



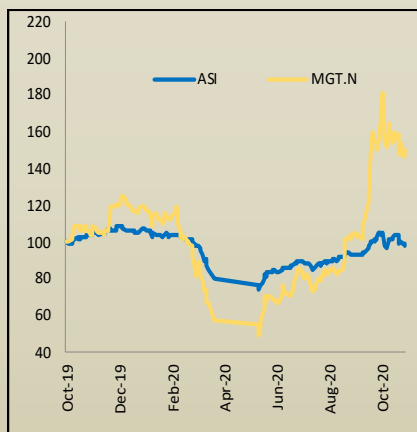
Member of the Colombo Stock Exchange

November 2020

Trading Snapshot

Sector	Consumer Durables & Apparel
CSE Code	MGT.N0000
Bloomberg Ticker	MGT SL
Shares in Issue (Mn)	207.74
52W High (LKR)	27.50
52W Low (LKR)	7.00
Market Cap (LKR.Mn)	4,799
Market Cap (USD.Mn)	26
LKR:USD	184.34
Market Price (LKR)	23.10

Relative Stock Performance



SC Securities (Pvt) Ltd

5th Floor,
26B, Alwis Place, Colombo 3,
Sri Lanka.

Hotline +94 11 4711000
Fax +94 11 2394405

research@sampathsecurities.lk
<https://sampathsecurities.lk>

Hayleys Fabric PLC

6M Earnings Update

Earnings Review: Strong BUY

Current Price	Initial Buy Call	Capital Gain	Revised Target Price	Capital Gain
(LKR)	18 th Sep 2020 (LKR)	To Date	(LKR)	Expected
23.10	18.90	22.2%	29.30	26.8%

Margins surge with company implementing cost effective measures

Top line comes in slightly lower but was offset by lower operating expenses: 2QFY21 top line reduced 0.36% YoY. However, this was offset by reductions in costs with administration and distribution expenses falling 3.65% YoY and 37.45% YoY respectively.

The Nike order book to continue: Our previous report stated that Nike’s full order book was given to MGT as a part of their vendor consolidation process. Discussions with management have revealed that this will continue. However, they did state that in terms of an end date its vendors. Much of this will primarily depend upon the state of the US economy. Going forward we have revised up our FY21E targets on the back of the fact that we believe the Nike order book will remain with the Company.

Continued margin growth in FY21: Gross Margins and Net Margins came in at a substantial 13.6% and 4.3% respectively despite the initial period being under lockdown. Going forward, we expect margins to remain on the strong side aided by lower cotton and oil prices coupled with stronger top line as a result of Nike’s vendor consolidation. Going forward, we expect revenues to grow on the back of continuation of Nike order book coupled with the potential capacity expansions at MGT kicking in at 2023E.

Valuation: Our valuation metric is based on a price-to-earnings (PER) analysis. We value the share at 10.7x forward earnings and arrive at a revised target price of LKR 29.33 which results in a 26.8% upside. Thereby, we recommend a STRONG BUY on MGT.

Investor Guide

YE End 30th March	2017	2018	2019	2020	2021F	2022F	2023F
Revenue (LKR.Mn)	10,248	10,645	12,906	12,385	14,476	15,915	18,291
Gross Profit (LKR.Mn)	1,198	1,121	1,539	1,605	1,882	2,069	2,378
Net Profit (LKR.Mn)	90	(125)	195	234	567	624	716
NAV/share (LKR)	15.69	15.13	16.42	15.87	17.61	18.99	20.57
PBV (x)	0.87	0.83	0.52	0.55	1.31	1.22	1.12
EPS (LKR)	0.37	(0.55)	0.92	1.11	2.73	3.00	3.45
PE (x)	36.9	-22.6	9.2	7.9	8.5	7.7	6.7
Mrkt. Cap	2,825	2,597	1,766	1,807	4,799	4,799	4,799
Share Price** (LKR)	13.60	12.50	8.50	8.70	23.10	23.10	23.10

** Current Market Price

Source: MGT Financials and SC Securities Research

Summarized Financial Statements

Income Statement

Hayleys Fabrics PLC (in USDm)	2017	2018	2019	2020	2021F	2022F	2023F
Revenue	55.54	57.69	69.94	67.12	78.45	86.24	99.12
COGS	(49.04)	(51.61)	(61.60)	(58.42)	(68.25)	(75.03)	(86.24)
Gross Profit	6.49	6.08	8.34	8.70	10.20	11.21	12.89
OPEX	(5.15)	(5.15)	(5.60)	(6.23)	(5.75)	(6.32)	(7.27)
Op. Profit	1.35	0.92	2.74	2.47	4.45	4.89	5.62
Finance Costs - Net	(0.93)	(0.97)	(0.89)	(0.80)	(0.88)	(0.96)	(1.11)
PBT	0.41	(0.05)	1.85	1.67	3.57	3.93	4.51
Income Tax Exp.	0.08	(0.63)	(0.79)	(0.40)	(0.50)	(0.55)	(0.63)
Net Profit	0.49	(0.68)	1.06	1.27	3.07	3.38	3.88

Source: MGT Financials, SC Securities

Quarter and Period Review

In USD	6M ended September 2020			Quarter ended September 2020		
	2019	2020	YoY	2019	2020	YoY
Revenue	38,141,391	38,004,412	-0.36%	19,395,732	22,386,114	15.42%
Cost of sales	(32,285,709)	(32,825,290)	1.67%	(16,594,417)	(19,532,241)	17.70%
Gross Profit	5,855,682	5,179,122	-11.55%	2,801,315	2,853,873	1.88%
Other operating income	13,909	29,210	110.01%	11,622	29,210	151.33%
Administrative expenses	(2,493,794)	(2,402,770)	-3.65%	(1,260,892)	(1,142,639)	-9.38%
Distribution expenses	(508,603)	(318,133)	-37.45%	(311,927)	(205,799)	-34.02%
Other expenses	(171,254)	-	-100.0%	(128,754)	-	100.00%
Net financing costs	(470,575)	(653,143)	38.80%	(173,562)	(288,949)	66.48%
Profit before tax	2,225,365	1,834,286	-17.57%	937,802	1,245,696	32.83%
Income tax expense	(189,349)	(212,269)	12.10%	(177,965)	(167,463)	-5.90%
Profit for the period	2,036,016	1,622,017	-20.33%	759,837	1,078,233	41.90%

Source: MGT Financials

Name of Shareholder	No. of Shares	% holding
Local Institutional Investors		
Hayleys PLC No 3 Share Investment Account	122,487,023	58.96
Seylan Bank PLC / ARRC Capital (Pvt) Ltd	6,485,256	3.12
HayleysAdvantis Limited	5,036,850	2.42
Hayleys Agriculture Holdings Limited	3,472,257	1.67
Hatton National Bank PLC- Astrue Alpha Fund	2,119,396	1.02
Ceylon Guardian Investment Trust PLC	1,823,680	0.88
Buildmart Lanka (Pvt) Ltd.	1,417,080	0.68
Bank Of Ceylon No.01 Account	1,056,398	0.51
Commercial Credit and Finance PLC.	945,969	0.46
Mellon Bank N.A-Acadian Frontier Markets Equity Fund.	937,461	0.45
Allnatt Investments (Private) Limited	565,844	0.27
People's Leasing & Finance PLC/ L.P.Hapangama	561,681	0.27
Commercial Bank of Ceylon PLC/Andaradeniya Estates (Pvt) Ltd.	550,991	0.27
Government Institutional Investors		
Employees Provident Fund	5,540,727	2.67
Sri Lanka Insurance Corporation Ltd- Life Fund	2,256,627	1.09
Local High Net Worth Individuals		
Mrs. V. Saraswathy	2,000,000	0.96
Mr. A.M.Weerasinghe	1,850,000	0.89
Mr. D.K.A.K Weerathunga	1,000,000	0.48
Mr.R.E.Rambukwella	921,330	0.44
Mr. K.A.S.R Nissanka	674,450	0.32
Total	161,703,020	77.83

Source: MGT Financials

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Strong Buy: FV more than 20% above Current Trading Price
Buy: FV between 10% and 20% above Current Trading Price
Hold: FV between -10% and 10% around Current Trading Price
Sell: FV more than 10% below Current Trading Price



CONTACT

Hotline +94 11 4711000

Fax +94 11 2394405

<https://sampathsecurities.lk>

Board Of Directors

Sunil Wijesinha
Chairman

Seedantha Kulatilake
Director

Ranjith Samaranyake
Director

Roshantha Fernando
CEO

Prasantha Lal de Alwis
Director

Trading Division

Roshantha Fernando
CEO
0777-736623
ceo@sampathsecurities.lk

Anuradha Chandramohan
Assistant General Manager Sales
0777-414660
anuradha@sampathsecurities.lk

Indika Jayaratna
Manager Sales
0777-369084
indika@sampathsecurities.lk

Nimal Liyanagamage
Assistant Manager Sales
0773-493868
nimal@sampathsecurities.lk

Muhammadhu Farook
Assistant Manager Sales
0772-253730
miflal@sampathsecurities.lk

Kumara Pooddiwala
Assistant Manager Sales
0773-956769
kumara@sampathsecurities.lk

Prabath Jayarathna
Senior Investment Advisor
0773-047056
prabath@sampathsecurities.lk

Sajee Perera
Senior Investment Advisor
0778-088993
sajee@sampathsecurities.lk

Chamesh Harsha
Investment Advisor
0776-677606
harsha.c@sampathsecurities.lk

Channa De Silva
Investment Advisor
0773-370894
channa@sampathsecurities.lk

Agranath Umayanga
Investment Advisor
0770-181283
agranath@sampathsecurities.lk

Chalalochana Yapa (Kandy)
Senior Investment Advisor
0773-243374
chala.yapa1978@gmail.com

Research Division

Charitha Gunasekera
Head of Research
0775-253508
charitha@sampathsecurities.lk

Nuwan Jayawardena
Asistant Manager - Investment Banking
0772-208501
nuwan@sampathsecurities.lk

Ruvini Kaushalya
Senior Research Analyst
0779-732377
ruvini@sampathsecurities.lk

SC Securities(Pvt)Ltd
Subsidiary of Sampath Bank PLC
5th Floor,26B, Alwis Place,Colombo 3,
Sri Lanka