	107,246,636	128,105,716	153,021,811	182,783,996
Lease obtained during the year		-	-	-	-	-
Loan repayment during the year	(17,515,117)	(78,726,604)	(109,664,509)	(130,789,555)	(156,000,873)	(186,090,754)
Lease repayment		(2,821,663)	(2,821,663)	-	-	-
Dividend Payment		-	-	(10,500,260)	(11,286,113)	(13,199,426)
Share issues	9,000,000	75,000,000	-	-	-	-
Net Cash Flows From Financing Activities	18,517,893	57,930,073	(5,239,536)	(13,184,100)	(14,265,175)	(16,506,184)
Increase /(Decrease) in Cash and Cash Equivalents	(3,906,980)	84,639,153	(21,423,798)	8,150,536	740,239	17,756,529
Cash & Cash Equivalents beginning of the year	(612,482)	(4,519,462)	80,119,691	58,695,893	66,846,429	67,586,668
Cash & Cash Equivalents at the ended of the year	(4,519,462)	80,119,691	58,695,893	66,846,429	67,586,668	85,343,197

7.4 Financial Ratios

Margins	2022	2023	2024	2025	2026
Gross Profit Margin	38%	26%	25%	25%	24%
EBIT Margin	30%	18%	18%	18%	18%
PBT Margin	24%	13%	13%	14%	13%
NP Margin	22%	11%	11%	10%	10%
Revenue YoY	47%	36%	36%	19%	19%
EBIT YoY	93%	-17%	36%	22%	19%
NP YoY	113%	-33%	42%	7%	17%
EPS	1.51	1.02	1.45	1.56	1.82
NAV	5.57	6.59	7.74	8.99	10.45
ROE	27%	15%	19%	17%	17%
ROA	19%	11%	13%	13%	13%
Effective Tax rate	7%	14%	14%	24%	24%
D/(D+E)	22%	18%	15%	12%	10%

8.0 THE TEAM

Rohan Senewiratne – Founder | Managing Director

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

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

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

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

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

Chandana Wijesundara – Vice President – Investment Banking

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

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

9.0 DISCLAIMER

Valuation model of this report has been prepared by ACP based on the analysis of historical financial statements, both audited [FY2017 – FY2021] and unaudited [Interim accounts as at 30th September 2020] of Myland Development Limited and the future plans provided by the management of the Company. The financial forecasts are based on several assumptions and judgements of significance subjectivity. Therefore, such information should not be considered as a guarantee or representation, expressed or implied of the future achievements of the Company and are subject to change according to the Company's ability to execute its business plans and may vary depending on the macro-economic conditions prevailing time-to-time.

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

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

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

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

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

Valuation Date: 30th September 2021

Report Date: 25th October 2021