

Recommendation	BUY
Target Price (One Year)	36.70
Current Market Price	25.00
Upside	46.8%
Updated on	09-May-23
Analyst : Chamath WickramaArachchi chamath@ashasecurities.net	

Colombo Fort Land & Building PLC (CFLB) was the first to venture into commercial property development in what was then known as Ceylon, has diversified its interests, and became a conglomerate with a wide range of business activities, including investment, chemical, paint production, distribution, manufacturing, food processing, motors, hotels, and plantations. The company was established on April 30, 1985, with the aim of acquiring Leyden Bastian premises and developing them to cater to the growing demand for high-quality office spaces at that time. Over the years, the company has experienced organic growth and strategically acquired new businesses, enabling it to operate as a dynamic conglomerate. With a strong sense of confidence and determination, the company is now poised to tackle new challenges in the future.



Key Information

Company Name	THE COLOMBO FORT LAND AND BUILDING PLC	
ISIN	LK0049N00003	
Bloomberg / CSE Ticker	CFLB SL / CFLB.N0000	
Sector	Capital Goods	
Shares in issue (mn)	240.00	
Market cap (LKR Bn)	6.00	
As a % of Total Market Cap	0.15%	
YTD Gain / (Loss)	-6.36%	
52-week high	34.20	(05/12/2022)
52-week low	9.20	(19/07/2022)
Beta Values Against ASPI	1.68	
Net Asset Value Per Share	28.12 (Dec 2022)	
CSE Total Market Cap (LKR Bn)	3,785	
ASPI / S&PSL 20	8,914.74 / 2,604.47	
Top Shareholders		
Property & Investment Holdings	40,153,059	16.7%
Colombo Investment Trust PLC	31,149,717	13.0%
Colombo Fort Investments PLC	26,863,895	11.2%
Financial Trust Limited	26,724,863	11.1%
Capital Investments Ltd	23,084,375	9.6%
Corporate Holdings (Pvt) Ltd	9,099,080	3.8%
SAMP/ Dr. T. Senthilverl	8,910,442	3.7%
SEYB/ Mr. A. Sithampalam	5,700,000	2.4%
Public holding	80,352,000	33.5%
Board of Directors		
S.D.R. Arudpragasam - Chairman	C.P.R. Perera - Deputy	
Anushman Rajaratnam- Group MD	A. Rajaratnam	
A.M. de S. Jayaratne	R. Seevaratnam (Deceased)	
P. M. A. Sirimane (Group Finance)	S. Rajaratnam	

Key Financials

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Revenue	41,016	43,293	36,231	43,232	51,556	83,764	92,196	101,649
YoY growth %		5.6%	-16.3%	19.3%	19.3%	62.5%	10.1%	10.3%
Gross Profit	7,841	8,763	5,240	8,617	10,213	20,941	18,439	22,363
YoY growth %		11.8%	-40.2%	64.5%	18.5%	105.0%	-11.9%	21.3%
GP Margin %	19.1%	20.2%	14.5%	19.9%	19.8%	25.0%	20.0%	22.0%
Operating Profit	1,385	2,829	371	3,712	4,266	9,634	5,983	8,636
YoY growth %		104.2%	-86.9%	900.5%	14.9%	125.8%	-37.9%	44.3%
GP Margin %	3.4%	6.5%	1.0%	8.6%	8.3%	11.5%	6.5%	8.5%
Profit/(Loss) before Tax	(916)	(156)	(3,709)	493	404	2,855	3,157	5,624
YoY growth %		-83.0%	2281.7%	-113.3%	-18.1%	606.8%	10.6%	78.1%
GP Margin %	-2.2%	-0.4%	-10.2%	1.1%	0.8%	3.4%	3.4%	5.5%
Net Asset Value	21.36	23.04	12.24	11.74	16.31	28.20	41.35	64.79
YoY growth %		7.8%	-46.8%	-4.1%	38.9%	72.9%	46.6%	56.7%

1. Executive Summary



CFLB is a diversified conglomerate with a wide range of businesses, including investment, chemical and paint production, distribution, manufacturing, food processing, motors, hotels, and plantations. The company has grown organically and strategically acquired new businesses, operating as a dynamic and agile conglomerate



We recommend BUY for CFLB with a one year target price of LKR 37.60, based on its strong financial performance, diversified business model, and potential growth opportunities. CFLB rebounded strongly from setbacks which lasted until 2020, with impressive topline and bottom line gains.



CFLB is forecasted to experience significant growth in revenue and gross profit, reaching 101 Bn LKR and 22.3 Bn LKR, respectively, by 2025. The company's diversified business model provides a cushion against industry-specific risks and macroeconomic headwinds.



Potential growth opportunities exist in CFLB's real estate and hospitality segments, positioning the company for sustained growth. However, investment risks includes intense competition, regulatory risks, and political instability.

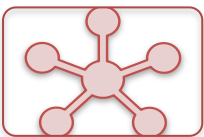
2. Investment Thesis

2.1 Our investment thesis for CFLB is based on the following factors:



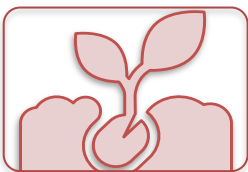
Strong Financial Performance

CFLB has not reported strong financial performance until FY 2020 due to various reasons, but the company has started to perform better from FY 2021 following the restructuring in the group and the favourable macro economic developments. Improvements in its business segments, future growth potential and the declining trend of AWPR are expected to ease the pressure of large debt in its balance sheet.



Diversified Business Model

CFLB's diversified business model provides it with a cushion against industry-specific risks and macroeconomic headwinds. The company operates in a wide range of sectors, including real estate, hospitality, manufacturing, and food processing, which reduces its exposure to sector-specific risks.



Potential Growth Opportunities

CFLB is expected to maintain its growth from consumer and commodity trades, driven by the recovery in economy with the IMF program. In addition, the company's significant land bank presents opportunities for new real estate projects, and its hospitality business is well-positioned to benefit from the gradual recovery of Sri Lanka's tourism industry.

2.2 Segmental Analysis:



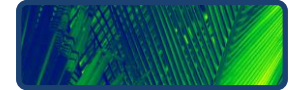
Consumer Segment - which is the highest revenue generator for CFLB, accounting for over 50% of the total revenue in the past five years. This segment shows strong growth momentum; its revenue is expected to reach LKR 63.4Bn in 2025



Industrial segment is the second-highest revenue generator for CFLB, accounting for near 25% of its total revenue in the past five years. The segment also shows strong growth potential with an expected revenue of LKR 24.9Bn in 2025.



Leisure segment is relatively small and volatile in terms of revenue, accounting for less than 5% of the total revenue in the past five years. However, the segment is expected to show moderate growth with an expected revenue of LKR 2,25Bn in 2025.



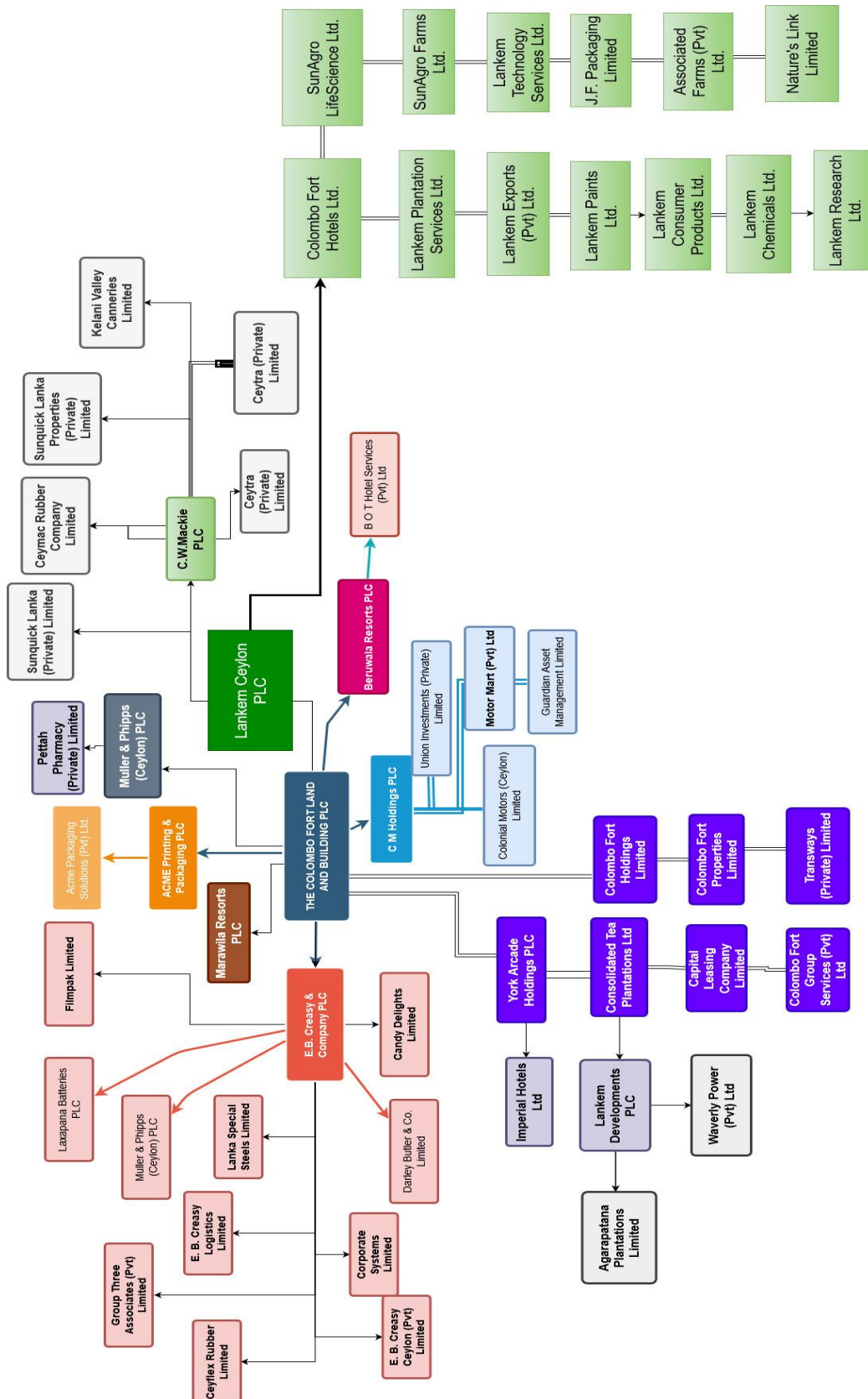
Plantations segment had decline in revenue over the past five years, but now its recovering and accounts for a significant portion of the total revenue. The segment is expected to maintain a stable revenue in the next three years with an expected revenue of 9.63Bn in 2025.

This thesis on CFLB is being developed through a comprehensive analysis on its subsidiaries: EBCR, CWM, and LCEY. Thorough research is being conducted, and various factors are considered for the forecast.

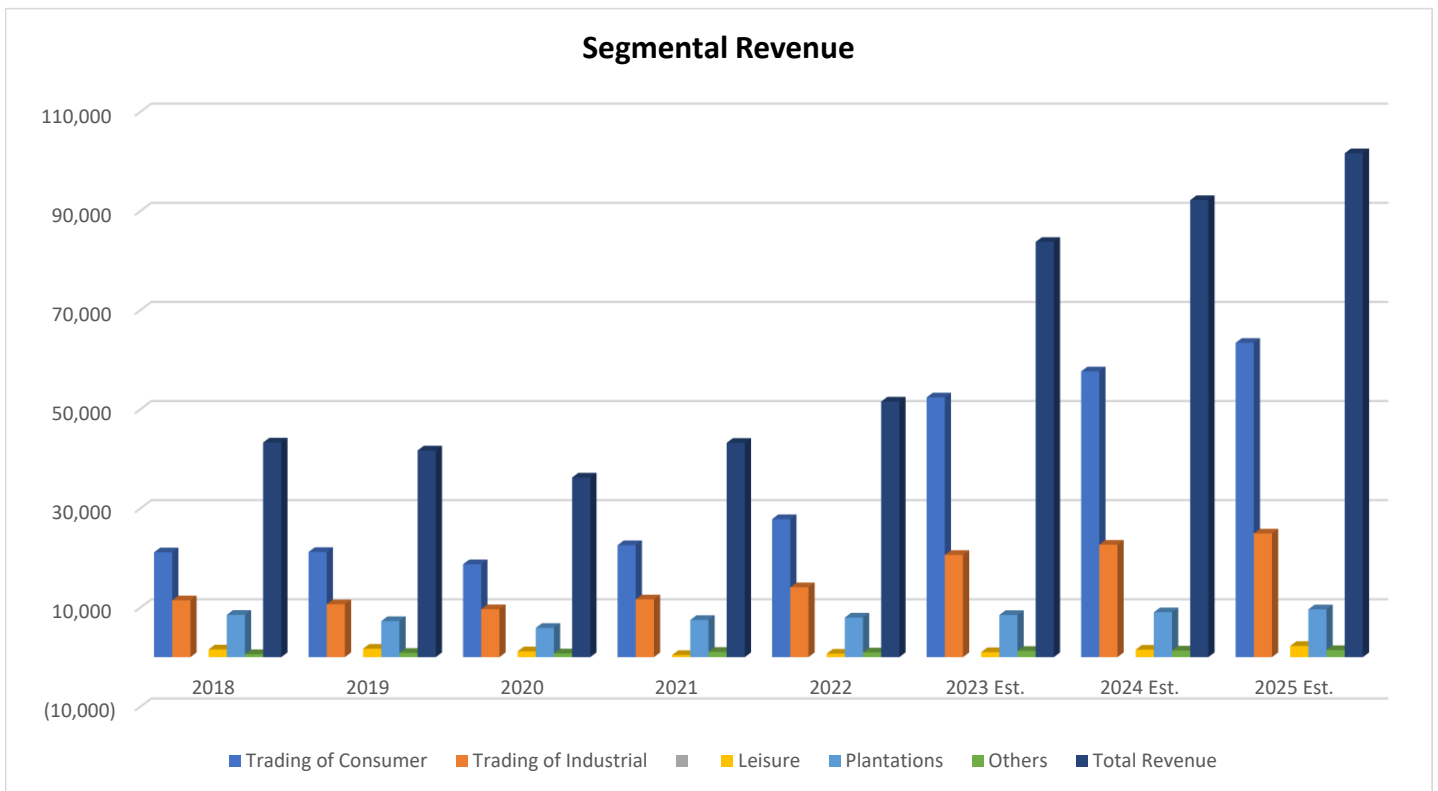
2.3 Segmental analysis and forecast.

LKR Mn	2018	2019	2020	2021	2022	2023 E.	2024 E.	2025 E.
Consumer	21,142	21,210	18,741	22,590	27,836	52,398	57,637	63,401
YOY Growth %		0.3%	-11.6%	20.5%	23.2%	88.2%	10.0%	10.0%
% Contribution to the Rev.	48.8%	50.9%	51.7%	52.3%	54.0%	62.6%	62.5%	62.4%
Industrial	11,460	10,654	9,664	11,647	14,096	20,614	22,676	24,943
YOY Growth %		-7.0%	-9.3%	20.5%	21.0%	46.2%	10.0%	10.0%
% Contribution to the Rev.	26.5%	25.6%	26.7%	26.9%	27.3%	24.6%	24.6%	24.5%
Leisure	1,552	1,698	1,170	431	693	1,001	1,501	2,252
YOY Growth %		9.4%	-31.1%	-63.2%	61.0%	44.3%	50.0%	50.0%
% Contribution to the Rev.	3.6%	4.1%	3.2%	1.0%	1.3%	1.2%	1.6%	2.2%
Plantations	8,534	7,265	5,898	7,498	7,983	8,499	9,049	9,634
YOY Growth %		-14.9%	-18.8%	27.1%	6.5%	6.5%	6.5%	6.5%
% Contribution to the Rev.	19.7%	17.4%	16.3%	17.3%	15.5%	10.1%	9.8%	9.5%
Others	605	862	758	1,065	947	1,252	1,333	1,419
YOY Growth %		42.4%	-12.1%	40.5%	-11.0%	32.1%	6.5%	6.5%
% Contribution to the Rev.	1.4%	2.1%	2.1%	2.5%	1.8%	1.5%	1.4%	1.4%
Total Revenue	43,293	41,689	36,231	43,232	51,556	83,764	92,196	101,649
YOY Growth %		-3.7%	-13.1%	19.3%	19.3%	62.5%	10.1%	10.3%

3. Company Overview 3.1 - Group Structure



3.2 Segmental Overview



➤ Trading Consumer Products Sector

- ❖ Our investment research indicates that E B Creasy PLC and C W Mackie PLC in the Consumer Sector have demonstrated exceptional performance in the year 2021/2022.
- ❖ C W Mackie PLC reported its best-ever result in over 100 years of trading business, with a profit from operating activities of Rs. 808.47 million.
- ❖ E B Creasy & Company PLC reported a remarkable increase in both cumulative group revenue and profit before tax, by 27% and 25% respectively over the previous year, with the profit before tax growing by Rs. 205.76 million.
- ❖ These companies' performance can be attributed to the foreign exchange gains resulting from the depreciation of the Sri Lankan Rupee against the US Dollar, and the groups' strategies to minimize disruptions to supply chains with a persistent focus on working capital efficiencies and cost rationalization measures.
- ❖ Despite the challenging conditions faced during the year, we believe that E B Creasy PLC, C W Mackie PLC and Lankem Ceylon PLC have the potential for strong growth and returns for investors.
- ❖ We recommend exercising caution with C M Holdings PLC due to unfavorable conditions and declining profits.
- ❖ These positive developments could result in increased investor favoritism towards E B Creasy PLC, C W Mackie PLC and Lankem Ceylon PLC.

Products Portfolio - E B Creasy PLC

✓ Home Care

The Homecare Division of Darley Butler presents a promising investment opportunity with its diverse range of E B Creasy PLC products, featuring two well-known brand names in the Sri Lankan market: Ninja and Amritha. While Ninja has already established itself as a trusted pest control solution, the new and well-received Amritha joss stick collection offers additional growth potential.



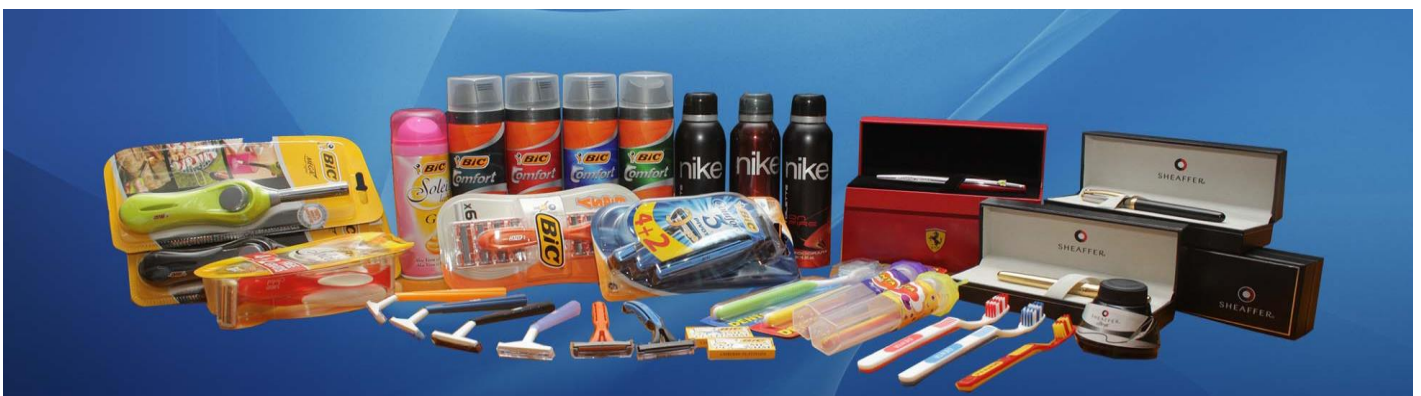
✓ Personal Care

The Personal Care division of Darley Butler offers an attractive investment opportunity with a range of high-quality personal grooming and hygiene brands for Sri Lankan consumers.

The division's product portfolio comprises established brands like BIC, DENTA Toothbrushes, CUTEE BABY DIAPERS, LILY COTTON COMFORT WINGS, and Sheaffer Products, all distributed and marketed by Darley Butler & Company.

With its emphasis on delivering top-notch personal care solutions, the division is well placed to benefit from the growing demand for premium personal care products in Sri Lanka.

Investing in the Personal Care division of Darley Butler is expected to generate favorable returns, thanks to its strong market presence, diversified product range, and track record of providing quality and innovative products to consumers in Sri Lanka.



✓ **Health Care**

The Darley Butler Health Care Unit (sub subsidiary of CFLB) is a promising investment opportunity, with a strong track record in the marketing and distribution of pharmaceutical, laboratory, and veterinary products throughout Sri Lanka. Established in 2001, the unit has quickly established itself as a leading player in the Sri Lankan healthcare industry, leveraging its expertise and experience to provide quality products and services to customers.

EBCR has established strong and longstanding partnerships with a range of manufacturers and international healthcare product partners.

Sterling Lab	India
Navana Pharmaceuticals Ltd	Bangladesh
Duxen Pharmaceuticals (Pvt) Ltd	India
Orion Pharma Ltd	Bangladesh
Blue Cross Bio-Medical (Beijing) Co. Ltd	China
YD Diagnostics CORP	Korea
Backjoy Inc	U S A
INTAS Pharmaceutical Pvt Ltd	India
Zanon Vitamec	U S A

Additionally, the partnership with **Pettah Pharmacy Ltd, a subsidiary under Muller & Phipps PLC**, provides the unit with further resources and market reach. With over 40 years of experience in agency-distributor business operation lines, Pettah Pharmacy Ltd is a pioneering pharma company in Sri Lanka, having been established in 1956.



As such, the Darley Butler Health Care Unit is well positioned to capitalize on the growing demand for high-quality healthcare products and services in Sri Lanka, making it an attractive investment prospect for those looking to gain exposure to the country's healthcare sector.

Cow & Gate

Cow & Gate is a brand unanimous with baby feeding and has been a trusted choice for Sri Lankan mothers for over eight decades.



✓ Foods

Hacks

Hacks is the market leader among medicated candies, in Sri Lanka. Very popular for its cooling menthol taste, it can be enjoyed as a “mouth freshener” or to offer temporary relief from throat irritation or cough.



Candyman



Manufactured by Creasy Foods Ltd, the hard candy and lollipop are produced via a state-of-the-art Candy Depositor machine, retaining the flavour and maintaining uniform shape and mouth surface, in contrast to tableted candy.

- Butterscotch Candy
- Tamarind Candy
- Strawberry Candy
- Orange candy
- Lemon Candy
- Coffee Cream Candy
- Strawberry and Cream Lollipop

Bakery Products

Darley Butler Foods has a longstanding partnership with LESAFFRE, a global leader in the production, fermentation, and transformation of yeast. Since 1995, Darley Butler Foods has been representing LESAFFRE in Sri Lanka, offering a range of yeast products, including DCL red and brown yeast, as well as DCL 2 in 1 bread improver. These products are specifically designed to cater to the needs of the local bread and bakery industries, providing improved machinability, increased proofing tolerance, and better overall yield. By offering high-quality yeast products and technical knowledge, Darley Butler Foods is helping to strengthen the competitiveness of the local bread and bakery industries in Sri Lanka.



- ✓ Darley Margarine
- ✓ Darley Pre-Mixes & Bread Compounds
- ✓ Inventis Bread Improver

✓ Energy and Lighting

E B Creasy's energy and lighting interest is primarily focused on Laxapana Batteries, a public quoted entity established in 1956. In addition to manufacturing D size batteries, the company also assembles CFL and LED bulbs, rechargeable torches, and offers a range of batteries, including heavy-duty and alkaline variants. As the sole distributor of Laxapana products, Darley Butler & Company Ltd is well-positioned to benefit from the growing demand for energy-efficient lighting solutions in Sri Lanka. With plans to expand its product portfolio further, Laxapana is poised to capture a larger share of the local market, providing potential investment opportunities in the energy and lighting sector.



Laxapana Batteries PLC (LITE), formerly Elephant Lite Corporation Ltd, is a pioneer dry cell battery manufacturer in Sri Lanka, established in 1956 and publicly listed on the Colombo Stock Exchange since 1982. The company continues to produce and market zinc chloride and alkaline type AA and AAA batteries, as well as CFL and LED bulbs and rechargeable torches under the LAXAPANA brand. With a fully equipped laboratory and testing facility, the company ensures the quality of its products. The factory and office are located on a 3½ acre freehold land in Homagama.

LAXAPANA CFL Bulbs

Laxapana Batteries PLC produces high-quality, energy-saving CFL bulbs in Sri Lanka that conform to international and local standards. The CFL bulbs are equipped with innovative technology that can withstand power fluctuations, ensuring a longer life span and stronger output. The product portfolio includes nine models of 'pin' and 'screw' type bulbs, and all come with a 1.5-year warranty.



LAXAPANA has a diverse range of products including LED bulbs and rechargeable torches that are manufactured to international standards and specifications. Their LED bulbs are highly energy-efficient and have a longer lifespan compared to other bulbs. The company uses innovative technology that enables their CFL bulbs to withstand power fluctuations and increase their lifespan. Additionally, LAXAPANA rechargeable torches are designed to be practical for everyday use and have a special LED bulb that can detect fraudulent currencies, making them a unique offering in the market. These products demonstrate LAXAPANA's commitment to innovation and quality, which could be a positive sign for investors considering the company.



Products Portfolio - C. W. MACKIE PLC

✓ **FMCG Cluster**

The FMCG cluster is one of three clusters in the Group and includes FMCG manufacturing, import activities, and distribution channels for F&B and P&HC products. The restructuring aims to streamline SBUs and enable them to operate from a position of strength to withstand market uncertainties, including those caused by the pandemic.

Food and Beverage



Sunquick is a multinational fruit squash brand with Danish origins that is available in more than 100 countries worldwide. It has a strong association with C. W. Mackie PLC that spans over 40 years and currently holds 70% market share in the squash and cordial market as the category leader. Branded as a family-friendly drink, Sunquick offers natural fruit flavors and coloring that is enjoyed by millions of people globally.

SCAN Jumbo Peanuts is a proprietary brand of C. W. Mackie PLC and a leader in its particular category enjoying 70% market share and processed and packed under its own label of Scan under stringent quality control and conditions. In the year 2022, C. W. Mackie PLC commissioned a peanut processing and packing facility in Horana.



SCAN Bottled Drinking Water ultra-premium purified drinking water, is among the premium and the cleanest known bottled water brand in Sri Lanka. SCAN Bottled Drinking Water is manufactured and bottled at the state-of-the-art bottling plant of C. W. Mackie PLC in Horana.



✓ Personal and Household Care

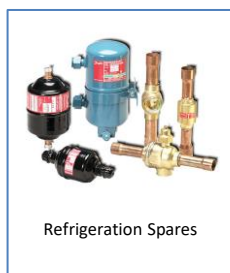
- ❖ The Scan Products Division of C.W Mackie PLC has expanded its FMCG arm by introducing Personal and Home Care products to its portfolio.
- ❖ The PHC division has established partnerships with global companies, including SC Johnson, WIPRO, and Himalaya, to distribute their products in Sri Lanka.
- ❖ SC Johnson is known for its household cleaning supplies, while WIPRO is a rapidly growing FMCG company in India, Asia, and Africa, and Himalaya offers a range of herbal health and personal care products.
- ❖ In addition to these partnerships, the PHC division also distributes Hansaplast medical plasters.
- ❖ With 22 appointed distributors, the Personal and Household Care Business of Scan Products Division has created an exclusive distribution channel in Sri Lanka.
- ❖ The expansion of the FMCG arm and partnerships with global companies highlight the Scan Products Division's commitment to providing high-quality products to Sri Lankan consumers.
- ❖ The addition of personal and home care products to the portfolio is likely to increase revenue and diversify the division's offerings.
- ❖ The exclusive distribution channel created by the 22 appointed distributors ensures that the Personal and Household Care Business of Scan Products Division can reach a wider customer base and capitalize on growing demand for premium personal care products.



✓ **Industrial Products Cluster**

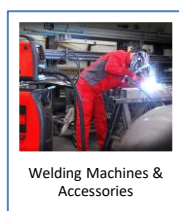
Industrial Refrigeration Sector

- ❖ C.W. Mackie Group's Refrigeration and Air Conditioning Division is an authorized importer and distributor of high-quality refrigeration products.
- ❖ The division offers a wide range of **Asian Copper Pipes, Fitting & Insulations brands, including JINTIAN Copper and HONGTAI Copper from China, and INSULFLEX from Malaysia and AEROFOAM from the UAE** for insulation tubes and sheets.
- ❖ The division also offers its own brand of refrigeration gas under the **GREENPOINT** brand, with various options like R22, R32, R134a, R407, R410, R507.
- ❖ The division is an authorized importer and distributor of European refrigeration lubricant brands, including **DANFOSS** Lubricant from France and **BITZER** Lubricant from Germany.
- ❖ C.W. Mackie Group's Refrigeration and Air Conditioning Division's partnerships with trusted brands and diverse range of high-quality products position the company as a strong player in the refrigeration industry.
- ❖ The division has promising growth prospects and is well-positioned to take advantage of increasing demand for high-quality refrigeration products.



Industrial Products Sector

- Mackie's Industrial Products Division is a Sri Lankan company that manages various agencies for premium industrial product companies.
- The division imports and sells welding electrodes, equipment, rock drilling tools, cutting wheels, and grinding wheels.
- The company's product selection continues to expand to meet growing demand, with the addition of more foreign brand names.
- Recently, Mackie's has introduced a range of general-purpose welding electrodes and MIG wire, cutting wheels and grinding wheels, welding equipment, and accessories from renowned global brands to the Sri Lankan market.
- The expansion of the product range indicates that Mackie's Industrial Products Division is well-positioned to capitalize on the growing demand for industrial products in Sri Lanka



✓ **Marine Products sector**

C.W. Mackie, the sole distributor of Hempel Marine paints in Sri Lanka since 2008, holds an average stock of approximately 50,000 litres at a bonded warehouse and 12,000 litres at their warehouse in Siyambalape, with sales showing a growth of around 9% against the previous financial year, catering to foreign and local ship owners, government establishments, multinationals, and local private companies.



- ❖ Hempel's marine product portfolio offers a comprehensive range of high-quality coatings and paints for various applications.
- ❖ The anti-corrosive primers, intermediate coats, and epoxy paint systems provide excellent protection against corrosion and other environmental factors.
- ❖ The tank coatings for various liquid cargoes, paints for portable water tanks, and primers for galvanized structures cater to diverse needs in the marine industry.
- ❖ Hempel's heat-resistant paints provide effective protection against high temperatures and are ideal for use in extreme environments.
- ❖ The Hempel brand offers durable and long-lasting coatings that provide ultimate protection and exceptional fuel-saving potential, enhancing sustainability in the industry.
- ❖ The fouling control products, based on self-polishing and fouling release antifouling technologies, provide effective protection against marine fouling, improving fuel efficiency and reducing maintenance costs.
- ❖ Overall, Hempel's product categories cater to diverse needs and provide innovative solutions for various industries, positioning the company for continued growth and success.

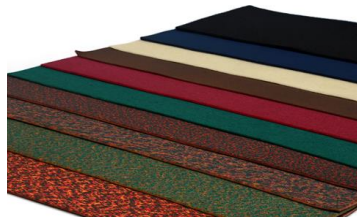
✓ Commodity Trading Sector

Rubber Trading

- ❖ C.W. Mackie is a leading exporter and manufacturer of specialty rubber grades in Sri Lanka, with a global customer base.
- ❖ The company promotes its own rubber products and produces customized rubber items for clients.
- ❖ Key export markets for C.W. Mackie include the USA, China, India, UK, Pakistan, Middle Eastern countries, Taiwan, Japan, Hong Kong, South America, South Africa, Italy, Germany, Spain, and other European countries.
- ❖ C.W. Mackie's natural rubber and rubber products find diverse applications in industries such as pharmaceuticals, adhesives, marine paints, automobiles, and household goods.
- ❖ The company has a wide range of rubber products and a strong foothold in key export markets.
- ❖ With growing demand for natural rubber across industries, C.W. Mackie is well-positioned to capitalize on this trend and continue its positive growth.



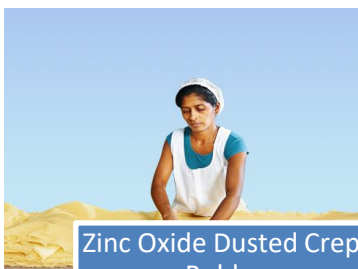
Thin/Thick Pale Latex Crepe Rubber



White and Coloured Sole Crepe Rubber



Ribbed Smoked Sheet Rubber



Zinc Oxide Dusted Crepe Rubber



Technically Specified Rubber (TSR Grade)



Speciality Rubber products

Coconut-Based Products Trading

- ❖ C.W. Mackie PLC specializes in exporting coconut products, including Desiccated Coconut, Virgin Coconut Oil, and Raw Coconuts.
- ❖ All of the company's coconut products are 100% natural and free of GMOs, ensuring they meet international and EU standards.
- ❖ The quality of C.W. Mackie's coconut products is tested at accredited laboratories.
- ❖ Key export markets for the company's coconut products include the EU, Middle East, North and South America, and Asian countries.
- ❖ C.W. Mackie's strong focus on quality control and adherence to international standards positions the company to capitalize on the growing demand for natural and healthy coconut products worldwide.



Desiccated Coconut



Low-Fat Desiccated Coconut



Coconut Milk / Powder



Virgin Coconut Oil



100% Certified Organic Desiccated Coconut



Coconut Flour

Spice Trading

- ❖ C.W. Mackie is a leading exporter of spices and essential oils from Sri Lanka to clients across the globe.
- ❖ The company sources its spices from the best organic and conventional farmers/traders in Sri Lanka and adheres to contracted quality and international standards.
- ❖ The spices are processed and cleaned to meet the buyer's required quality, ensuring rich flavor and aroma, grown in the fertile Sri Lankan soil.
- ❖ C.W. Mackie is committed to timely delivery of high-quality products, regardless of market conditions, which has earned it a reputation for reliability and consistency.
- ❖ Key export markets for C.W. Mackie's spices and essential oils include Europe, Middle East, Asia, and the Americas.
- ❖ With its focus on quality and timely delivery, C.W. Mackie is well-positioned to tap into the growing demand for organic and flavorful spices and essential oils worldwide.



Pepper



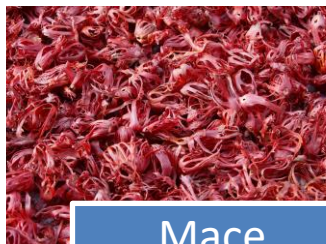
Cinnamon



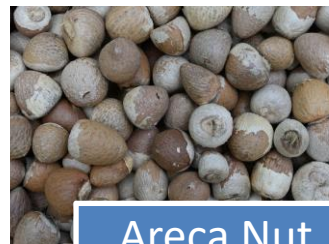
Cloves



Nutmeg



Mace



Areca Nut



Sesame



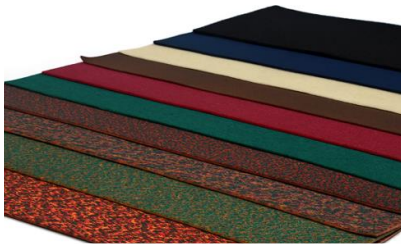
Tamarind



Essential Oils

Rubber Based Products Manufacturing

- ❖ C.W. Mackie PLC's Commodity Trading Cluster includes two subsidiaries, Ceymac Rubber Company Limited and Ceytra (Private) Limited.
- ❖ Ceymac Rubber Company Limited specializes in the manufacturing and exporting of technically specified rubber (TSR), plantation sole crepe, and specialty rubber products for various industries.
- ❖ Ceytra (Private) Limited manufactures a wide range of high-quality value-added natural and synthetic molded rubber products for the agricultural, automobile, and shipping industries, as well as rubber carpets and mats for the local market.
- ❖ Both companies conform to international quality standards and have a strong focus on meeting customer needs.
- ❖ Ceymac's effluent treatment plant is certified by the Central Environment Authority, demonstrating the company's commitment to responsible effluent management.
- ❖ With a strong presence in the rubber industry and a commitment to quality and sustainability, C.W. Mackie's subsidiaries are well-positioned to capitalize on the growing demand for high-quality rubber products worldwide.



Sole Crepe Rubber Sheets



Technically specified Rubber (TSR)



Natural Rubber Blocks (Belt/Stick cleaners)



Bumpers (Block, Cylindrical, Fender types)



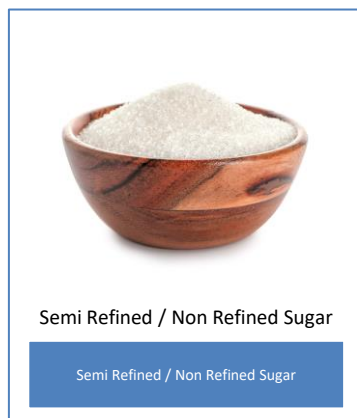
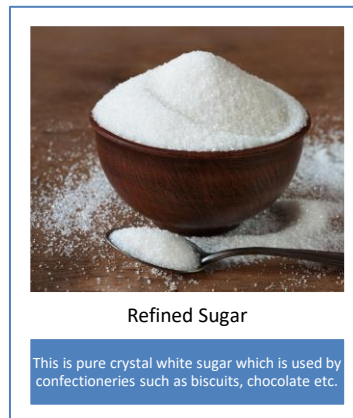
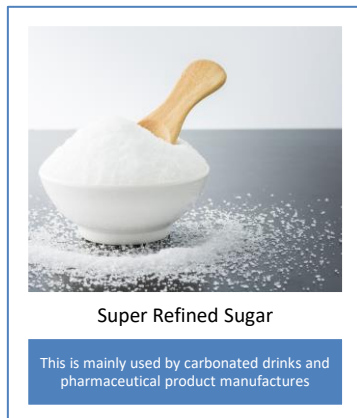
Caster wheels, Small tyres & Grommets



Straps

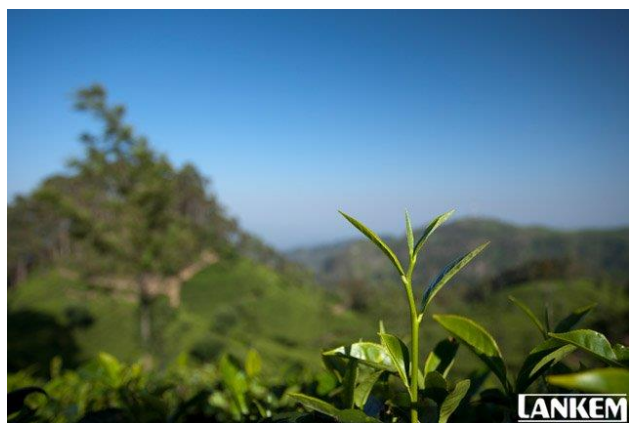
Sugar Trading

- ❖ C.W. Mackie PLC's Sugar Trading segment, part of the Commodity Trading Cluster, imports and distributes high-quality refined white sugar.
- ❖ The segment focuses mainly on B2B sales to industries such as food and beverage, carbonated drinks, dairy, and bakery.
- ❖ The segment also supplies packeted refined white sugar to the catering and restaurant sector, as well as caster sugar for industrial use.
- ❖ C.W. Mackie imports three categories of sugar-refined, semi-refined, and super-refined-from Thailand, India, and Dubai.
- ❖ The company provides competitive rates for these grades of sugar, which are supplied to players in the local beverage, confectionery, and pharmaceutical sectors.
- ❖ With a strong focus on meeting customer needs and providing high-quality products at competitive rates, C.W. Mackie's Sugar Trading segment is well-positioned to capitalize on the growing demand for refined white sugar across various industries.



➤ Plantation Sector

Kotagala Plantation PLC



Crop

The Company experienced a decline in tea production in the year under review, mainly driven by a decrease in High Grown crop, while Low Grown showed a notable growth. Despite the overall decline, the increase in Low Grown production indicates a recovery from the previous year's shortfall.

Tea

The Sri Lankan tea industry witnessed a growth in production by 7.4% in 2021, mainly due to the impact of Covid-19 pandemic in the first half of the year. However, unfavorable weather conditions in the second half resulted in a contraction of 7.2%. Despite this, the Yield per hectare of the smallholder sector remained higher than the large plantation sector. The Smart Auction introduced in 2021, strengthened the tea trade with improved trading and data features. Although Sri Lanka tea exports showed an increase in quantity, the percentage composition of tea of the total exports declined. The year 2021 saw an increase in auction volumes but prices increased only by 4%. Western High/Medium Grown averages showed a marginal increase, but the Low Grown average declined. Overall, the Sri Lankan tea industry's performance in 2021 reflects a mixed bag of results with both positive and negative trends.

Segmental Revenue and Profit Contribution

LKR Mn	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	3,269.6 100.0%	2,710.9 100.0%	3,207.0 100.0%	3,496.8 100.0%
Tea	2,635.5 80.6%	2,138.5 78.9%	2,426.0 75.6%	2,389.3 68.3%
Rubber	541.1 16.5%	463.3 17.1%	658.2 20.5%	799.8 22.9%
Oil Palm	93.0 2.8%	109.1 4.0%	122.8 3.8%	307.7 8.8%
Gross Profit	-206.9	-331.0	211.5 100.0%	368.3 100.0%
Oil Palm	38.1 -18.4%	41.6 -12.6%	44.7 21.1%	210.4 57.1%
Tea	70.4 -34.0%	-141.0 42.6%	263.6 124.7%	116.8 31.7%
Rubber	-315.4 152.5%	-231.5 70.0%	-96.9 -45.8%	41.2 11.2%

Rubber

The global production of natural rubber declined by 8% in 2021 compared to the previous year, primarily due to adverse weather conditions and work restrictions caused by Covid-19. Sri Lanka, which also experienced a decline in production of 2%, attributed it to the leaf disease "Pestolopsiosis" and the unavailability of chemicals due to the ban on agro chemicals. As a result, natural rubber prices at the Colombo auctions for Latex Crepe 1X saw a sharp increase from Rs. 548/= in April 2021 to Rs. 725/= per kilo gram by the end of the financial year in March 2022.

Previously, much of the land used for rubber cultivation had been uprooted and earmarked for Oil Palm cultivation. However, the government's ban on Oil Palm cultivation led to a recommencement of rubber replanting. These factors should be considered by equity research analysts when evaluating the performance of rubber-related industries in Sri Lanka.

Oil Palm

Oil palm is becoming a more promising crop in Sri Lanka's low country due to climate change and low worker requirements compared to rubber. The global market value is US\$ 50.6 billion with a consumption of 73.87 million tonnes. The Oil Palm Association of Sri Lanka has filed a writ application to lift the government ban, which could boost foreign exchange. The company plans to plant a significant extent of land into Oil Palm once restrictions are lifted.

Agarapathana Plantation Ltd

Agarapatana Plantations Pvt Ltd's Dambatenne Estate is a historically significant tea plantation located in Sri Lanka's Uva province. The estate has a total land extent of 873 ha., including Bandara Eliya, Dambatenne, Deaculla, Mousakellie, and Mahakanda Divisions. The estate produces nearly 1.5 million kg's of Black Tea each year, sold under the "Bandara Eliya" garden mark, and is renowned for its quality and legacy. Dambatenne Estate's "Lipton's Seat" offers breathtaking views, and the estate's rich biodiversity is influenced by two distinct climates, Uva and Wellawaya.



- **Pita Ratmalie & Beauvais Estates**

Agarapatana Plantations Pvt Ltd has a Rainforest Alliance Group Certification, and 13 properties have been certified by the Ethical Tea Partnership in terms of human resources and working conditions. The company has a total land extent of 6,688 hectares, which includes 6,361 hectares of mature tea producing the Uva high-grown variety, and has produced 8,833,818 kg's this year along with another 1 million kg's of bought leaf from smallholdings. The company's 28 fully equipped factories handle the entire production process, and many are ISO 2000 certified, with a current program underway to obtain both HACCP certification and ISO 22000 standards. The company's choice teas offer a bouquet of distinctive flavors and notes from being grown in a variety of elevations traversing agro-climatic zones, and a selection of High, Low and Uva elevation teas such as orthodox/rotorvane, CTC or Leafy manufacture provide the cream of the crop. Although the auction system sells the bulk of the company's production, they welcome direct export orders for specialty-type teas.

✓ **Leisure Sector**

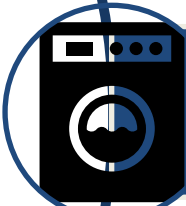
- ❖ Revenue growth has been consistent over the past few years, with the hotel segment contributing significantly to the overall revenue of the company.
- ❖ The occupancy rate of the hotels has been consistently high, indicating strong demand for the services provided by CFLB.
- ❖ The company has been expanding its hotel segment by acquiring and developing new properties, allowing them to enter new markets and cater to a wider range of customers.
- ❖ CFLB has been successful in managing costs in its hotel segment through cost-cutting measures without compromising on the quality of services provided, leading to increased profitability.
- ❖ Customer satisfaction has been a top priority for CFLB's hotel segment. The company has implemented several initiatives to improve customer satisfaction, resulting in high levels of customer satisfaction and loyalty.
- ❖ Overall, CFLB's commitment to providing excellent customer service and its focus on cost management have contributed significantly to the success of its hotel segment. The acquisition of new properties and expansion into new markets is expected to drive further growth and profitability for CFLB in the future.



Outlook on the Local Consumer Trading Segment



The Sri Lankan homecare segment faced a challenging year in 2022 due to the economic crisis, resulting in local manufacturers struggling to import raw materials. Despite this, consumers have shown a greater interest in maintaining hygiene levels, resulting in greater use of inexpensive home care items such as dishwashing and surface cleaners.

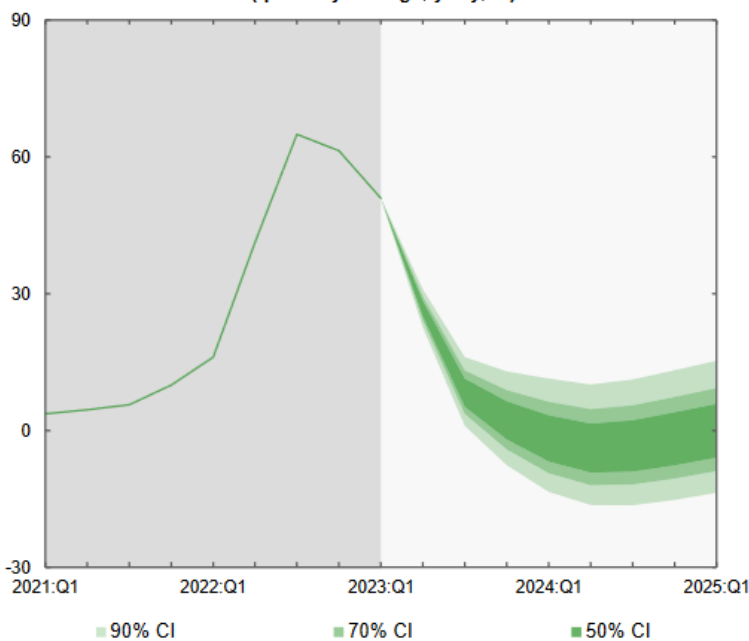


However, due to the economic crisis, consumers shifted their focus to cheaper brands and primary needs, resulting in decreased demand for nice-to-have items such as fabric conditioners. The possession rate of dishwashers and washing machines continued to rise, but demand for dishwashers is limited to a niche group of wealthy, urban households.



The nationwide fuel scarcity impacted product manufacturing severely. With the stabilization of the economy and improved import levels, the future performance of the home care segment is expected to see strong growth, driven by rising demand with economic recovery and the improvement in income levels.

Headline Inflation Projections
CCPI* (quarterly average, y-o-y, %)

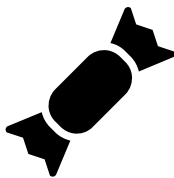
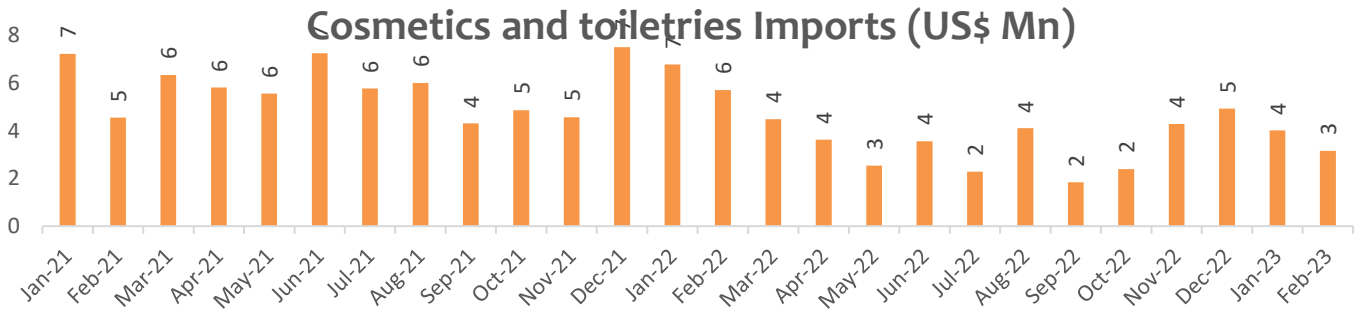


CBSL: Monetary Policy Review

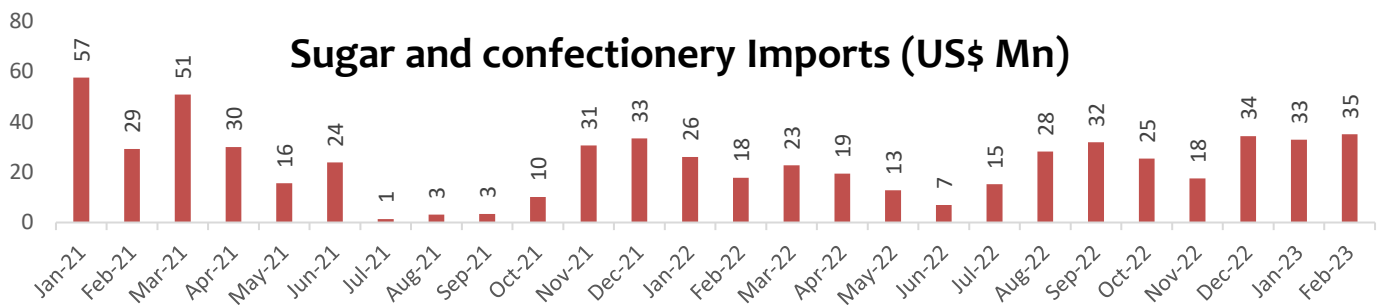
Since April 2022, Sri Lanka has seen a continuous increase in general price levels, leading to a decline in the consumption of fast-moving consumer goods (FMCG). This resulted in lower volumes being consumed at higher prices. However, with the reduction in prices and the gradual adaption of the new prices by consumers, FMCG companies are expected to maintain reasonable margins, while sustaining trade volume.

Outlook on the Local Consumer and Industrial Trading Segment

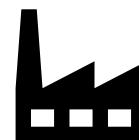
The **personal and home care industry** in Sri Lanka has been resilient, with steady imports of cosmetics and toiletries averaging around \$5-6 million per month over the past year. This could indicate a consistent demand for these products, which could be positive for companies involved in importing and distributing personal and home care products in Sri Lanka.



The Sri Lankan **sugar import industry** has shown resilience and growth over the past year, with steady imports of sugar and confectionery totaling over US\$ 57 million in January 2021 and increasing to US\$ 35 million in February 2023, which is a positive sign for the industry and the economy as a whole.



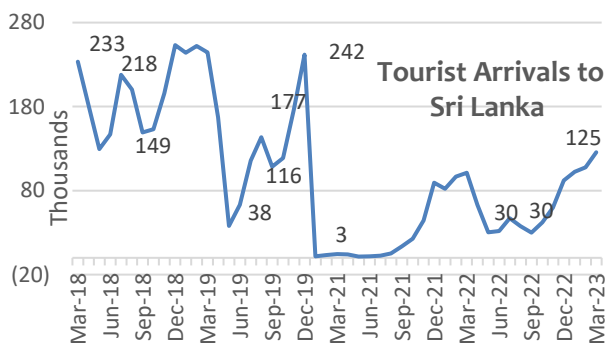
The **Sri Lankan rubber product export** industry has been performing consistently well, with exports totaling over US\$ 80 million in January 2021 and reaching US\$ 72 million in February 2023. This sustained growth is a positive indicator of the industry's potential and the company's profitability, which is a good sign for equity valuation.



Outlook on the Global Consumer and Industrial Trading Segment

- The personal care and home care industries have witnessed remarkable growth globally, primarily driven by the shifting consumer preferences towards organic and natural products.
- The sugar trading industry is facing challenges globally due to rising health concerns related to sugar consumption, leading to a shift towards alternative sweeteners.
- The spice trading industry has experienced growth worldwide, fueled by the growing demand for ethnic and exotic flavors, especially in developed markets.
- The candy industry is facing challenges across the globe due to increasing health concerns associated with sugar consumption, which is driving a shift towards healthier snacking options.

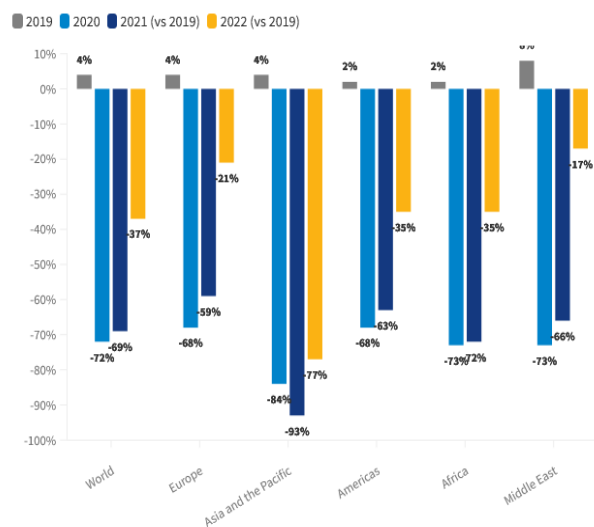
Outlook on the Global Leisure Segment



As per the SLTDA Data, it appears that Sri Lanka's tourism industry has faced some challenges in recent years, with tourist arrivals declining significantly in 2020 due to the COVID-19 pandemic. However, the data also indicates that **there has been a strong rebound in tourist arrivals since January 2023**. This is a positive sign for the Sri Lankan tourism industry, and could potentially have a positive impact on the equity valuation of Sri Lankan hotel companies.

Based on UNWTO's latest report, the Sri Lankan tourism sector can expect a recovery in international tourist arrivals in 2023, with the global tourism industry poised for a strong year despite the challenges posed by the pandemic, economic slowdown, and geopolitical uncertainties. The recent lifting of COVID-19 restrictions in China, the world's largest outbound market in 2019, is a significant step for the recovery of the tourism sector in Asia and the Pacific and worldwide. However, continued uncertainty caused by geopolitical tensions and health challenges related to COVID-19 could weigh on tourism's recovery in the months ahead.

International Tourist Arrivals, World and Regions



Source: WTO

A Flourish chart

Competitor Analysis

Home Care

Mortein – Reckitt Benckiser (Lanka) Ltd

Good Knight – Godrej group

Harpic - Reckitt Benckiser (Lanka) Ltd

Lysol - Reckitt Benckiser (Lanka) Ltd



Personal Care

1. Gillette – Hayleys
2. Signal - Uniliver
3. Clogard - Hemas
4. Pampers – Hayleys
5. Baby Chermay Diapers – Hemas
6. Fems - Hemas
7. Eva – Capital Maharaja Group

Health Care

1. Melstacorp
2. Sunshine Pharmaceuticals
3. Nestle Milk Powder - Neslde



Food and Beverage

1. MD - Lanka Canneries Limited
2. Kist – Cargills Ceylon PLC
3. Magna – Radiant Marketing Pvt Ltd
4. Aqua Fresh - Access Natural Water (Pvt) Ltd
5. American - American Premium Water Systems (Pvt) Limited
6. Kist knuckles water - Cargills Ceylon PLC
7. Edinborough - Edinborough Products (Pvt) Ltd
8. Motha Jelly - Motha Confectionery Works (Pvt) Ltd
9. Comfort – Uniliver

Energy and Lighting

1. Panasonic Battery - Softlogic
2. Philip Bulbs
3. Orange Bulbs



4. Valuation

The target price for CFLB is arrived using combination of analysis, such as Discounted Cash Flow (DCF) and Peer comparison. Our discounted Cash flow (DCF) model was developed through a detailed analysis on the business segments of CFLB. The summary of the analysis is as follows.

Primary Valuation - SOTP				
Segment	Method	WACC	Value Per Share	% of Total
Consumer	DCF	20%	74.38	56.5%
Industrial	DCF	20%	25.94	19.7%
Leisure	DCF	20%	4.92	3.7%
Plantation	DCF	20%	26.33	20.0%
Total EV				131.57
(+) Cash per Share				12.19
(-) Debt per share				(107.05)
Value of the Firm (Per Share)				36.70
Secondary Valuation - Relative Valuation				
Peers	Current Market Price	EPS	EBITDA	PE Ratio
RHL	13.6	3.29	1,262	4.13
SUN	45.3	6.51	6,585	6.96
HHL	64	7.16	8,769	8.94
SPEN	132	38.49	28,187	3.43
HAYL	72.8	31.10	42,110	2.34
Mean				4.60
P/E Multiple				
CFLB EPS (FY 23 E)				11.9
Mean PE				4.6
Target Price				54.72

Based on the above and considering the short to medium term developments expected in the economy we have selected the value of **LKR 36.70** arrived through our primary valuation as the 12-month target for CFLB on a conservative basis. Accordingly, the current market price of CFLB is having an upside potential of **46.8%**.

Extractions of Forecasted Financial Statements

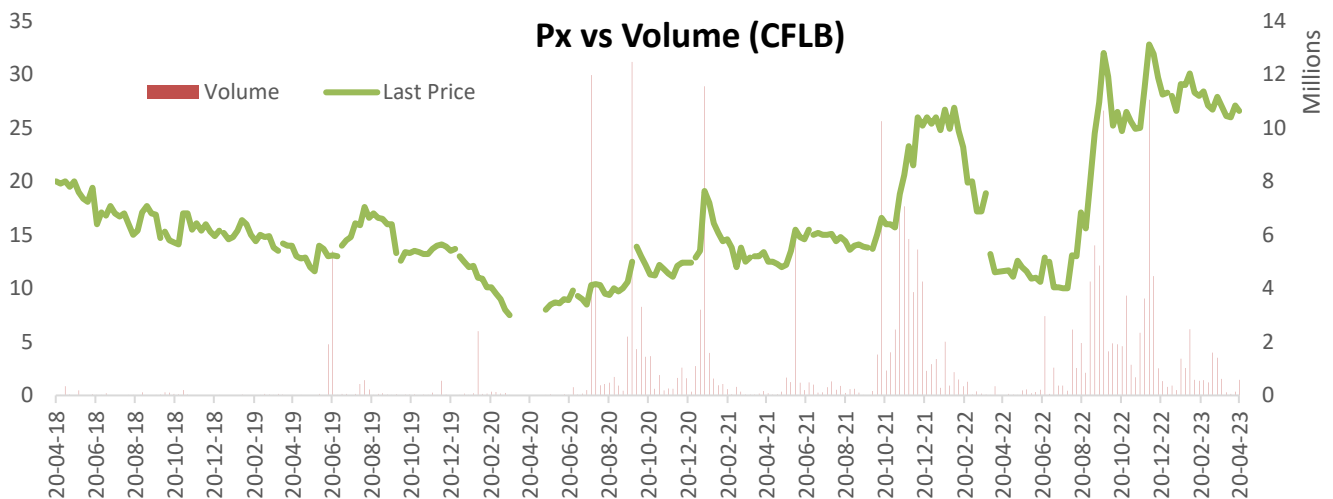
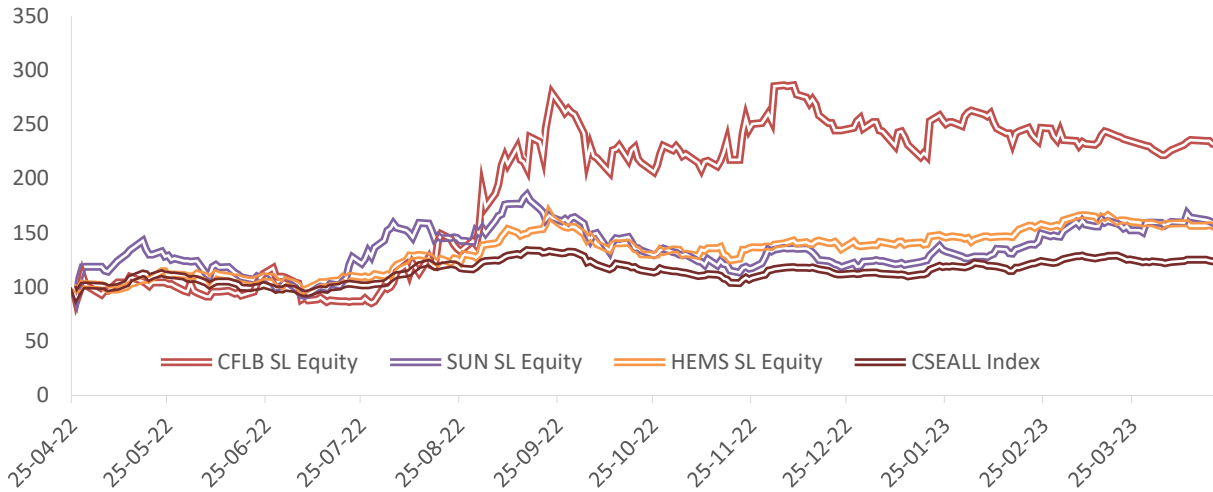
	2018	2019	2020	2021	2022	2023E	2024E	2025E
Revenue	41,016	43,293	36,231	43,232	51,556	83,764	92,196	101,649
Cost of Sales	(33,176)	(34,530)	(30,991)	(34,614)	(41,343)	(62,823)	(73,757)	(79,286)
Gross Profit	7,841	8,763	5,240	8,617	10,213	20,941	18,439	22,363
Other Income	716	1,419	1,656	1,455	1,103	2,306	2,255	2,643
Distribution Expenses	(2,951)	(3,175)	(2,473)	(2,669)	(3,254)	(6,952)	(7,652)	(8,437)
Administrative Expenses	(4,221)	(4,179)	(4,052)	(3,692)	(3,796)	(6,660)	(7,060)	(7,933)
Other Expenses	(194)	(318)	(833)	(591)	(361)	(866)	(800)	(966)
Net Finance Cost	(2,113)	(2,653)	(3,255)	(2,604)	(3,385)	(5,679)	(1,768)	(1,761)
Profit/(Loss) before Tax	(916)	(156)	(3,709)	493	404	2,855	3,157	5,624

	2018	2019	2020	2021	2022	2023 E	2024E	2025E
ASSETS								
Non-Current Assets								
PPE and Biological Assets	21,108	26,515	24,437	24,430	26,232	26,629	26,946	27,398
Investment Property	645	1,973	2,309	2,250	2,819	2,819	2,819	2,819
Intangible Assets	1,060	973	852	566	702	699	702	706
Total Non-Current Assets	25,030	31,674	31,249	30,964	33,070	33,463	33,783	34,239
Current Assets								
Inventories	7,486	6,990	6,537	7,919	9,146	13,884	16,300	17,522
Trade & Other Receivables	9,035	8,288	7,169	8,285	9,534	15,490	17,049	18,798
Cash & Cash Equivalents	2,025	944	785	1,564	2,924	3,880	7,188	12,177
Total Current Assets	19,512	17,000	15,301	18,871	22,679	34,329	41,613	49,573
Assets Held for Sale	60	67	60	60	30	30	31	32
Total Assets	44,603	48,741	46,609	49,895	55,779	67,821	75,426	83,844
EQUITY AND LIABILITIES								
Equity Attributable to Equity Holders of the Parent								
Stated Capital	327	327	730	730	927	927	927	927
Capital Reserves	20	20	20	20	20	20	20	20
Reserves	4,780	5,182	2,188	2,067	2,966	5,821	8,978	14,602
Equity Attributable to Owners of	5,127	5,529	2,939	2,817	3,913	6,768	9,925	15,549
Non - Controlling Interest	3,159	4,220	3,019	3,706	4,645	4,645	4,646	4,647
Total Equity	8,286	9,749	5,958	6,523	8,558	11,413	14,571	20,196
Non-Current Liabilities								
Loans and Borrowings	7,055	7,700	9,053	9,319	10,218	11,200	12,000	12,700
Deferred Income-Capital Grants	571	554	548	527	526	526	526	526
Deferred Tax Liabilities	1,129	2,282	2,135	1,756	2,086	2,086	2,086	2,086
Employee Benefits	2,871	3,139	3,573	3,910	3,006	3,006	3,006	3,006
Total Non-Current Liabilities	11,645	13,699	15,319	15,510	15,836	16,818	17,618	18,318
Current Liabilities								
Trade & Other Payables	7,771	9,921	9,773	12,088	11,896	18,076	21,222	22,813
Loans and Borrowings	12,542	10,850	11,120	11,050	15,474	17,500	18,000	18,500
Bank Overdraft	3,296	3,102	3,355	3,302	2,932	2,932	2,932	2,932
Total Current Liabilities	24,671	25,292	25,333	27,862	31,385	39,591	43,238	45,330
Total Liabilities	36,316	38,992	40,651	43,372	47,220	56,409	60,856	63,648
Total Equity and Liabilities	44,603	48,741	46,609	49,895	55,779	67,821	75,426	83,844

Source: Company Financials / ASL Research

Price Performance

Relative Price Movement (Annualized)



Peer Analysis

Symbol	Name	Bloomberg Ticker	Price	Trailing 12M EPS	Net Asset Value Per Share	P/E	PBV
RHL	RENUKA HOLDINGS PLC	RHL SL	12.80	3.29	49.46	3.89	0.26
HHL	HEMAS HOLDINGS PLC	HEMS SL	63.10	7.16	59.70	8.92	1.06
RICH	RICHARD PIERIS & CO PLC	RICH SL	18.50	3.60	12.92	5.14	1.43
VONE	VALLIBEL ONE PLC	VONE SL	33.90	8.51	61.87	3.95	0.55
HAYL	HAYLEYS PLC	HAYL SL	69.50	31.10	111.04	2.23	0.63
SPEN	AITKEN SPENCE PLC	SPEN SL	128.25	38.49	185.79	3.31	0.69
JKH	JOHN KEELLS HOLDINGS PLC	JKH SL	138.75	18.60	262.97	7.42	0.53
Median						3.95	0.63
CFLB	COLOMBO FORT LAND	CFLB SL	25.00	6.71	28.12	3.94	0.89

Source: BLOOMBERG

Valuation Methodology:

The valuation of the company was conducted using two primary methods, namely the Sum of the Parts Discounted Cash Flow (SOTP DCF) valuation and the Price-to-Earnings (PE) multiple relative valuation.

The SOTP DCF valuation involved analyzing the various segments of the company, such as the hotel and resort operations, real estate development, and other investments, and estimating the cash flows generated by each segment. These cash flows were then discounted back to their present value using a weighted average cost of capital (WACC) to determine the enterprise value of each segment. The sum of the enterprise values of each segment provided the total enterprise value of the company.

(1) DCF Formula

$$\text{Value} = \frac{CF_1}{(1+i)^1} + \frac{CF_2}{(1+i)^2} + \dots + \frac{CF_\infty}{(1+i)^\infty} = \sum_{n=1}^{\infty} \frac{CF_n}{(1+i)^n}$$

where

CF = cash flow
 i = discount rate
 n = time periods from one to infinity

(2) Fair Market Value Estimate

$$\text{Value} = \sum_{n=1}^t \frac{CF_n}{(1+i)^n} + \frac{TV_t}{(1+i)^t}$$

where

CF = cash flow
 i = discount rate
 n = time periods, time = 1 to t
 TV = terminal value.

Source: CoporatefinanceInstitute.com

The PE multiple relative valuation involved comparing the company's current PE ratio to that of its peer companies in the industry. The average PE multiple of the peer companies was used to determine the company's relative valuation.

$$\text{justified leading } P/E = \frac{P_0}{E_1} = \frac{D_1/E_1}{r-g} = \frac{1-b}{r-g}$$

$$\text{justified trailing } P/E = \frac{D_0 \times (1+g)/E_0}{r-g} = \frac{(1-b) \times (1+g)}{r-g}$$

Source: CFA institute

After conducting both valuations, the SOTP DCF valuation was considered the primary valuation method due to its comprehensive analysis of the various segments of the company. The PE multiple relative valuation was used as a secondary validation method to confirm the accuracy of the SOTP DCF valuation.

The final valuation of the company was based on the weighted average of the SOTP DCF valuation and the PE multiple relative valuation, with a greater weight given to the SOTP DCF valuation due to its primary status.

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