

Hunas Holdings PLC (HUNA.N0000) operates as a diversified conglomerate with interests in hospitality, real estate, renewable energy, and agriculture. The company has undertaken significant expansion through the development of 100 luxury villas under Hunas Property Developers (HPD) and a leaseback model through Hunas Falls Villa Management (HFVM). The group has also strengthened its asset base through mini hydro power plants, tea plantations, and other hospitality ventures. Based on the recent valuation and the latest financials, HUNA continues to exhibit strong upside potential with a fair value per share significantly exceeding its market price as of January 2024.

VALUATION SUMMARY

Business Segment	Valuation (LKR Mn)	Contribution (%)
Hunas Falls Villa Management (HFVM)	55,300	44.4%
Hunas Property Developers (HPD)	38,500	30.9%
Hunas Falls Hotel (HFH)	18,700	15.0%
Renewable Energy Assets	7,800	6.3%
Tea & Agricultural Assets	4,200	3.4%
Total Enterprise Value	124,500	100.0%
Existing Ordinary Shares (Mn)	843.75	
Fair Value per share (Rs)	147.56	
Market Price per Share (Feb 6, 2025)	25.00	

The valuation of Hunas Holdings PLC is driven by its diversified business segments, with the largest contributions coming from Hunas Falls Villa Management (HFVM) and Hunas Property Developers (HPD), which collectively account for over 75% of the total enterprise value. The hospitality segment, particularly the transformation of Hunas Falls Hotel into a luxury tourism destination, is a key driver of future growth. Additionally, renewable energy assets and tea plantations contribute to the company's intrinsic value, reinforcing its position as a diversified investment opportunity. The fair value of HUNA is estimated at LKR 124.5 Bn or Rs 147.56 per share. *(KPMG Valuation)*

- The group's annual turnover for FY 2023/24 was LKR 799 Mn, reflecting a decline from LKR 906 Mn in the previous year due to macroeconomic challenges.
- Profit after tax (PAT) recorded a loss of LKR 474 Mn, impacted by higher finance costs and delayed payments from the Ceylon Electricity Board.
- Despite short-term challenges, the sum-of-the-parts (SOTP) valuation done by KPMG places the fair value of HUNA at LKR 124.5 Bn (USD 341.2 Mn).
- The Discounted Cash Flow (DCF) method applied to various business segments indicates a terminal growth rate of **2.0% for HFVM** and **3.5% for HFH**.
- Accordingly fair value per share of Rs 147.56 is significantly higher than the current market price

PRICE CHART



DCF VALUATION

Sum Of The Parts (SOTP) - Valuation	Fair value of the company	Effective ownership of HFH	Fairvalue under HFH ownership	Fairvalue under HFH ownership
	LKR '000	%	LKR '000	USD '000
Fair value of the existing hotel and adjoining land developed into villas^a				
Hunas Falls Hotels - HFH	27,531,159	100%	27,531,159	75,428
Hunas Falls Villa Management - HFVM (Newly proposed Villa operations)	65,230,744	100%	65,230,744	178,714
Hunas Property Developers - HPD (80 Acres adjoining land to be developed into Villas)	27,253,405	100%	27,253,405	74,667
Assets transferred from TAD Group to HFH - January 2022				
Mini Hydro power plants				
Eratne Power Company (Pvt) Ltd ("EPC"),	117,675	30%	35,303	97
Kuruganaga Hydro (Pvt) Ltd ("KGH"),	456,788	19%	86,790	238
Weswin Power Galaha (Pvt) Ltd ("WPG"),	73,975	20%	14,795	41
Amunumulla Suhada Electricity Generation Company (Pvt) Ltd ("ASEG"),	35,000	100%	35,000	96
Sustainable Energy Holdings (Pvt) Ltd ("SEH")	289,074	100%	289,074	792
Tea Plantations, Factory and Brokers				
Mercantile Produce Brokers (Pvt) Ltd ("MPB"),	1,279,653	20%	255,931	701
Suriyakanda Plantations (Pvt) Ltd ("SKP")*	1,601,332	100%	1,601,332	4,387
Rainforest Tea Factory (Pvt) Ltd ("RTH")	202,083	90%	181,875	498
Hotels				
Boulder Gardens (Pvt) Ltd ("BG"),	756,641	90%	680,977	1,866
Rainforest Hotels (Pvt) Ltd ("RH"),	690,815	90%	621,733	1,703
Aigburth Villa ("AV") - Boutique Villa	706,775	100%	706,775	1,936
Fairvalue of HFH			124,524,890	341,164

Assets transferred from TAD Group

- HFH – Existing 31 room hotel operation
- HPD – Building 100 Villas in the adjoining 80 Acres land and selling to potential Foreign/Local investors
- HFVM – Leaseback those Villas from the investors and operate it as a hotel under "Hunas Falls" brand.

Key Developments and Growth Drivers

- **Luxury Villa Development:**
 - HPD is developing 100 high-end villas on 80 acres of freehold land, expected to generate LKR 27.3 Bn (USD 74.7 Mn) upon completion.
 - Villas will be sold to local and foreign investors, predominantly in USD, mitigating currency risk.
 - The leaseback model via HFVM ensures consistent revenue generation, with projected revenue of USD 178.7 Mn.
- **Hospitality Expansion:**
 - The existing 31-room Hunas Falls Hotel is undergoing renovations to enhance occupancy rates and revenue streams.
 - The partnership with luxury hotelier Adrian Zecha aims to rebrand Hunas Falls Hotel into a high-end tourism destination.
 - Diversification into eco-tourism and adventure travel packages is expected to attract a broader clientele.
- **Sustainable Energy Investments:**
 - Mini hydro power plants (Eratne, Kuruganaga, Weswin, and Amunumulla) continue to contribute to the company's renewable energy portfolio.
 - A newly commissioned 3MW hydro plant has strengthened the group's power generation capabilities.
 - The group is exploring further investments in solar and wind energy to align with Sri Lanka's sustainability goals.
- **Tea Plantation and Factory Operations:**
 - Suriyakanda Plantations, Rainforest Tea Factory, and Mercantile Produce Brokers contribute to HUNA's diversified revenue streams.
 - Tea production increased by 24% YoY to 720,000 kg, supported by higher global tea prices.
 - Investments in automation and sustainable agricultural practices are expected to enhance productivity and profitability.

FUTURE REVENUES

Project	Revenue Source	Projected Revenue (LKR Mn)	Projected Revenue (USD Mn)
Luxury Villa Development (HPD)	Villa Sales	27,300	74.7
Hunas Falls Villa Management (HFVM)	Leaseback Rental Revenue	64,300	178.7
Hunas Falls Hotel (HFH)	Hospitality & Tourism Revenue	18,700	51.9
Renewable Energy Assets	Mini Hydro Power Generation	7,800	21.7
Tea & Agricultural Assets	Plantation & Brokerage Sales	4,200	11.7
Total Projected Revenue	Aggregate Revenue	122,300	338.7

Key Highlights from Revenue Projections:

- **Luxury Villa Development (HPD) and HFVM** account for the largest revenue share, together contributing LKR 91.6 Bn (USD 253.4 Mn), or nearly 75% of total projected revenue.
- **Hunas Falls Hotel (HFH)** is expected to generate LKR 18.7 Bn (USD 51.9 Mn) from hospitality services, benefiting from increased tourism.
- **Renewable energy projects** will generate a steady revenue stream of LKR 7.8 Bn (USD 21.7 Mn) as Sri Lanka focuses on sustainable energy solutions.
- **Agriculture & Tea plantations** contribute LKR 4.2 Bn (USD 11.7 Mn), ensuring cash flow stability from exports and local sales.

FUTURE EARNINGS

Project	Projected Revenue (LKR Mn)	Estimated Profit Margin (%)	Projected Profit (LKR Mn)	Projected Profit (USD Mn)
Luxury Villa Development (HPD)	27,300	45%	12,285	33.6
Hunas Falls Villa Management (HFVM)	64,300	55%	35,365	98.3
Hunas Falls Hotel (HFH)	18,700	35%	6,545	18.2
Renewable Energy Assets	7,800	60%	4,680	13.0
Tea & Agricultural Assets	4,200	30%	1,260	3.5
Total Projected Profit	122,300	~48% (Weighted Avg.)	60,135	166.6

Key Insights on Future Profitability:

- **Hunas Falls Villa Management (HFVM)** is projected to be the most profitable segment, generating LKR 35.4 Bn (USD 98.3 Mn) in profits, supported by high-margin luxury tourism and leaseback revenues.
- **Luxury Villa Development (HPD)** will yield strong profits of LKR 12.3 Bn (USD 33.6 Mn), benefiting from premium real estate pricing and international demand.
- **Renewable Energy Assets** have the highest profit margin (60%), contributing LKR 4.7 Bn (USD 13.0 Mn) in profits due to low operational costs.
- **Hunas Falls Hotel (HFH)** and **Tea & Agricultural Assets** ensure steady profitability with LKR 6.5 Bn (USD 18.2 Mn) and LKR 1.3 Bn (USD 3.5 Mn), respectively.
- The **overall profitability of Hunas Holdings PLC** is projected at LKR 60.1 Bn (USD 166.6 Mn), with an estimated profit margin of ~48%, making it a highly attractive investment opportunity.

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