

# JUPITER CAPITAL PARTNERS

## Sri Lanka Private Equity Market Newsletter

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### PRIVATE EQUITY & OTHER DEAL NEWS

**US based Asia Energy Management Systems Inc. exited Vallibel Power Erathna PLC.** The 21.4% stake in Vallibel Power Erathna was sold for USD 8.4 million – realizing more than 5x the cost. Asia Energy bought into Vallibel Power in 2009 through a secondary deal. Vallibel Power reported USD 5 million bottom-line for the first half of 2014/15 (up 24% YoY). Several local stock market investors bought the stake owned by the specialist energy investment firm.

**John Keells Holdings PLC sold its 4% stake in Access Engineering PLC for USD 14 Million.** Access Engineering raised approx. USD 34 million through a private placement in 2010 before going public in 2012 with a USD 4 million IPO. Exit price reflects only 1.6x multiple return for the investor. For the first half of 2014/15, the infrastructure development and engineering firm reported USD 9 million bottom-line (down by around 3% YoY). Company's stock price remained below IPO price for long time. However, company's share price increased sharply during last few months - driven by strong interest from foreign investor, according to reports.

**Expolanka Holdings PLC said it divested several non-core businesses and real estate assets worth USD 8.5 million.** Japan's **SG Holdings** bought 51% in Expolanka at a cost exceeding USD 81 million earlier this year as the company changed its strategy to focus on logistics businesses. Many of Expolanka's noncore assets, including its latest divestments are bought by **Aberdeen Holdings**, an investment firm which is linked to directors of Expolanka Holdings.

**Ansell Lanka bought privately held Hands International** for an undisclosed price. Global gloves manufacturer's acquisition is expected to help the firm to integrate backwards. Hands International is a local hand protection manufacturer and has been a major supplier to Ansell. Hands International is has over two decade track record and employs over 1,500 staff.

According to reports, **Dialog Axiata PLC has increased its stake in Digital Commerce Lanka (Pvt) Ltd** to more than 50%. In 2012, leading telco firm bought a 26% stake in the e-commerce company at a valuation of USD 6.1 million. **Ardent Capital** is also an investor in Digital Commerce Lanka.

In other noteworthy deals during November, **OMAK Technologies**, a local IT company catering to restaurant operators, said it raised funds from **Indian Angel Network**. **HWIC Asia Fund**, an investment fund linked to **Fairfax Financial** bought a 15% stake in **Nations Trust Bank PLC** for USD 24 million.

### OTHER INVESTMENT NEWS

**India's ITC** began construction of a USD 300 mixed development project named **One ITC Colombo**. This development will have a hotel and residential tower. One ITC is located adjacent to Shangri La hotel (currently under construction) and Taj Samudra hotel. (see pic. On left)

*There is a marked slowdown in PE and investment/ deal activity in November as the country prepares for presidential election in early 2015. General Election is also expected to be held during first half of 2015.*

Pic below: Artist's impression of proposed **One ITC Tower in Colombo.**



Two new commercial property development projects were launched/announced during the month. **These two projects are the first major (stand alone) office space developments launched since the civil conflict ended in 2009.**

**Renuka Holdings PLC** said it is developing a USD 24 million high tech Grade A office building. This building is expected to have 200,000 sq.ft. rentable space.

**Cargo Boat Developments Co. PLC** also said they are launching a Grade A office tower comprising 108,000 sq.ft. rentable area. This is a USD 15 million midrise building.

Sri Lankan construction firm **Sanken** has signed a JV deal with a Singapore based **Singapore Hospitality Holdings** to develop a resort called *Amari Haddova* in Maldives. This resort will be managed by Onyx Group under Amari brand.

*According reports, Sri Lanka's cost of construction has surged to record highs in mid 2014. Same report highlights a slowdown in demand for some construction materials. Construction industry relies on imports for more than 90% of its raw material. .*

ENDS

Note: All figures mentioned in this report are converted to USD using the mid month end rate of Rs 131/58, except where figures are provided in USD at source.

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