



TEEJAY LANKA PLC [TJL.N0000]

DOWNGRADE TO SELL & DISCONTINUE COVERAGE

FLASHNOTE

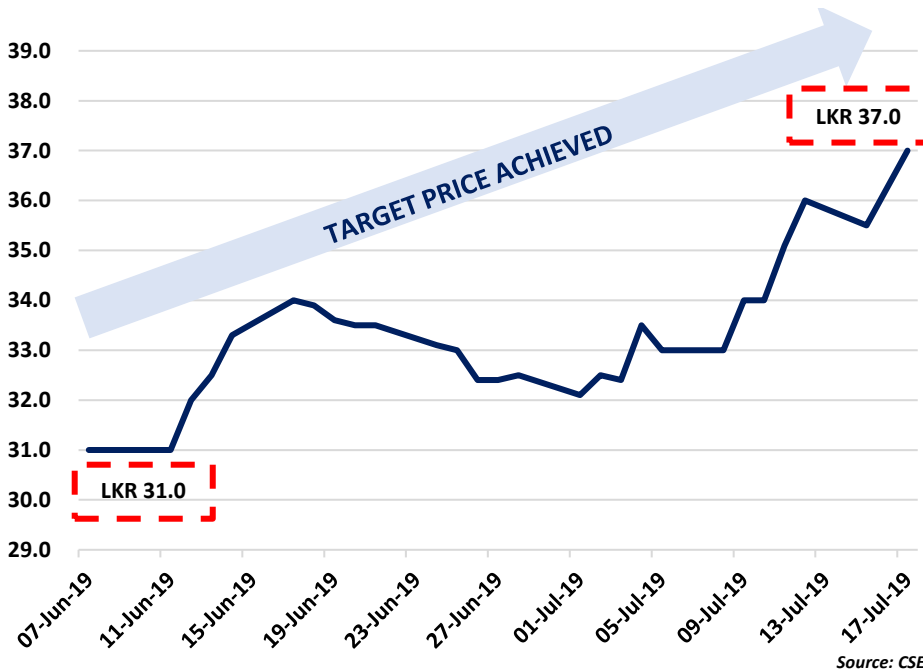
Fair Value [FY20E]: LKR 37.0 [+19%]

Previous Report in Jun 2019 - MAINTAIN BUY

First Capital Research maintained BUY on TJL with stable growth in revenue as higher volumes resulted from the orders from Uniqlo materialising in Dec 2018 quarter onwards and the effect of price revision being reflected in topline. Similarly, comparatively lower cotton prices coupled with exchange rate fluctuation favoured the earnings. We forecasted earnings of LKR 2.1Bn for FY20E expecting TJL to achieve a TP of LKR 37.0 providing a total return of 26% (19% Capital Gain, 7% Dividend yield).

TJL REACHES TP OF LKR 37.0; SELL

TJL's earnings of LKR 1.86Bn for FY19 fell in line with First Capital Research expectation of LKR 1.82Bn owing to modest growth in revenue and improved margins resulted from relatively lower cotton prices, favourable impact of currency fluctuation, cost re-engineering and product development. TJL reached First Capital Research TP of LKR 37.0 on 17 Jul 2019 with the counter significantly outperforming the market. Since our last report published on 07 Jun 2019, TJL has gained +19% from LKR 31.0 when the benchmark index appreciated by +7%, similarly TJL appreciated by +17% over a 52-week period while the index fell by 8%. We expect single digit volume growth in FY20E and beyond as all plants (both in Sri Lanka and India) operating at near 90% utilisation levels and dilution in margins due to increased Uniqlo volumes to be reflected in earnings. **DOWNGRADE TO SELL AND DISCONTINUE COVERAGE**



Source: CSE

FIRST CAPITAL RESEARCH

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KEY DATA

CSE Ticker	TJL.N0000
Bloomberg Ticker	TJL SL
Share Price (LKR)	37.0
52w High (LKR)	37.0
52w Low (LKR)	27.9
Avg. Daily Volume (Shares)	112,048
Avg. Daily Turnover (LKR)	3,657,579
Issued Share Capital (Shares 'Mn)	702
Market Cap (LKR 'Mn)	25,972
Market Cap (USD 'Mn)	148

*1 USD = LKR 176

Price Performance (%)	1 mth	3 mths	12mths
TJL	9%	18%	17%
ASPI	5%	1%	-8%

TJL vs ASPI



Source: CSE

Disclosure on Shareholding:

First Capital Group does not hold shares in TJL. First Capital Group has not traded in the shares in the three trading days prior to this document, and will not trade in the shares for three trading days following the issue of this document.



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