



Ever Flow River Group Public Co., Ltd. (EFR)

Summary:

The Ever Flow River Group Public Co., Ltd. (EFR) is Myanmar's leading logistics corporation. It was established in 1998, getting its start originally as a customs clearing agent. Over the years, the company has built up a nationwide and international distribution network with its know-how and experience in shipping, domestic transportation networks, warehouse storage, and inventory management. On April 10, 2014, EFR obtained its corporate registration in accordance with the Myanmar Companies Act of 1914. Then, on May 28, 2020, EFR gained listing on the Yangon Stock Exchange.

EFR has its own fleet of trucks, and so is able to offer its customers a comprehensive logistics service. In other words, it is an asset-based third-party logistics corporation. With the aim of providing its customers with a seamless distribution service, EFR operates eight subsidiaries and three associate companies. The company has advanced capability in identifying and implementing optimal transportation routes based on the expertise of its highly trained and experienced staff. Moreover, the company is good at listening to its customers' needs, and thereby offers a high-level of service which gains customer satisfaction. The company is also putting efforts into improving the quality of its distribution infrastructure, as well as expanding on the quantitative side by carrying out strategic investment in keeping its distribution centers well equipped, and developing port facilities. The company's earnings structure depends heavily on import and export volume. Assuming that Myanmar's economy continues to grow in the future along with the expansion of foreign trade, a positive environment for EFR's business should come about.

Compared to other countries, Myanmar's distribution system is lag behind. EFR is involved in projects meant to improve that system, such as the HITLC Terminal Project in Yangon and the upgrading of the distribution center in Mandalay. A major increase in the volume of freight is predicted, and both Yangon and Mandalay are on the main routes connecting to international routes including China, India, and Thailand. Hence, this is a timely investment. EFR is in a leadership role in Myanmar's distribution industry, and has the ability to contribute to its development. It is a company that has great promise of further growth in the future.



1. EFR Corporate Overview

The Ever Flow River Group Public Company, Ltd. (EFR) is Myanmar's leading logistics corporation. It was established in 1998, getting its start originally as a customs clearing agent. Over the years, the company has built up a nationwide and international distribution network with its know-how and experience in shipping, domestic transportation networks, warehouse storage, and inventory management. On April 10, 2014, EFR obtained its corporate registration in accordance with the Myanmar Companies Act of 1914. Then, on May 28, 2020, EFR gained listing on the Yangon Stock Exchange.

In the business of distribution, from the moment the distributor takes charge of the producer's merchandise to the point of its delivery to the consumer, the quality of the service is determined by how efficiently, safely, and timely this can be carried out by the distribution company. While emphasizing this perspective, EFR comprehensively undertakes a broad range of logistics operations, including air transport, sea transport, road transport, rail transport, river transport, customs clearance, shipping, product inspection, warehousing, inventory management, and delivery. In the areas of air and sea transport, the company provides a service with linkage to overseas distributors, while in the case of domestic road transport, it uses its own trucks in handling both container transport and box transport. As for rail and river transport, the company provides linkage to the operators handling those areas. Meanwhile, the company is also in possession of its own warehouses and distribution centers.

EFR is an asset-based third-party logistics corporation. There are currently very few companies capable of providing this kind of service in Myanmar, hence it has a major competitive advantage. EFR's strengths include (1) advanced capability in identifying and implementing optimal transportation routes based on the expertise of its highly trained and experienced staff, (2) the company is good at listening to its customers' needs, and thereby offers a high-level of service which gains customer satisfaction, (3) operational efficiency through the utilization of information and communication technology, and (4) the company is actively improving and upgrading its distribution infrastructure with the aim of providing its customers with a seamless distribution service.

EFR is working towards expanding its business by attending various conferences and conventions in order to acquire new customers and learn how to accurately grasp customer



needs. Meanwhile, the company is aggressively carrying out investment in maintaining and upgrading port facilities, and promoting the development of new distribution routes. EFR is also making efforts to link up with overseas distributors. In 2014, the company established a joint venture with Kamigumi, a Japanese distribution company. As for awareness of laws and business ethics, sharing of risk information, prevention of problems and scandals, in other words compliance issues, the company has established three committees – an auditing & legal committee, risk management & compliance committee, and a nomination & remuneration committee – and is doing its best to fulfill its corporate social responsibility and public mission.

In providing its distribution service, EFR operates eight subsidiaries and three associate companies. With the exception of Ever Flow River Logistics & Distribution Center (Mandalay) Co., Ltd, in which it has 92.6% ownership, EFR has 100% ownership of its subsidiaries. As for associate companies, it owns 49% of a company handling operations at Thilawa Port, which is expected to see growth in volume of cargo handled in the future, and 30% of its joint venture with Kamigumi in Japan.

Chart 1 Subsidiaries & Associate Companies

Subsidiaries	Stake %
Myanmar Round the World Logistics, Ltd	100
Multipack Engineering Services, Ltd	100
Union Choice Services, Ltd	100
EFR G-Link Express Services,Ltd	100
MRTW Manufacturing & Inspection Co.,Ltd	100
Gold Shipping Agency Services,Ltd	100
Ever Flow River Trading Co.,Ltd	100
Ever Flow River Logistics & Distribution Center (Mandalay) Co.,Ltd	92.6
Associate companies	
Hlaing Inland Terminal and Logistics Co., Ltd	49
UTOC Multipack Myanmar Co.,Ltd	40
Kamigumi-EFR Logistics (Myanmar) Co.,Ltd	30

Source: EFR; compiled by YSX.

As of end September 2019, the number of employees stood at 632 for the entire EFR group. As for the breakdown by company, MRTW Manufacturing & Inspection Co., Ltd,



which handles the inspection of textiles products, accounted for over half at 360 employees. The next largest numbers of employees are at Kamigumi-EFR Logistics (Myanmar) Co., Ltd at 81 – quite a small number of employees. Next in line is EFR G-Link Express Services, Ltd with 59 employees providing customs clearance and import-related services. Other EFR group companies have around 20 employees each.

Chart 2 Number of Employees (September 2019)

EFR	23
Myanmar Round the World Logistics, Ltd	23
Multipack Engineering Services, Ltd (including UTOC Multipack)	19
Union Choice Services, Ltd	18
EFR G-Link Express Services, Ltd	59
MRTW Manufacturing & Inspection Co., Ltd	360
Gold Shipping Agency Services, Ltd	23
Ever Flow River Trading Co., Ltd	8
Ever Flow River Logistics & Distribution Center (Mandalay) Co., Ltd	8
Hlaing Inland Terminal and Logistics Co., Ltd	10
Kamigumi-EFR Logistics (Myanmar) Co., Ltd	81
Total	632

Source: EFR; compiled by YSX.

Business performance breakdown for major EFR group companies in FY2018 was as follows: as for sales, the largest share was held by Ever Flow River Trading Co., Ltd, which provides import/ export trade services and trade finance, at 48.8%. This is EFR's main business. The next largest share of overall sales was held by EFR G-Link Express Services, Ltd, which provides customs clearance and import related services, at 16%. As for gross profits, the largest share was held by EFR G-Link Express Services at 29.7%. The next largest share of gross profits was held by Gold Shipping Agency Services, Ltd at 17.7%. As for gross profit margin, Union Choice Services, Ltd, which handles International logistics for clothing and textile products, was the highest by far at 99.0%, followed by Myanmar Round the World Logistics, Ltd at 73.1%.

As becomes evident from the company's business performance, EFR's earnings are structured such that growth in imports and exports promises to bring earnings expansion.



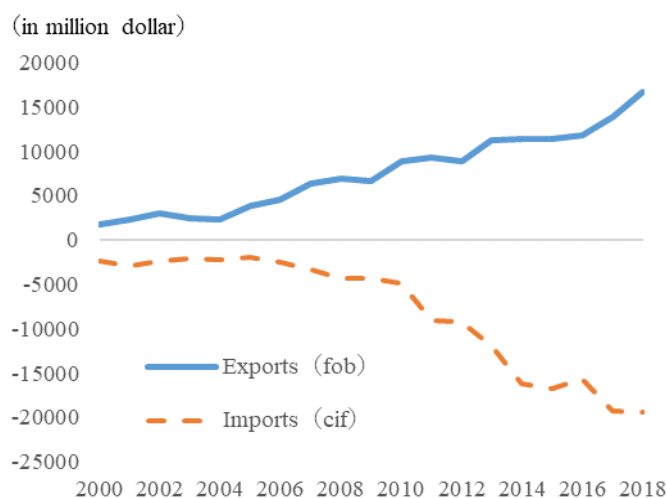
Imports and exports have grown significantly since the country adopted an economic open-door policy in 2011, and have continued to grow ever since. Considering Myanmar’s potential growth, the expectation is that growth in exports of agricultural and manufactured products, as well as growth in imports of semi-finished goods, machinery and equipment will continue in the future. This situation would be the perfect business opportunity for a logistics company like EFR. It is expected that the scale of EFR’s business will greatly expand in the future as the country grows.

Chart 3 Sales, Gross Profits, Gross Profit Margin & Net Profit Margin (FY2018-19)

The name of Company	Revenue		Gross Profit		Gross Profit Margin (%)	Net Profit Margin (%)
	(in million Kyat)	share %	(in million Kyat)	share %		
EFR	396	3.8	396	13.5	-	-
Myanmar Round the World Logistics, Ltd	269	2.5	197	6.7	73.1	2.2
Multipack Engineering Services, Ltd	348	3.3	76	2.6	21.9	-1.7
Union Choice Services, Ltd	204	1.9	203	6.9	99.0	4.0
EFR G-Link Express Services, Ltd	1,685	16.0	870	29.7	51.7	13.7
MRTW Manufacturing & Inspection Co., Ltd	1,331	12.6	350	11.9	26.3	-20.4
Gold Shipping Agency Services, Ltd	1,176	11.1	520	17.7	44.2	14.6
Ever Flow River Trading Co., Ltd	5,152	48.8	322	11.0	6.2	2.0
Total	10,561	100.0	2,934	100.0	27.8	-

Source: ADB; compiled by YSX

Chart 4 Changes in Imports & Exports



Source: ADB; compiled by YSX.



2. Myanmar Distribution and EFR

Though Myanmar has an advantageous geographical location, bordering India, China and Thailand, the long period of military rule which it experienced has caused its distribution infrastructure to fall way behind that of other countries. In comparing the distribution infrastructures of various countries we used the Logistics Performance Index (LPI) issued by the World Bank (see following page). The index evaluates logistics performance on a scale of 1 to 5 in the following categories: (1) Customs, (2) Infrastructure, (3) International Shipments, (4) Logistics Quality and Competence, (5) Tracking and Tracing, and (6) Timeliness. The closer the score comes to 5, the higher the logistics infrastructure is evaluated. Looking at the LPI scores of ASEAN member nations as of the year 2018, Singapore scores the highest at 4.00, while next is Thailand at 3.41, and Vietnam at 3.27. The lowest scoring countries were, unsurprisingly, the least economically developed – Laos, Cambodia, and Myanmar. Of these, Myanmar has the lowest score at 2.30. And out of all the categories evaluated, infrastructure scores the lowest at 1.99. Moreover, Myanmar scores the lowest of all the ASEAN member nations in each of the six categories. Out of 160 countries surveyed, Myanmar ranked at 137.

In response to this state of affairs, Myanmar's government has initiated a National Logistics Master Plan, and has implemented a variety of policy measures to improve distribution infrastructure. A typical example of these measures is the Myanmar Automated Cargo Clearance System (MACCS), an electronic customs clearance system introduced in November 2016 with the support of the Japan International Cooperation Agency (JICA). The introduction of this system has led to more efficient operations, shortening the time required to do the work significantly in comparison to filling out paperwork by hand. Two projects that are important to EFR are the HITLC Terminal Project in Yangon and the upgrading of the Ever Flow River Logistics and Distribution Center in Mandalay. According to the National Logistics Master Plan, volume of cargo handled is estimated to increase by around 1.8x by 2030 in comparison to the amount recorded in 2015. Most of that increase is expected to occur on the route running between north and south, in other words, centering on Yangon and Mandalay. The two projects mentioned above involving the upgrading of logistics infrastructure in Yangon and Mandalay are therefore considered to be quite timely. Once Yangon Port operations management and the distribution center in Mandalay get going, Myanmar's logistics system is expected to improve significantly on routes with major cargo handling needs. As a result, it promises to bring a positive contribution to EFR's corporate earnings.



Moreover, considering Myanmar’s geographic location neighboring India, China, and Thailand, and as a member of the Greater Mekong Subregion with large-scale logistics routes including the north-south economic corridor, the east-west economic corridor, and the southern economic corridor, advances made on upgrading the domestic logistics system’s infrastructure along with the expansion of logistics into the international area will result in the expansion of business opportunities for EFR.

Myanmar’s logistics infrastructure needs improvements in a variety of areas, and as upgrades are aggressively promoted, this places EFR in a leadership role in the industry. EFR has the ability to contribute to Myanmar’s development, and is a company that has great promise of further growth in the future.

Chart 5 Logistics Performance Indicator (2018)

Country	Overall LPI Score						
		Customs	Infrastructure	International shipments	Logistics quality and competence	Tracking and tracing	Timeliness
Singapore	4.00	3.89	4.06	3.58	4.10	4.08	4.32
Thailand	3.41	3.14	3.14	3.46	3.41	3.47	3.81
Vietnam	3.27	2.95	3.01	3.16	3.40	3.45	3.67
Malaysia	3.22	2.90	3.15	3.35	3.30	3.15	3.46
Indonesia	3.15	2.67	2.90	3.23	3.10	3.30	3.67
Philippines	2.90	2.53	2.73	3.29	2.78	3.06	2.98
Brunei Darussalam	2.71	2.62	2.46	2.51	2.71	2.75	3.17
Lao PDR	2.70	2.61	2.44	2.72	2.65	2.91	2.84
Cambodia	2.58	2.37	2.14	2.79	2.41	2.52	3.16
Myanmar	2.30	2.17	1.99	2.20	2.28	2.20	2.91

Source: World Bank; compiled by YSX.

--End--