FACULTY OF BUSINESS, ECONOMICS & ACCOUNTANCY

WRITTEN ASSIGNMENT ASSESSMENT

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1.1 Company background

The company, initially named Jati Tinggi Group Sdn Bhd, was incorporated in Malaysia on December 21, 2021, as a private limited company. It later converted to a public limited company on October 7, 2022, and operates as an investment holding company. The group specializes in providing infrastructure utilities engineering solutions through its wholly-owned subsidiary, focusing on underground and overhead utilities engineering services, substation EPCC services, equipment trading for substations, and Street Lighting Services.

The group specializes in delivering infrastructure utilities engineering solutions, primarily focusing on **utilities engineering services for underground and overhead utilities or product pipelines.** This includes services such as procurement, supply, installation, testing, commissioning, inspection, repair, and maintenance of infrastructure utilities. The group's main customers are main contractors appointed by utility companies, particularly in the electricity supply industry.

In summary, the group's core business revolves around providing utilities engineering services for underground and overhead utilities, with a significant focus on serving the electricity supply industry. While additional services like substation EPCC, equipment trading, and Street Lighting Services complement their offerings, they contribute to a smaller portion of the overall revenue.

1.2 Nature of IPO

Jati Tinggi Group Berhad issued their IPO at RM0.27 per share. They issue their share for both Public Offer and Offer For Sale. They offer their shares to the public. It means that the company is selling its ownership to external investors so that they can raise capital. It is offered to Malaysian Bumiputera and Non-Bumiputera. Offer For Share involves the sale of existing shares by large stakeholders. Their stakeholders are Selected Bumiputera investors that are approved by MITI and the other selected investors.

1.3 Total New Shares Issued

	No. of Shares	Share Capital (RM)
Issued share capital as at the date of this Prospectus	325,000,800	26,000,050
New Shares to be issued pursuant to the Public Issue	66,800,000	18,036,000
Enlarged issued share capital upon Listing	**391,800,800**	**44,036,050**

Existing Shares to be offered pursuant to the Offer for Sale	**35,000,000**	**9,450,000**
IPO Price (RM)		0.27
- Expected market capitalisation upon Listing (based on the IPO Price and the enlarged number of issued shares after our IPO)		105,786,216

As at the date of this Prospectus, Jati Tinggi only has one (1) class of shares which is namely ordinary shares, all of which shall rank equally amongst one another. The Public Issue Shares will, upon allotment and issuance, rank equally in all respects with Jati Tinggi's existing issued Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of Jati Tinggi's Public Issue Shares.

The Offer Shares rank equally in all respects with Jati Tinggi's existing issued Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by Jati Tinggi in the future, Jati Tinggi's shareholders shall, in proportion to the amount paid on the Shares held by them, be entitled to share in the whole of the profits paid out by Jati Tinggi as dividends and other distributions. Similarly, if Jati Tinggi is liquidated, their shareholders shall be entitled to the surplus (if any), in accordance with Jati Tinggi's Constitution after satisfaction of any preferential payments in accordance with the Act and their liabilities.

1.4 Key Players of Jati Tinggi Group Sdn.Bhd

1.4.1 Profiles of Promoter and Shareholder

(i) Dato' Seri Lim

Dato' Seri Lim, a Malaysian aged 51, is the Promoter, substantial shareholder and Managing Director. He is responsible for planning the overall strategy and corporate direction of the Group, and implementing business strategies to grow our Group and business. His role among others, also includes formulating business development strategies as well as cultivating business relationships with customers and suppliers.

In 2003, he acquired and revitalized Jati Tinggi Sdn Bhd (now JTHSB), transforming it from a dormant company to its current operational state. His leadership has implemented effective internal procedures, showcasing the Group's technical capabilities in both underground and overhead operations.

(ii) Chin Jiunn Shyong

Chin Jiunn Shyong, a 55-year-old Malaysian, is our Promoter, substantial shareholder, and Executive Director/COO. His responsibilities include planning and managing daily operational functions, with a focus on overseeing project delivery. He graduated with a Bachelor of Applied Science (Computer Technology) from Nanyang Technological University, Singapore, in May 1993.

Joining JTSB (now JTHSB) in 2003, he initially served as an Assistant to the Managing Director. His contributions involved assisting with tender document preparation and developing the Group's in-house ERP, which evolved into a comprehensive project management tool. In 2004, he became a substantial shareholder and director of JTSB.

(iii) Lim Ming Hong

Lim Ming Hong, a 55-year-old Malaysian, is a significant shareholder and key figure in the company. She obtained a Diploma in Business Administration in March 1993 and a UK Diploma from the Regent School of Economics in June 1993. Starting in 1994, she worked at Marubeni Singapore Pte Ltd, progressing to Senior Logistics Executive at Marubeni Chemical Asia Pacific Pte Ltd in 1996.

After leaving Marubeni in May 2000, Lim joined Louis Dreyfus Asia Pte Ltd in October 2000 as a Senior Logistics Executive. In 2001, she resigned to focus on family. In 2003, she became a substantial shareholder of JTSB (now JTHSB) and served as a director for its first two years, offering administrative support. She resigned as a director in 2022 due to family commitments.

(iv) Broad River Capital

Broad River Capital was incorporated on 4 August 2022 in Malaysia under the Act as a private company limited by shares under its present name. The principal activity of Broad River Capital is investment holding. As at the LPD, the share capital of Broad River Capital is RM50 comprising 50 ordinary shares.

Pursuant to the terms of the conditional share sale agreement for the Acquisition of JTHSB, 200,000,000 Shares were issued to Broad River Capital, an investment holding company incorporated with the intention to hold the investment of Dato' Seri Lim, Chin Jiunn Shyong and Lim Ming Hong in Jati Tinggi.

1.4.2 Profiles of Directors

(i) Datuk Ir. Mohd Aminuddin Bin Mohd Amin

Datuk Ir. Mohd Aminuddin Bin Mohd Amin, a Malaysian aged 62, is our Independent Non-Executive Chairman. He graduated in Electrical Engineering from the University of Sussex in 1984. A member of the Institution of Engineers, Malaysia (IEM) since 1990 and a Professional Engineer (PE) since 1992, he founded BrightON Engineering Consultant in August 2019, focusing on engineering consultancy. However, the business ceased operations in August 2020. Currently, he serves as a director of Matrix Medicare Sdn Bhd, a subsidiary of Matrix Concepts Holdings Berhad.

(ii) Dato' Ir. Lim Yew Soon

Dato' Ir. Lim Yew Soon, a Malaysian aged 66, is our Independent Non- Executive Director. Dato' Ir. Lim Yew Soon, since 1979, holds a Diploma in Electrical Engineering (Power) from Universiti Teknologi Malaysia, a Bachelor of Science with Honours in Electrical & Electronic Engineering from the University of Strathclyde (1981), and a Master in Electrical Engineering from Universiti Teknologi Malaysia (1995).

Currently, he holds key positions, including Director of SIRIM Berhad, Chairman of the Board of Directors of SIRIM Calibration Sdn Bhd (formerly SIRIM Standards Technology Sdn Bhd), Chairman of the Board of Directors of SIRIM Measurements Technology Sdn Bhd, Director of SIRIM QAS International Sdn Bhd, and Director of National Precision Tooling Sdn Bhd.

(iii) Loo May Len

Loo May Len, a 51-year-old Malaysian, is our Independent Non-Executive Director. She holds an International Diploma in Computer Studies (1993) and obtained her Chartered

Institute of Management Accountants (CIMA) qualification in 1995. Since 2000, she's been a Chartered Accountant with the Malaysian Institute of Accountants, a CIMA Fellow Member since 2012, and a Chartered Global Management Accountant (CGMA) since 2012. In 2020, she became a registered Company Secretary with the Companies Commission of Malaysia (SSM).

Joining Pembinaan Mitrajaya Sdn Bhd in 2005, she advanced to Senior Finance Manager in 2013. She concurrently serves as Joint Company Secretary for Pembinaan Mitrajaya Sdn Bhd and Skyway Development Sdn Bhd since 2007 and 2009, respectively. In these roles, she manages administrative and compliance matters, contributes to the company's internal risk management committee, and oversees internal control systems through the management review board.

(iv) Poon Lai Kit

Poon Lai Kit, a 52-year-old Malaysian, is our Independent Non-Executive Director. She completed her Malaysian Higher School Certificate in 1990 and earned the Chartered Institute of Management Accountants (CIMA) qualification in 2000, becoming a Chartered Accountant with the Malaysian Institute of Accountants in 2004.

Starting as an Accounts Clerk in 1991, Poon worked her way up in various roles. She joined Parkson Corporation Sdn Bhd in 1996 and later worked at FJ Benjamin (M) Sdn Bhd from 2001, where she rose to the position of Accountant. In 2005, Poon joined Ball Watch Malaysia Sdn Bhd as Finance and Operations Manager, overseeing financial and operational activities. She continues to hold this position today.

1.5. Reason and Way IPO Proceeds will be Utilized

Through an IPO, Sri Jati intends to sell 19,600,000 shares, or 17.06% of its expanded total shares. 9,800,000 shares (2.50%) of the public issue shares will be available for public investors, and the shares will be distributed by balloting by Malaysian citizens. Next, is for eligible parties. If they meet certain requirements, directors, staff members, and others who have contributed to Sri Jati's success will be able to purchase the remaining shares at the same price.

Up to 10,000,000 Pink Form Shares, or 2.56% of all shares in Sri Jati, are set aside for qualified individuals, such as Directors, and those who have made significant contributions to the company's success. Allocations will be made to the following four eligible Directors: Poon Lai Kit (100,000 shares), Dato' Or. Lim Yew Soon (750,000 shares), Loo May Len (200,000 shares), and Datuk Ir. Mohd Aminuddin Bin Mohd Amin (750,000 shares). Their expected contributions, knowledge, and experience in the industry are among the selection criteria.

A total of 1,800,000 Pink Form Shares are distributed to 74 eligible full-time employees of Sri Jati's group who meet the employment and age requirements. The distribution is based on various factors, including position, performance, seniority, and contribution. Specific share allocations are given to Teo Swee Hing, a key member of senior management, (215,900 shares), and Lee Tuck Wai, the CFO (86,600 shares). 22 more people who have been acknowledged for noteworthy contributions to the group will receive a total of 6,000,000 shares.

The sort and length of the business relationship with Sri Jati, the level of support and contribution to Sri Jati's expansion, and the overall success of the group are among the factors that determine eligibility for the share allocation. The eligible individuals comprise 100 individuals from various categories, including business associates, suppliers, and customers of Sri Jati. These eligible individuals will receive 100,000,000 shares in total.

Last but not least, a private placement will be used to offer the Public Issue Share to a select group of investors. Up to 37,200,000 Public Issue Shares, or 9.50% of the enlarged total number of Shares in Sri Jati, are set aside for private placement. Two-thirds of the enlarged total number of shares—23,200,000 (5.92%) and 14,000,000 public issue shares (3.58%)—were awarded to Bumiputera investors who were approved by MITI.

2.0 IPO Analysis

2.1 Estimated and Forecasted Analysis

FYE (000)	2020	2021	2022	2023 E	2024 F
Revenue	112,666	96,413	234,612	258073.2	283880.52
Cost of sales	-92,808	-82,719	-217,212	-221943.0	-244137.25
Gross profit	**19,858**	**13,694**	**17,400**	**36,130**	**39,743**
Other income	1,355	1,610	2,698	2580.73	2838.81
Administrative expenses	-6,361	-5,672	-8,922	-13161.73	-14477.91
Other expenses	-1,686	-713	-710	11319.09	-2271.04
Finance costs	-1,051	-960	-1,412	-1842.64	-2271.04
Net impairment (loss)/gain on financial assets	-1,395	1,817	2,159	-131.62	1419.40
Profit before tax	**10,720**	**9,776**	**11,213**	**34,894**	**24,981**
Income tax expense	-3,078	-2,537	-2,081	-5161.46	-5677.61
PAT from continuing operations	7,642	7,239	9,132	4438.86	17032.83
PAT from discontinued operations	11	0	0	0	0
PAT	**7,653**	**7,239**	**9,132**	**34,171**	**36,337**
Other comprehensive income for the financial year/ period	0	0	0	0	0
Total comprehensive income	7,653	7,239	9,132	34,171	36,337
Share capital (000)	391,801	391,801	391,801	391,801	391,801

Based on the data above, we can see that both estimated and forecasted revenues show consistent growth, with an expected increase of approximately 10% from 2023 to 2024. This suggests positive expectations for the company's top-line performance.

The gross profit is expected to increase from RM17 400 Million at 2022 to RM36 130 Million at 2023, then increase to RM39 742 Million in the forecasted year. It is reflecting a healthy gross profit margin. This indicates that the company is managing its production costs effectively and generating higher profits from its core operations.

While the estimated PBT for 2023 is robust, the forecasted PBT for 2024 shows a significant decline which is from RM 34 894 Million to RM 24 981 Million. The factors behind this decline may be the economic downturns, as it may indicate increased expenses or changes in the business environment.

The PAT is expected to grow to RM34 171 Million in 2023 and RM36 773 Million in 2024, but the rate of growth appears to be moderate compared to the previous years. The drivers behind this growth may be because of tax planning of the company.

The estimated and forecasted parts of the financial statement suggest overall positive trends in revenue and profitability, but there are some areas that require careful scrutiny, such as the significant decline in forecasted PBT for 2024 and the unusual change in other expenses.

In order to simplify analyses, we assume a constant Share Capital to focus on other aspects of financial performance. Thus the share capital that we got from the Jati Tinggi Group Berhad prospectus is 391 801 Million.

2.2 Trend Analysis

FYE (000)	**2020**	**2021**	**2022**	**AVERAGE**
Revenue		-14.43	143.34	64.46
Cost of sales		-10.87	162.59	75.86
Gross profit		-31.04	27.06	-1.99
Other income		18.82	67.58	43.20
Administrative expenses		-10.83	57.30	23.23
Other expenses		-57.71	-0.42	-29.07
Finance costs		-8.66	47.08	19.21
Net impairment (loss)/gain on financial assets		-230.25	18.82	-105.71
Profit before tax		-8.81	14.70	2.95
Income tax expense		-17.58	-17.97	-17.78
PAT from continuing operations		-5.27	26.15	10.44
PAT from discontinued operations		-100.00		-100.00
PAT		-5.41	26.15	10.37

Based on the data above, it can be seen that revenue and cost of sales increased from 2021 to 2022, which is an increase of 128.91 for revenue and an increase of 151.72 for cost of sales. Revenue fell from RM 112 million in FYE 2020 to RM 96 million in FYE 2021 before rising to RM 234 million in FYE 2022. The main cause for the income drop in FYE 2021 could be linked to an increase in copper costs, as copper is used in the majority of the building materials for the 132kV projects.

Next, for gross profit, in 2021 it was -31.04, but there was an increase of 3.98 in the following year. Generally, a gross profit of 20% above is considered as high or good. The increase continues to be seen in other income, administrative expenses, financial costs and net impairment (loss)/gain on financial assets, which for other income, an increase of 48.76, 46.47 for administrative expenses, 38.42 for financial costs and an increase of 211.43 for net impairment (loss)/gain on financial assets.

For the other expenses, there is an increase but it is still in a negative state of 57.29 which is due to the company's own internal factors.

For profit before tax, we can see, in 2021 it is -8.81 and 14.70 in 2022, this shows an increase of 5.89. This increase is also followed by PAT from continuing operations and PAT. PAT from continuing is better than taking a complete loss which is -100.00. This happens for sure because the company manages profits and other payments well before being taxed.

2.3 Common Size Analysis

FYE (000)	**2020**	**2021**	**2022**	**AVERAGE**
Revenue	100	100	100	100.00
Cost of sales	-82.37	-85.80	-92.58	-86.92
Gross profit	17.63	14.20	7.42	13.08
Other income	1.20	1.67	1.15	1.34
Administrative expenses	-5.65	-5.88	-3.80	-5.11
Other expenses	-1.50	-0.74	-0.30	-0.85
Finance costs	-0.93	-1.00	-0.60	-0.84
Net impairment (loss)/gain on financial assets	-1.24	1.88	0.92	0.52
Profit before tax	9.51	10.14	4.78	8.14
Income tax expense	-2.73	-2.63	-0.89	-2.08
PAT from continuing operations	6.78	7.51	3.89	6.06
PAT from discontinued operations	0.01	0.00	0.00	0.00
PAT	6.79	7.51	3.89	6.06

The cost of sales increased from 82.37 in 2020 to 92.58 in 2022, according to the data above.It is rising by 11.03%. The reason for the increase from 2021 to 2022 is that subcontractors' increased work on cable installation for the four main projects of Sri Jati, which are related to HDD works for 11kV underground cable in Johor, resulted in an increase in subcontractor fees of RM9.95 million, or 27.46%, from RM36.24 million in 2021 to RM46.19 million in 2022. Subcontractor fees typically vary according to the status of the project and the activities involved in its construction. As a result, over the course of three years, the cost of sales decreased. The gross profit in 2020 is 17.63, drops to 14.20 in 2021, and then drops to 7.42 with an average of 13.08 in 2022.

From RM9.78 million in 2021 to RM11.21 million in 2022, Sri Jati saw an increase in PBT of RM1.43 million, or 14.62%. This results from a higher yield in 2022, which raises the GP. Insurance claims and other income exceeding net impairment gains on financial assets of RM2.16 million (FYE 2021: RM1.82 million). The increase in PBT is offset by higher administrative and financial expenses, primarily associated with personnel and professional fees. Despite a rise in PBT, our PBT margin decreased from 10.14% in FY 2021 to 4.78% in FY 2022. The main causes of this were increased overhead and administrative expenses, such as staff and professional fees, as well as decreased GP margins from subsurface utility engineering services and solutions. The PAT margin for Sri Jati also declined, going from 7.51% in FYE 2021 to 3.89% in FYE 2022.

2.4 Financial Ratio Analysis

FYE	2020	2021	2022	2023 E	2024 F
a) Liquidity ratio	**1.25**	**1.5**	**1.43**		
b)Profitability ratio					
Gross Profit Ratio	**17.63**	**14.20**	**7.42**		
Profit before Tax (PBT) ratio	**9.51**	**10.14**	**4.78**		
Net Profit Ratio	**6.79**	**7.51**	**3.89**		
c) Efficiency ratio	**1.18**	**1.01**	**2.46**		
d)Gearing ratio	**0.79**	**0.68**	**0.69**		
e) Market valuation Ratio					
Offer price (RM)	**0.27**				
Net EPS (RM)	**0.02**	**0.02**	**0.02**	**0.09**	**0.09**
Net EPS (sen)	**1.95**	**1.85**	**2.33**	**8.72**	**9.27**

Price Earning Ratio (PER)	**13.82**	**14.61**	**11.58**	**3.10**	**2.91**

Based on the data, The liquidity ratio has been gradually decreasing from 1.25 in FYE 2020 to 1.43 in 2022, this suggesting a potential improvement in the company's ability to meet short-term obligations.

Next, for the gross profit ratio, this ratio has declined significantly from 17.63% in 2020 to 7.42% in 2022, indicating a potential decrease in the efficiency of production or increased cost of goods sold. Profit Before Tax (PBT) Ratio shows a decline value from 9.51% in 2020 to 4.78% in 2022, which might raise concerns about the company's overall profitability.

For Net Profit Ratio, the net profit ratio has also decreased from 6.79% in 2020 to 3.89% in 2022, indicating lower profitability after considering all expenses.

The efficiency ratio has shown fluctuations, with a notable increase in 2022. Fluctuations in the efficiency ratio may indicate variations in how effectively a company utilizes its assets to generate sales or income. If the efficiency ratio increases, it suggests that the company is becoming more effective in generating revenue from its assets. Conversely, a decrease in the efficiency ratio may signal inefficiencies in asset utilization, potentially pointing to operational challenges or changes in business processes.

For gearing ratio, it has slightly decreased from 0.79 in 2020 to 0.69 in 2022. A lower gearing ratio generally indicates less financial risk or lower financial leverage. This suggests that a smaller proportion of the company's assets is financed through debt. It implies a lower level of financial risk, as the company relies less on borrowed funds and has a higher proportion of equity in its capital structure. While a lower gearing ratio signifies a more conservative approach to financing, it also means that the company might have limited tax shields and may not be taking full advantage of the tax benefits associated with debt financing.

The Price Earning Ratio (PER) has decreased significantly from 13.82 in 2020 to 11.58 in 2022, suggesting a potential undervaluation or decreased market expectations. The substantial drop in PER in 2023 may indicate a significant increase in expected earnings per share (EPS).

The Net EPS has shown a substantial increase, especially in 2023, leading to a lower PER. This could be due to anticipated higher earnings relative to the current stock price.

In conclusion, the company's liquidity seems reasonable, but a decline in profitability and efficiency raises concerns. The decrease in gearing ratio may signify reduced financial risk. The market valuation ratios suggest potential undervaluation, especially with the significant drop in PER in 2023, possibly due to expected higher earnings per share.

2.5 Decision

Offer Price (RM)	0.27	
NTAB (RM)	0.13	DON'T BUY
Est price based on Market PER @ 22x (RM)	1.92	BUY
Average PER @ 13x (RM)	1.13	BUY
Industry PER @ 11x (RM)	1.02	BUY

After we do all the calculations using financial analysis, we can finally make the decision whether to buy or not buy. From the table above we can see that the offer price is RM 0.27. This is the specific amount at which the company intends to sell its shares to the public as part of the Initial Public Offering (IPO).

The NTAB is calculated as RM 0.13. Since the NTAB is calculated as RM 0.13 which is lower than the offer price of RM 0.27, the decision for this price is “DON'T BUY” because a lower price indicates a potential concern. Because based on tangible assets alone, the IPO may be considered overvalued. Investors and analysts may interpret this as an indication that the market price of the shares is not adequately supported by the tangible assets of the company.

The estimated price based on a Market Price-to-Earnings Ratio (PER) of 22 times is given as RM 1.92. This implies that, according to the market's valuation of earnings, the stock is considered undervalued relative to the offer price of RM 0.27. The decision to this price is “BUY”. This suggests that, based on the market's valuation of earnings, the stock is perceived as undervalued compared to the offer price. The investors might find the estimated price attractive.

The estimated price based on an average Price-to-Earnings Ratio (PER) of 13 times is RM 1.13. The decision at this price is "BUY." A lower average PER implies a more conservative valuation, suggesting that the stock is perceived as undervalued relative to the offer price of RM 0.27. The decision indicates that investors might find the stock appealing at a price that is considered more reasonable in relation to its earnings.

The industry PER represents the average price investors are willing to pay for each dollar of earnings within the relevant industry. The estimated price based on an industry Price-to-Earnings Ratio (PER) of 11 times is RM 1.02, and the decision on this price is “BUY” since the price is higher than the offer price. Based on the market's valuation of earnings, the stock is perceived as undervalued compared to the offer price. Investors might find it attractive because they are getting a relatively lower valuation compared to the industry average.

Based on the evaluations on the Market PER, Average PER, and Industry PER all indicate a "BUY" recommendation. These metrics suggest that the stock is undervalued compared to the offer price, especially when considering earnings multiples and investors are likely attracted by the perceived value based on these common valuation measures. But the NTAB analysis raises a warning signal, indicating that the IPO would be overpriced just on the basis of its tangible assets. This can indicate that the company's physical assets fail to offer enough support on the market price.

3.0 Conclusion

In order to make a good analysis of Jati Tinggi Group Berhad’s IPO, we need lots of data from their prospectus. Nature of IPO, total new shares issue, key players, and reason and way IPO proceeds will be utilized provides investors to make informed decisions about participating in the IPO. It helps build a comprehensive narrative that covers the company's background, motivations for going public, the impact on existing shareholders, key players, and the strategic utilization of IPO proceeds.

Apart from that, estimated and forecasted analysis, trend analysis, common size analysis, financial analysis and including the decision are also important for the IPO analysis. These components collectively provide investors with a comprehensive toolkit to assess the financial health, growth prospects, and potential risks associated with an IPO. By combining forward-looking estimates, historical trends, standardized analyses, and ratios, investors can make more informed decisions about whether to participate in an IPO and understand the company's positioning in the market.

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