

CIC Holdings PLC

Corporate Report



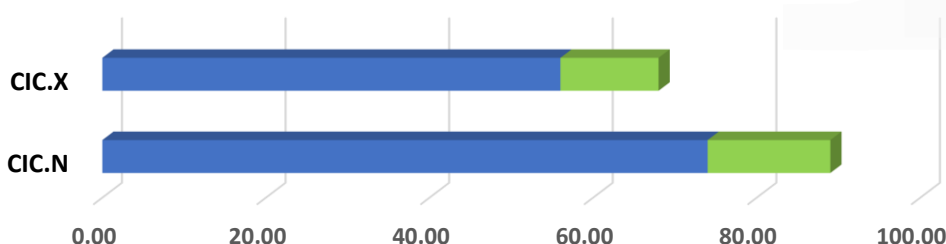
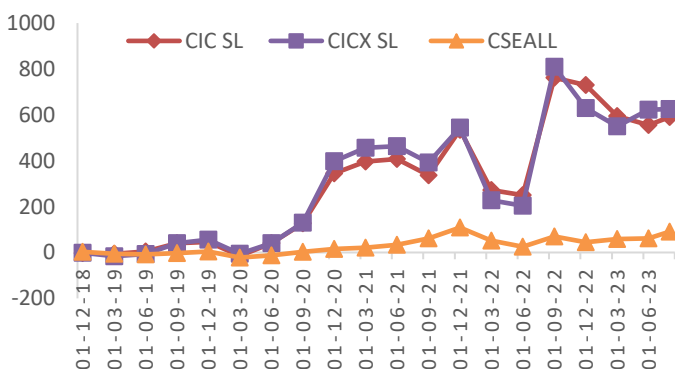
ASHA SECURITIES LTD

Sri Lanka

Recommendation		Buy
One-year Target Price	CIC.N	89.00
	CIC.X	68.00
Current Price	CIC.N	74.00
	CIC.X	56.00
Upside	CIC.N	20.3%
	CIC.X	21.4%
Report date	18-Sep-23	
Analyst : Chamath Wickrama Arachchi		
chamath@ashasecurities.net		

Established in 1964 as a subsidiary of Imperial Chemical Industries-UK, Chemical Industries (Colombo) Limited emerged as a prominent provider of premium chemical products catering to the local market. Presently recognized as CIC Holdings PLC, a distinguished conglomerate in Sri Lanka, the company has solidified its position as a household name through a diverse range of enterprises.

The company's inception was centred around the local production of paints and agricultural pipes. Through strategic expansions, CIC Holdings PLC has diversified its presence across several pivotal sectors within the nation. These sectors encompass Agri Produce, Crop Solutions, Health & Personal Care, Livestock Solutions, and Industrial Solutions.



CIC.X 21.4%

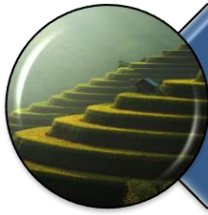
CIC.N 20.3%



Key Stock Data

Company Name	C I C HOLDINGS PLC	
CSE Ticker	CIC.N0000,CIC.X0000	
Bloomberg Ticker	CIC SL, CICX SL	
FIGI	BBG000FNQCT6	Voting
	BBG000G4V4N5	N- Voting
ISIN	LK0045N00001	Voting
	LK0045X00000	N- Voting
Sector	Materials	
Shares in issue (mn)	291.60	Voting
	87.48	N- Voting
Current Market Price (11 Sep 2023)	74.00	Voting
	56.00	N- Voting
Market cap (LKR Bn)	21.58	Voting
	4.90	N- Voting
52-week High / Low	108.0 / 57.8	Voting
	76.00 / 39.2	N- Voting
CIC Market Cap/Total Market Cap (%)	0.48%	Voting
	0.11%	N- Voting
Beta Values Against ASPI	0.32	Voting
	0.35	N- Voting
Net asset Value per share (Jun 23)	63.54	
Earnings Per share (Trailing 12M)	16.36	
Total Market Cap (LKR Bn)	4,511.49	
CSE ALL / S&PSL 20	11,363 / 3,217	
Top 5 Voting Shareholders (%)		
Paints & General Industries Limited	53.31%	
Employee's Provident Fund	9.06%	
SAMP / Chacra Capital Holdings (Private) Limited	4.49%	
Citibank Newyork S/A Norges Bank Account 2	3.42%	
Sri Lanka Insurance Corporation Limited - Life Fund	3.17%	
Public holding		
Voting Shares	46.65%	
Non- Voting Shares	96.49%	
Board of Directors		
S. H. AMARASEKERA - Independent, Non-Executive Director/Chairman	S. M. ENDERBY - Independent, Non-Executive Director	
R. S. CAPTAIN - Non-Independent, Non-Executive Director	M. P. JAYAWARDENA - Independent, Non-Executive Director	
D. T. S. H. MUDALIGE - Independent, Non-Executive Director	J. R. GUNARATNE - Independent, Non-Executive Director	
P. R. SALDIN - Non-Independent, Non-Executive Director	K. D SENEWIRATNE - Independent, Non-Executive Director	

01. Investment Thesis



Economic Rebound - We anticipate that price levels for the Crop Solutions segment will remain relatively stable. However, the surge in demand for CIC Holdings' offerings is expected to drive top-line growth for the company. This increased revenue potential presents an attractive investment opportunities.



Local Production Boost - As the economic crisis recedes, we anticipate a resurgence in agricultural activities, leading to increased investments in plant nutrition, plant protection, and seeds. This uptick in economic activity is expected to boost demand for CIC Holding's products and services in the Crop Solutions segment.



Price Stability and Demand Surge - The revival of the agricultural sector in Sri Lanka will likely result in higher local production of crops. As farmers strive to enhance yields and safeguard their crops from potential threats, the demand for CIC Holdings' solutions is projected to grow, further solidifying the company's position in the market.

02. Investment Summary



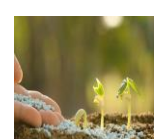
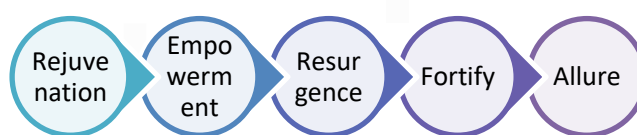
Economic Rejuvenation The imminent recovery from the economic downturn is set to breathe new life into agricultural endeavors. This resurgence is slated to drive substantial investments into plant nutrition, plant protection, and seeds. In turn, this resurgence bodes well for the demand of CIC Holdings' products and services within the Crop Solutions segment.



Empowering Local Production As Sri Lanka's agricultural sector reawakens, a surge in local crop production is anticipated. Farmers' quests to amplify yields and shield their crops from potential risks create a ripe market for CIC Holdings' solutions. The company stands poised to fortify its market presence by fulfilling this escalating demand.



Steadfast Prices, Soaring Demand Although price stability is on the horizon for the Crop Solutions segment, the anticipated surge in demand for CIC Holdings' offerings is primed to propel revenue growth. This promising revenue potential augments the allure of an investment opportunity that can yield impressive returns.



02.02 Segmental View of Investment Thesis:



Crop and Agriculture Solution Segment - The year commenced well with favorable market conditions after lifting of bans. Forex shortages impacted imports, but inventory adjustments and efficient distribution mitigated challenges. Price hikes due to currency devaluation were countered by strong demand from the tea sector, leading to expanded offerings. Despite sectoral pressures, FY 2022/23 revenue targets were met, expecting 20% CAGR over the next 3 years.



Industrial Solutions - During the last six months, the Industrial Chemical sector faced challenges due to slowed demand for binders from paints and flexible packaging from food manufacturers, stemming from construction sector slowdown and inflation-induced price hikes. Inventory issues due to import restrictions and forex crisis were managed through collaboration and overseas partnerships. However, with strong textile sector demand, the segment expanded market share and introduced innovative products. Expecting 11.6% CAGR over the next 3 years amidst these developments.



Health & Personal Care - The CIC's Pharmaceutical arm caters to healthcare demands with diverse wound care products. The Medical Devices sector is a major supplier of crucial medical equipment to public and private healthcare in Trauma, Endoscopy, Wound Care, and Diagnostics. The Personal Care unit dominates local markets with "LINK" brand natural and herbal products, some exported globally. Anticipating 1.5% CAGR revenue growth over the next 3 years.

02.03 Key Financials

Key Financials

	2018	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E
Revenue	33,148	30,737	30,536	37,233	41,760	68,275	80,126	98,796	111,954
YOY Growth %		-7.3%	-0.7%	21.9%	12.2%	63.5%	17.4%	23.3%	13.3%
Gross Profit	6,725	7,093	7,807	9,660	11,525	24,493	28,744	27,266	29,045
YOY Growth %		5.5%	10.1%	23.7%	19.3%	112.5%	17.4%	-5.1%	6.5%
GP Margin %	20.3%	23.1%	25.6%	25.9%	27.6%	35.9%	35.9%	27.6%	25.9%
Operating Profit	1,890	2,095	3,187	5,394	7,028	16,843	6,891	9,901	13,319
YOY Growth %		10.9%	52.1%	69.3%	30.3%	139.6%	-59.1%	43.7%	34.5%
OP Margin %	5.7%	6.8%	10.4%	14.5%	16.8%	24.7%	8.6%	10.0%	11.9%
Profit / (Loss) before Tax	689	504	1,872	4,912	5,484	13,069	5,714	8,395	11,512
YOY Growth %		-26.8%	271.3%	162.4%	11.6%	138.3%	-56.3%	46.9%	37.1%
EPS	(1.1)	1.3	2.2	8.3	9.7	20.6	8.2	12.0	18.8
NAV	29.3	31.6	32.8	45.4	56.6	78.9	87.8	101.1	121.8
YOY Growth %		8.0%	3.9%	38.1%	24.8%	39.3%	11.3%	15.1%	20.5%

CIC Holding, being a leading manufacturer in the country's fertilizer sector, is well-positioned to capitalize on this favorable development. The expansion of revenue capacities is a foreseeable outcome as the company can tap into the increased demand driven by the government's subsidy program. This initiative not only bolsters the company's revenue potential but also underscores its importance within the local agricultural ecosystem. In light of these dynamics, the upcoming valuation report will comprehensively analyze CIC Holding's financial standing, growth prospects, and market positioning to provide a holistic assessment of its value in the evolving landscape.

03. Company Overview

03.01 - Group Structure

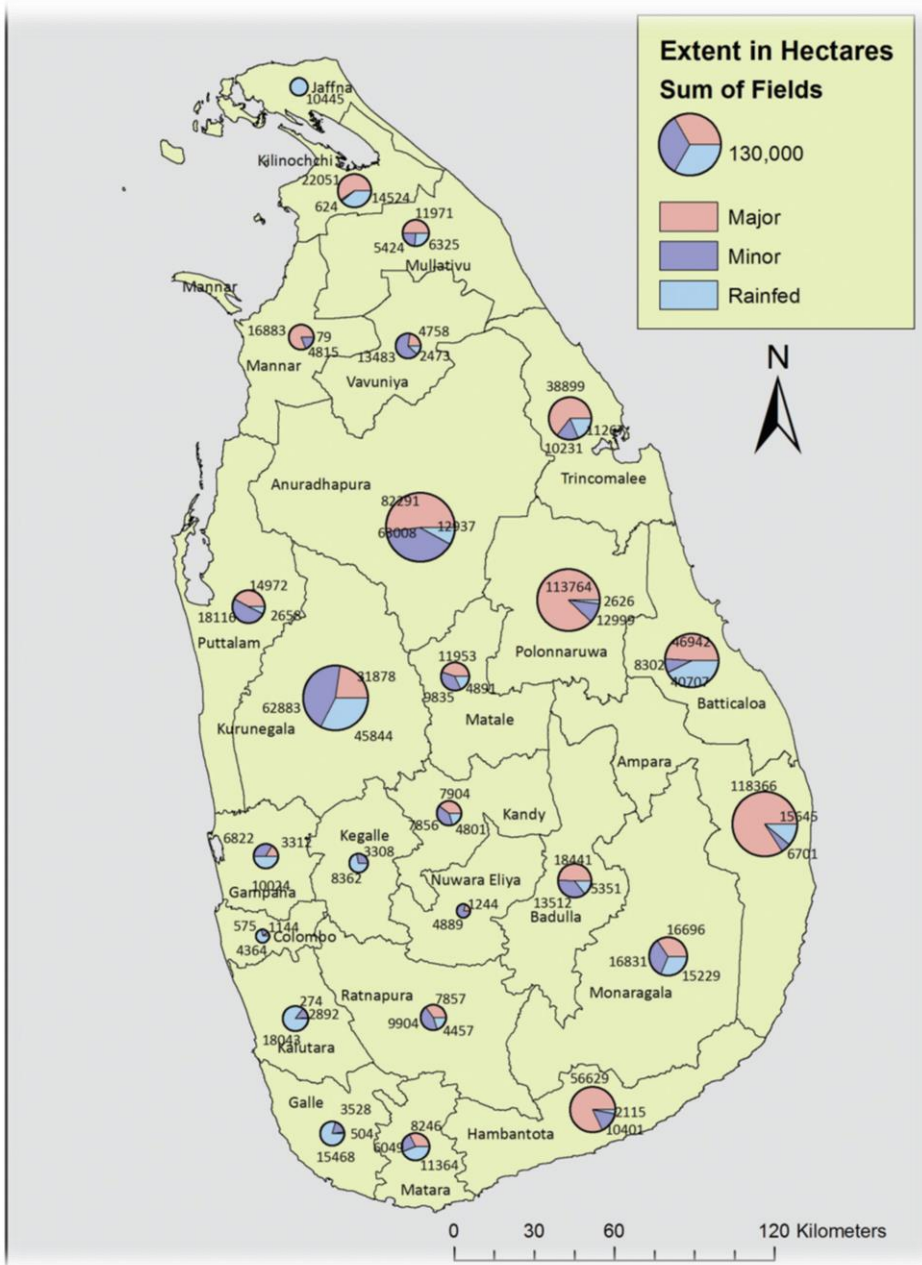


03.01 - Segmental Revenue

Total Segments	2018	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E	CAGR
Local										
Crop Solutions	11,353	9,426	8,423	12,575	10,118	23,342	30,375	43,518	52,479	20.0%
<i>Contribution from total Revenue</i>	34.2%	30.7%	27.6%	33.8%	24.0%	34.4%	37.9%	44.0%	46.9%	
<i>YOY Growth</i>		-17.0%	-10.6%	49.3%	-19.5%	130.7%	30.1%	43.3%	20.6%	
Agri Produce	2,436	3,473	2,864	3,225	4,332	3,850	6,356	8,152	8,824	11.6%
<i>Contribution from total Revenue</i>	7.3%	11.3%	9.4%	8.7%	10.3%	5.7%	7.9%	8.3%	7.9%	
<i>YOY Growth</i>		42.6%	-17.5%	12.6%	34.3%	-11.1%	65.1%	28.3%	8.2%	
Live Stock Solutions	6,806	5,980	7,045	9,117	12,590	18,709	20,453	23,398	26,101	8.5%
<i>Contribution from total Revenue</i>	20.5%	19.5%	23.1%	24.5%	29.8%	27.6%	25.5%	23.7%	23.3%	
<i>YOY Growth</i>		-12.1%	17.8%	29.4%	38.1%	48.6%	9.3%	14.4%	11.6%	
Industrial Solutions	4,341	3,782	3,944	3,815	5,334	8,677	9,424	9,897	10,402	3.3%
<i>Contribution from total Revenue</i>	13.1%	12.3%	12.9%	10.2%	12.6%	12.8%	11.8%	10.0%	9.3%	
<i>YOY Growth</i>		-12.9%	4.3%	-3.3%	39.8%	62.7%	8.6%	5.0%	5.1%	
Health & Personal Care	8,213	8,076	8,259	8,502	9,867	13,215	13,519	13,830	14,148	1.5%
<i>Contribution from total Revenue</i>	24.8%	26.3%	27.0%	22.8%	23.4%	19.5%	16.9%	14.0%	12.6%	
<i>YOY Growth</i>		-1.7%	2.3%	2.9%	16.1%	33.9%	2.3%	2.3%	2.3%	
Total Revenue	33,148	30,737	30,536	37,233	42,242	67,793	80,126	98,796	111,954	11.8%
<i>YOY Growth</i>		-7.3%	-0.7%	21.9%	13.5%	60.5%	18.2%	23.3%	13.3%	

The Impact of Weather Conditions on CIC Holdings: Analysis, Challenges, and Strategies

Our thorough analysis makes it clear that Sri Lanka's agricultural sector, particularly CIC Holdings, is significantly more vulnerable than its counterparts around the world to climate shocks and changing weather patterns. According to research, the country experienced its worst drought spell in late 2016 and as an impact 40% decrease noted in paddy output in early 2017.



(Source: Agstat, Agriculture Department)

" Sri Lanka's predominant involvement in paddy cultivation highlights the importance for supplying agrochemical inputs, and food nutrition to improve the agricultural yields.

Weather patterns heavily influence the nation's agricultural production and demand, making it a major factor in the development of the sector."

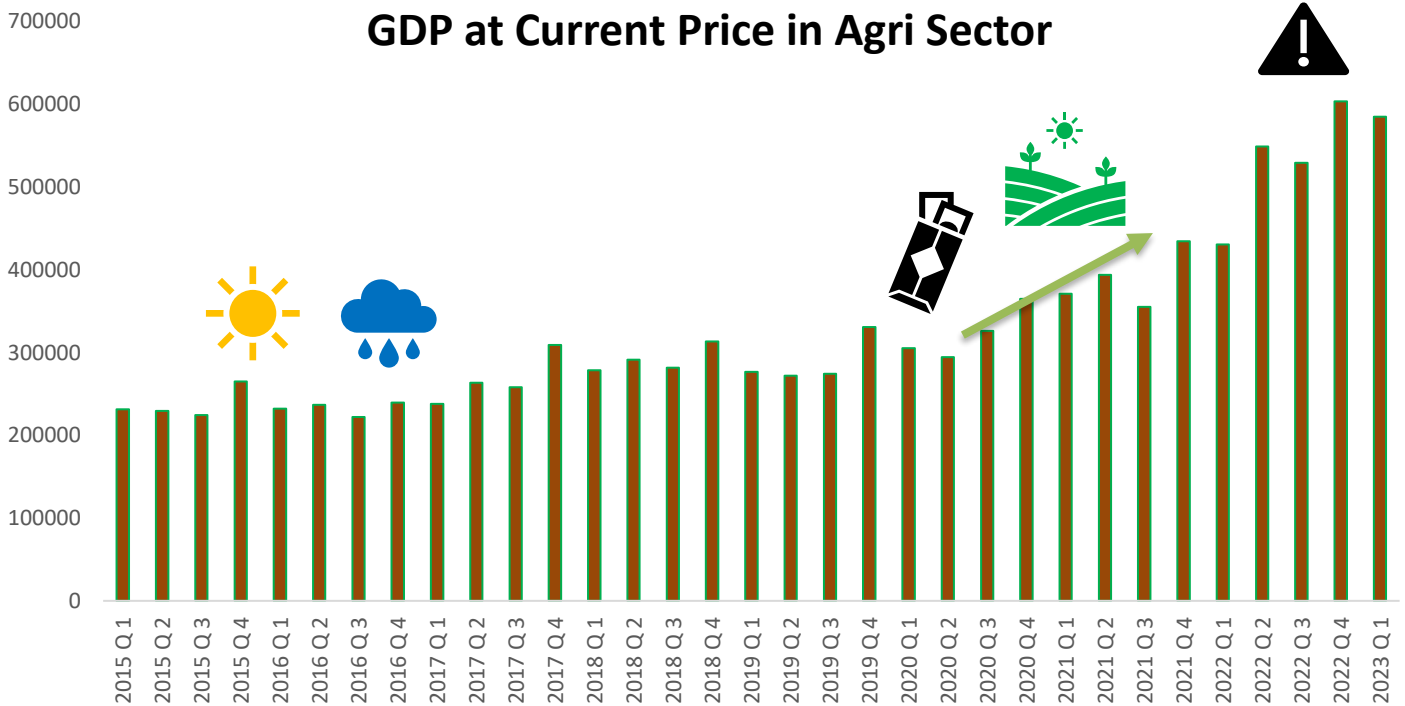


Expert comments:

El Niño is expected to return in the third quarter of 2023, leading to droughts, floods, and other extreme weather events. The impact of El Niño on Sri Lanka's climate is already being felt by annually, with the country experiencing droughts and water shortages in some areas.

Source: <https://rb.gov.lk>

Since we are aware of the crucial role that rainfall plays, weather dynamics and Demand for Agri Products are at the heart of our investment thesis. We carefully considered weather-related contingencies while keeping in mind the company's earning potential to evaluate its financial stability and growth prospects. Because of this, and in recognition of their inherent impact on CIC Holdings' performance, our investment thesis is based on these weather considerations.



2016-2019

During the period from 2016 to 2019, the Sri Lankan agricultural production experienced a notable downward trend, primarily attributed to adverse weather conditions. This climatic factor adversely impacted various segments of the agricultural sector, leading to challenges in crop cultivation and overall production output.



For this study, a consistent weather outlook and uninterrupted fertilizer supply are assumed. This assumption forms the basis for the valuation, recognizing potential uncertainties in real-world conditions.

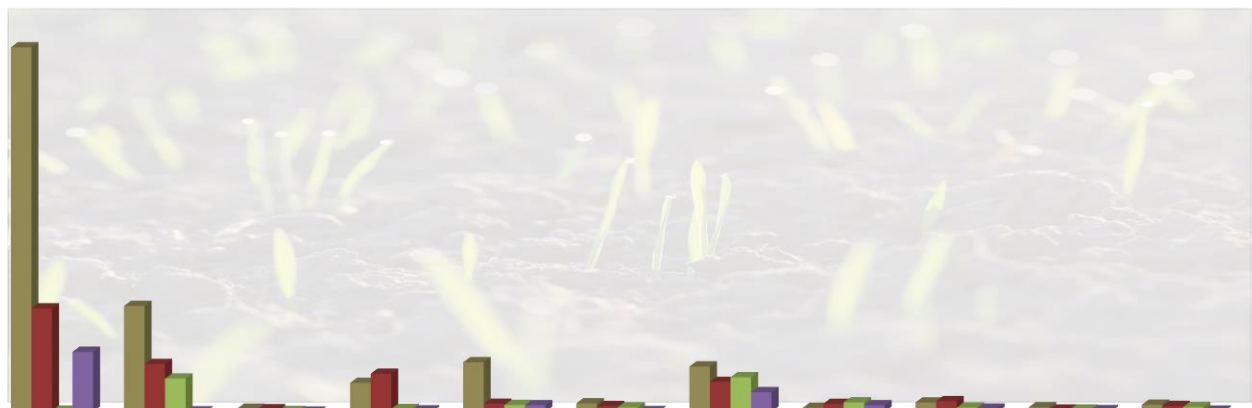


2020-2022/23

From 2020 to 2022, the Sri Lankan Agri sector experienced substantial growth, attributed to increased money supply and heightened participation. The pandemic and eased restrictions drove interest. However, early 2022 saw stagnation due to fertilizer shortages, warranting caution in evaluating future sector performance.

"Influence of Plant Nutrition and Solution Demand on CIC Holdings: Evaluating Effects, Addressing Hurdles, and Strategic Responses"

Agricultural solutions and nutrition demand declined in recent years due to government policies prohibiting chemical fertilizer imports. This policy shift has had a notable impact on the sector's dynamics and warrants careful consideration in valuation assessments.



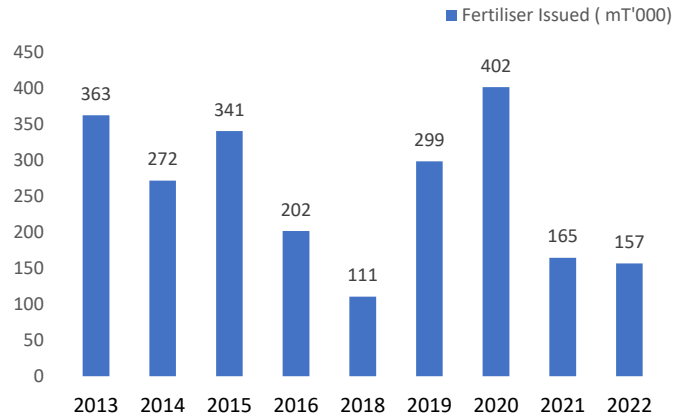
	Paddy	Tea	Rubber	Coconut	OFC	Export agriculture Crops	Vegetables	Potatoes	Fruits	Sugar-Cane	Other
Urea	277,363	80,604	2,352	21,998	37,656	6,447	34,450	2,913	7,101	3,429	5,312
MOP	78,692	36,318	1,909	28,939	6,095	4,310	22,723	5,929	8,095	1,702	4,432
SOA	847	25,274	602	2,108	5,131	3,304	26,256	7,113	3,127	1,678	3,612
TSP	45,616	268	118	1,036	5,002	525	14,919	4,926	2,390	1,244	814

According to Agriculture Department data, the dominant fertilizer segment was Urea, primarily driven by its significant consumption during Paddy harvesting. These findings underscore the pivotal role of Urea in the agriculture sector's dynamics.



In the realm of agricultural inputs, Urea emerges as a pivotal plant nutrient, significantly influencing the agricultural landscape of Sri Lanka. Its widespread utilization spans across the spectrum, catering to the needs of Sri Lankan farmers, from the substantial expanses of paddy fields to the intricate domains of small-scale floriculture establishments.

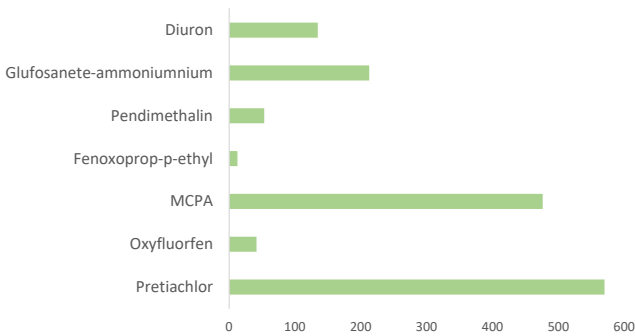
The Ministry of Agriculture intends to provide farmers with an additional type of chemical fertilizer for free during the upcoming 'Maha' season. Minister of Agriculture has received positive feedback from President Ranil Wickremesinghe regarding this plan. Additionally, the government has decided to deposit funds directly into farmers' bank accounts instead of using vouchers, allowing them to choose between chemical and organic fertilizers from various sources. This presents a notable opportunity for local fertilizer sellers, particularly market leader CIC Holdings, to gain significant advantages from these forthcoming changes.



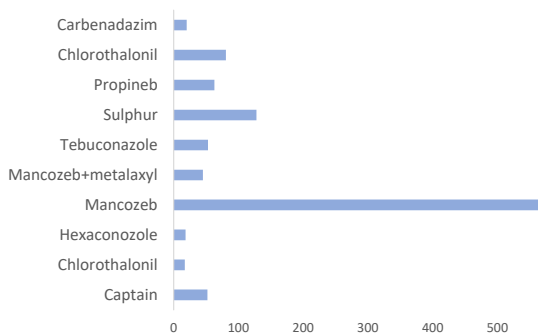
In parallel with the observed trends in fertilizer consumption, there is a noteworthy improvement in pesticide usage over the same period. We anticipate that once several government restrictions are lifted, pesticide consumption is likely to revert to its historical norms.



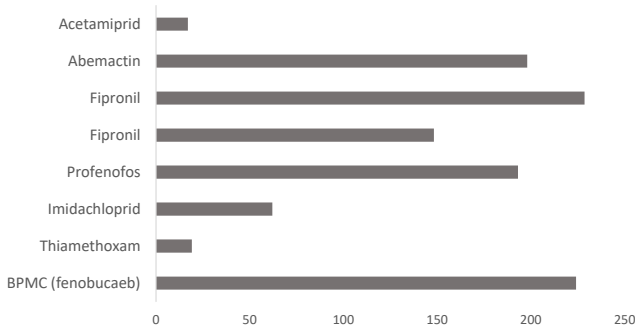
IMPORTS OF PESTICIDES (HERBICIDES) Total Volume (t or kl)



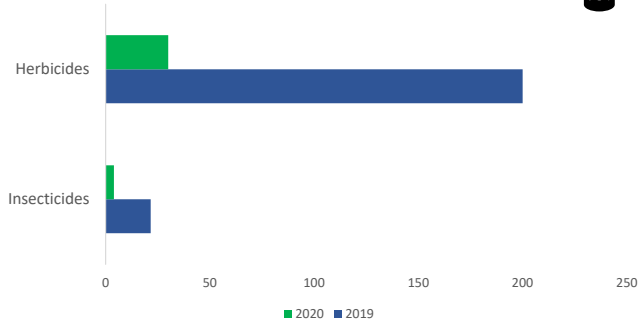
IMPORTS OF PESTICIDES (FUNGICIDES) Total Volume (t or kl)



IMPORTS OF PESTICIDES Total Volume (t or kl)



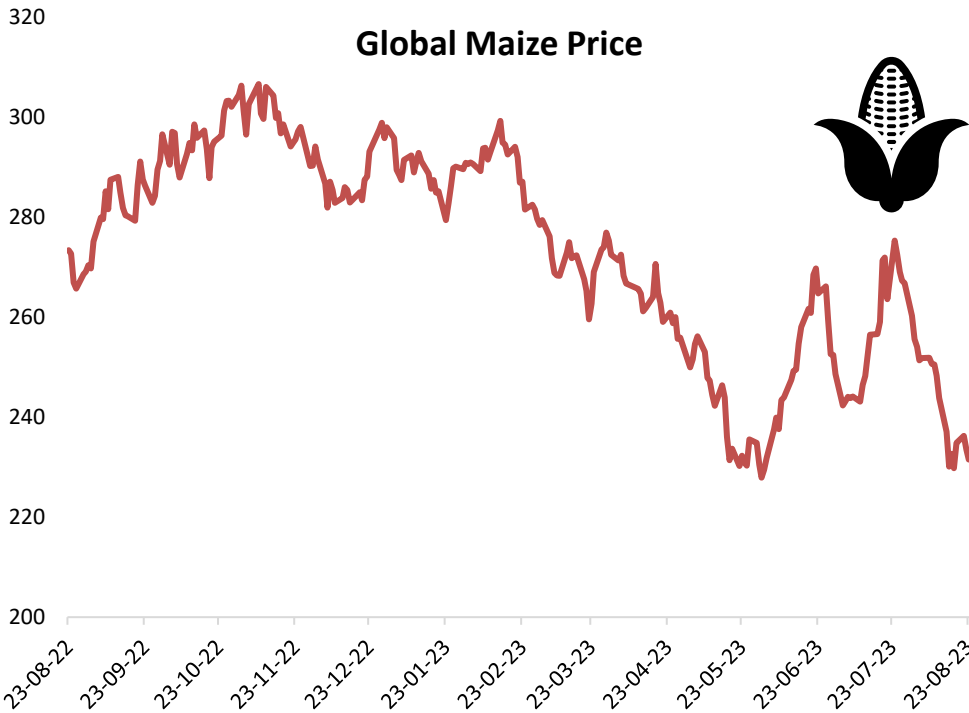
IMPORTS OF PESTICIDES, 2019 - 2020



Considering the prevailing circumstances, our investment analysis leads us to focus on the Fertilizer and Plant Solutions segment. This strategic choice is underpinned by the interplay between these two sectors, where the anticipated decline in fertilizer demand is expected to subsequently impact the demand for plant solutions.



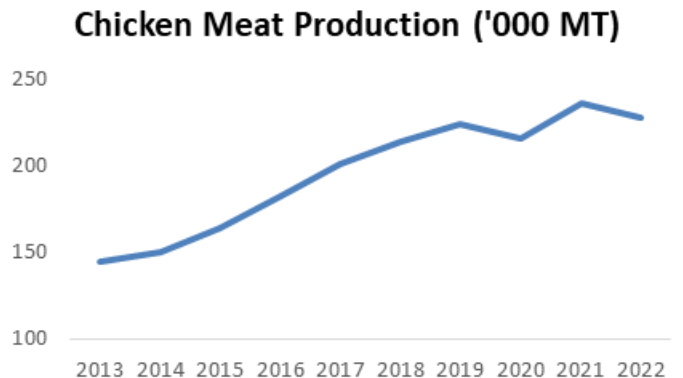
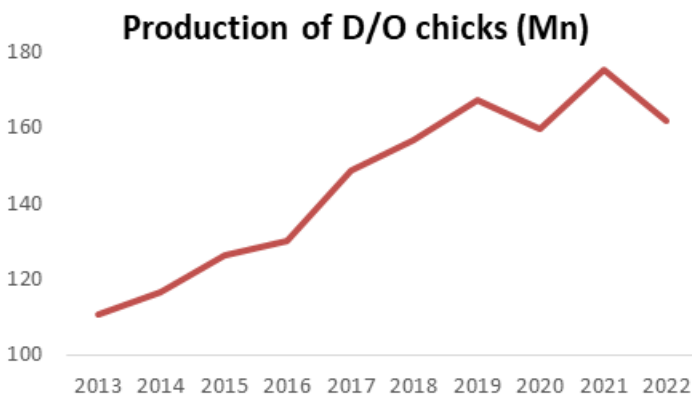
Harmonizing Growth Amidst Shifting Dynamics: Revealing CIC Holdings' Investment Potential in Livestock, Poultry, and Beyond



The convergence of two favorable factors bodes well for CIC Holding's poultry sector earnings. Firstly, the ongoing downward trajectory in global maize prices provides a cost advantage in producing animal feeds.

Additionally, the appreciation of the Rupee contributes to improved profitability. This unique combination positions CIC Holding's Poultry sector for promising growth in the sale of animal feeds.

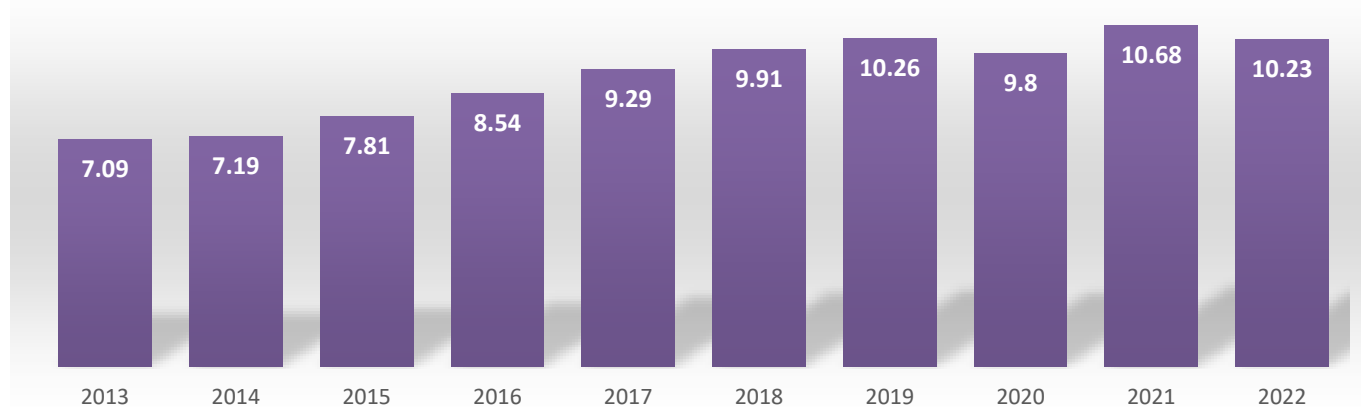
CIC Holding's poultry sector gains from lower maize prices and a stronger Rupee, but potential dampening effect looms due to government's Indian chicken imports to stabilize local market prices. Monitoring needed as this could counter positive trends.



Shift in Demand: Rising Preference for Fish Over Chicken Could Exert Negative Pressure on the Segment

In the Sri Lankan consumption landscape, the preference for fish over chicken remains pronounced even during periods of elevated fish prices. This consumption behavior underscores the resilience of fish as a staple choice, potentially attributable to its historically stable pricing and cultural significance.

From a perspective, this trend highlights the intricate interplay of consumer behavior, pricing dynamics, and socio-economic factors, all of which contribute to shaping the consumption patterns within the local protein market.



Per Capita Availability of Chicken Meat (Kg)



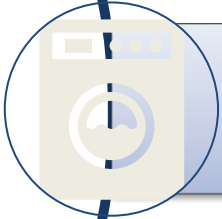
Interestingly, government reports have indicated an increase **in per capita fish consumption to 48 grams per day in 2021 for Sri Lanka**. This rise in fish consumption suggests a substitution effect, where consumers might be turning to alternative protein sources due to economic constraints related to chicken consumption. This phenomenon has implications for the poultry industry, such as CIC Holdings PLC, as changing consumer preferences can influence market dynamics.

While recent challenges have posed setbacks for the poultry industry, there are potential signs of recovery. With the expectation of a rebound in Sri Lankan economic activities and the implementation of an expansionary monetary policy, the consumption of chicken could see a resurgence in the coming quarters. As economic conditions stabilize and consumer confidence returns, the demand for poultry products may regain momentum.

Upbeat Outlook for Local Consumer and Industrial Sector Demand



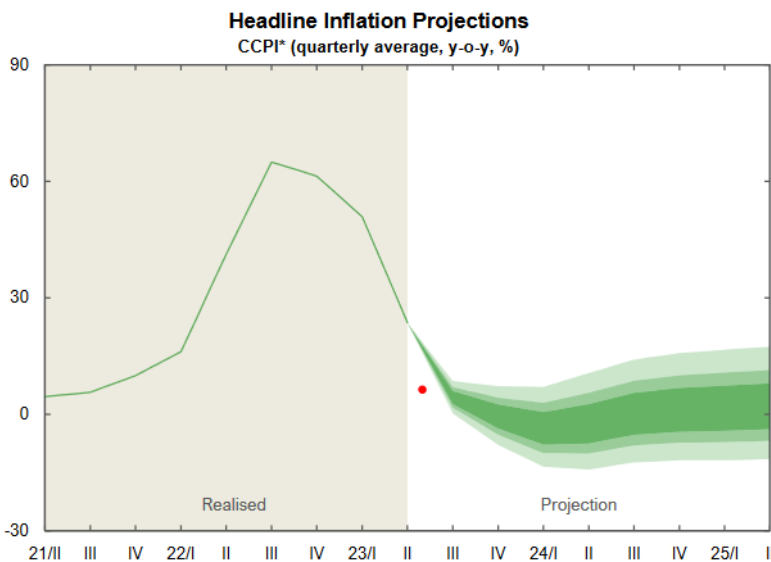
The Sri Lankan homecare segment faced a challenging year in 2022 due to the economic crisis, resulting in local manufacturers struggling to import raw materials. Despite this, consumers have shown a greater interest in maintaining hygiene levels, resulting in greater use of inexpensive home care items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



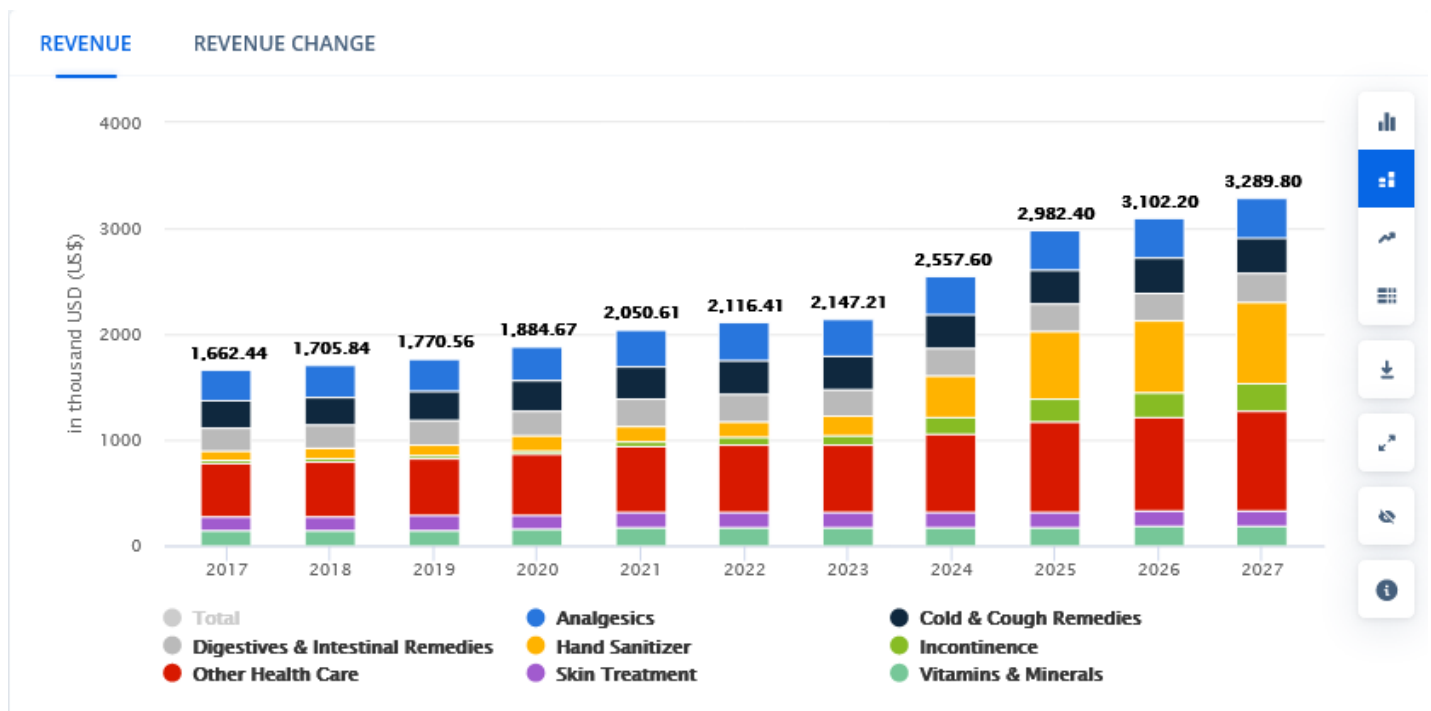
CBSL: Monetary Policy Review

Since April 2022, Sri Lanka has seen a continuous increase in general price levels, leading to a decline in the consumption of consumer and Industrial goods initially. This resulted in lower volumes being consumed at higher prices. However, as consumers gradually adjusted to the new prices, Consumer Goods companies were able to maintain higher price margins, while sustaining trade volumes. Despite the inflationary environment, Sri Lanka has not entered a deflationary phase, but rather a disinflationary one, which could support the sustained growth of the industry. This is likely due to the country's relatively stable economic conditions and the resilience of its consumer market.

Unlocking Healthcare Sector Potential: CIC Holdings at the Forefront

Capitalizing on Rising Economic Momentum and Government Initiatives

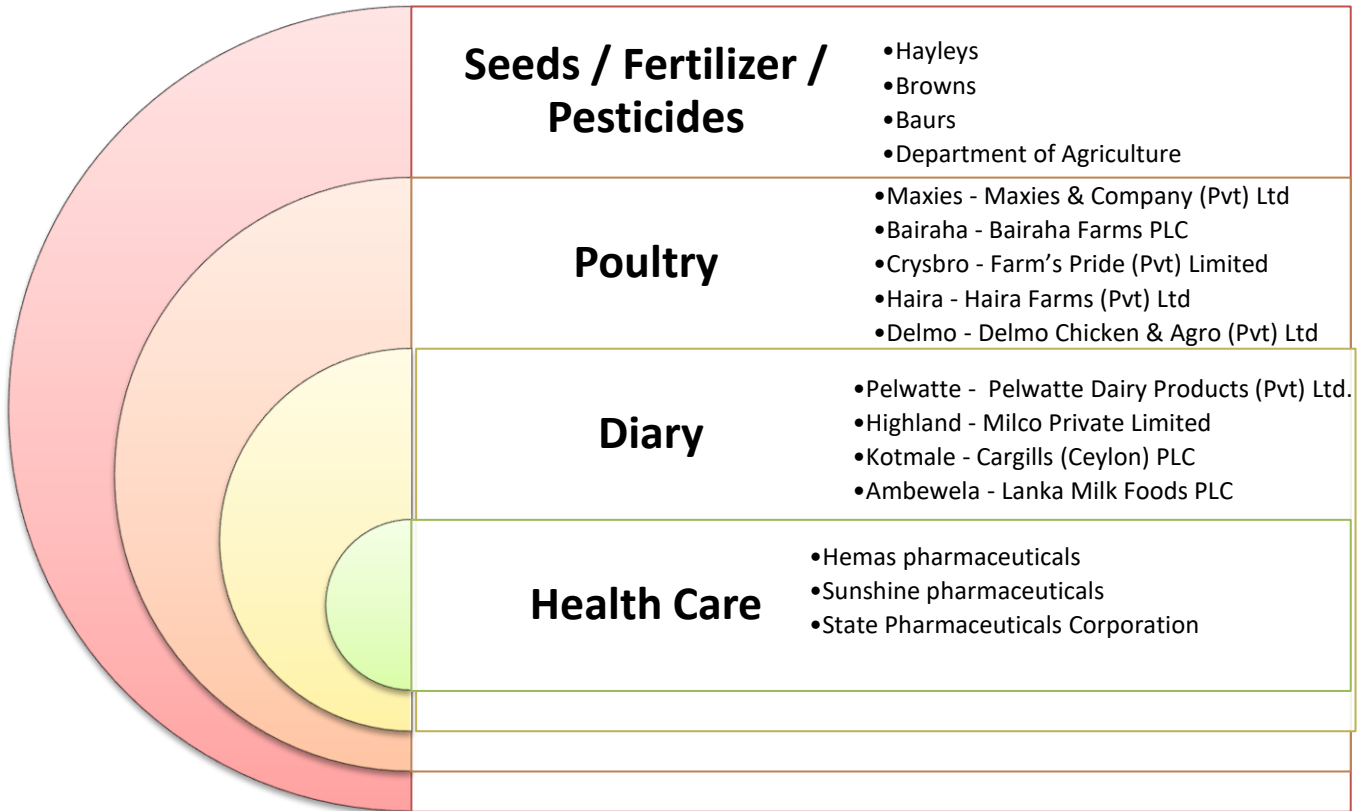
Amidst a backdrop of soaring economic activities, CIC Holdings emerges as a compelling contender in the healthcare sector. The company's potential to make significant strides in this domain has been further bolstered by Sri Lanka's government actively engaging in the import of essential medicines. This strategic move is attributed to the enhanced availability of foreign exchange, which, in turn, paves the way for a flourishing landscape in the healthcare sector.



Source: Statista

As indicated in the aforementioned Statista forecast, the Sri Lankan healthcare segment is poised for expansion in the coming years, driven by economic stabilization. This foresees a promising period of growth and development within the healthcare sector in the near future.

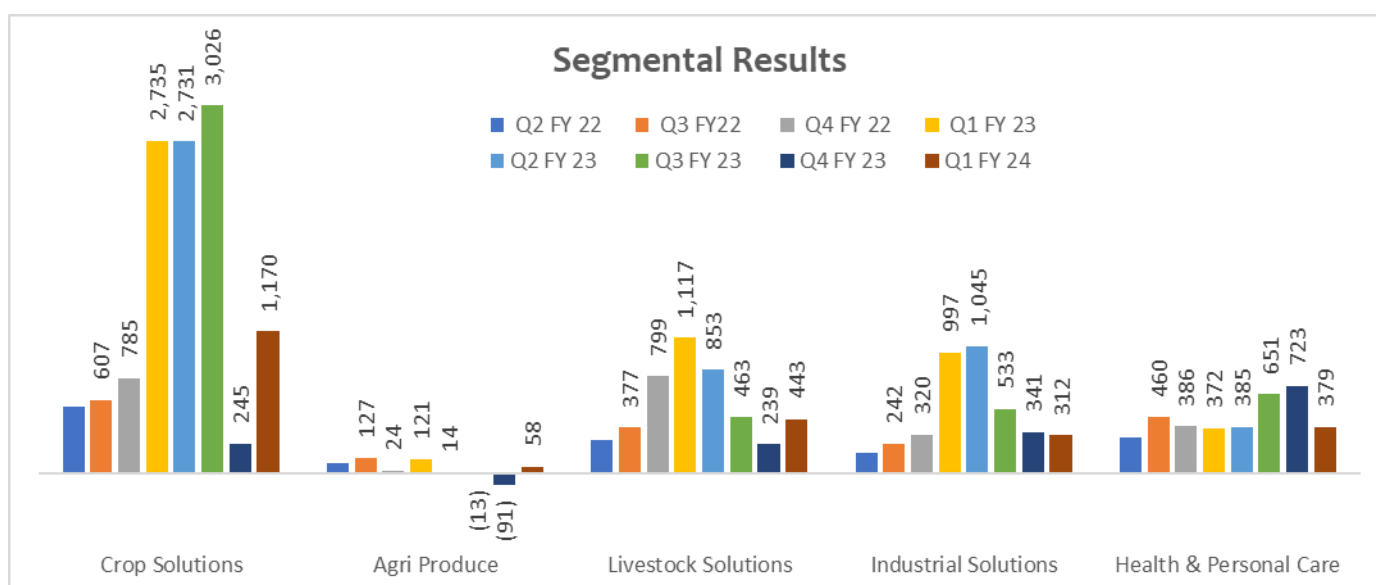
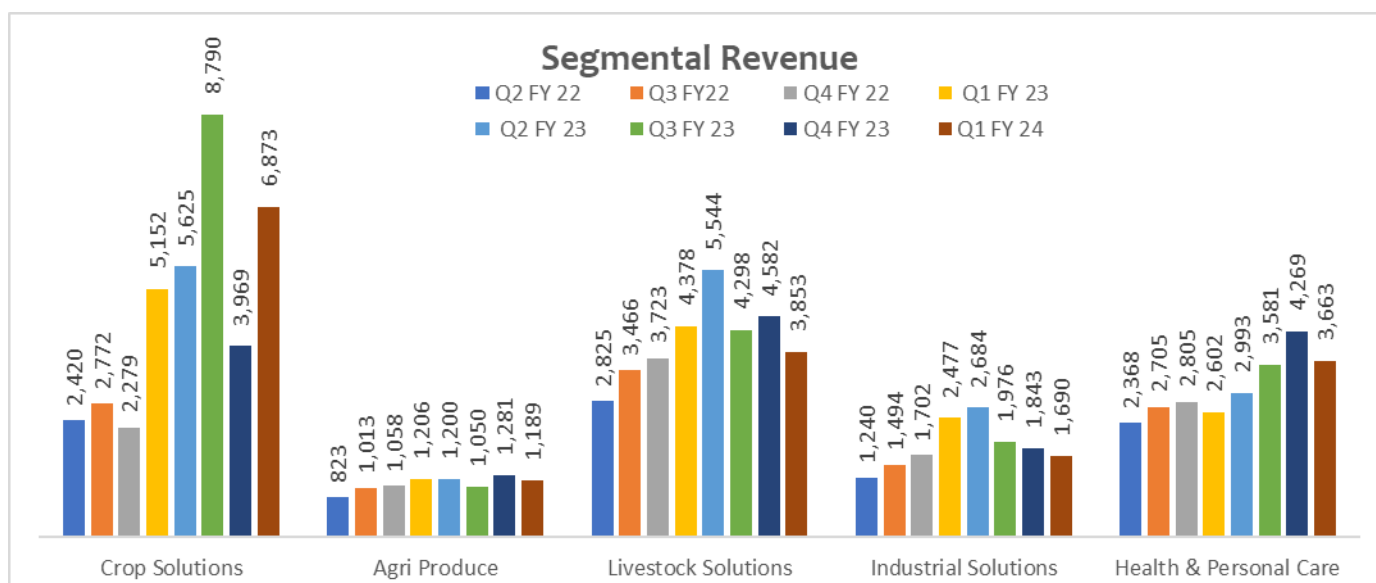
Analyzing Competitors in the Context of CIC Holdings



sunshine
pharmaceuticals



Segment Analysis



Equity Investment at Fair Value Through OCI

Further to its core business segments company has invested in listed and unlisted equities for a total value of LKR 5.1Bn and through its subsidiaries has invested LKR 2Bn as at 31st March 2023.

Among others, company had 36.75Mn shares of John Keells Holdings PLC (JKH) under strategic portfolio and another 13.1Mn shares under short term portfolio, valued at 140 per share (CMP 190).

Further it had 1.5Mn Hatton National Bank PLC- Voting shares valued at 129.50 per share (CMP 175)

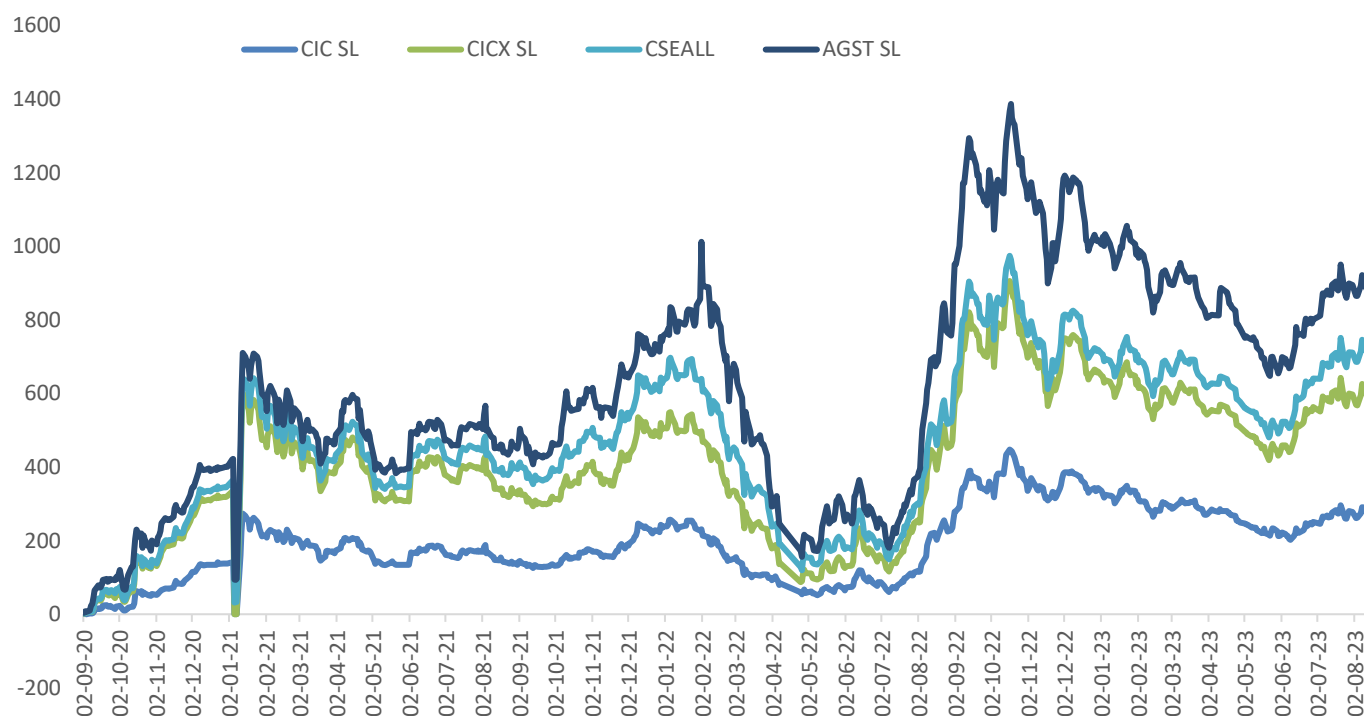
As of this report date estimated unrealized gains from the above investments are LKR 2.56Bn

Financial Summary

Income Statement	2018	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E
Revenue	33,148	30,737	30,536	37,233	41,760	68,275	80,126	98,796	111,954
Cost of sales	(26,423)	(23,645)	(22,729)	(27,574)	(30,235)	(43,782)	(64,594)	(78,179)	(86,524)
Gross profit	6,725	7,093	7,807	9,660	11,525	24,493	15,532	20,617	25,430
Other income	674	203	361	305	309	601	652	801	935
Distribution expenses	(3,344)	(3,063)	(3,009)	(2,877)	(2,930)	(4,939)	(5,623)	(6,933)	(7,856)
Impairment (loss)/reversal on trade receivables		(251)	(273)	(85)	56	(112)			
Administrative expenses	(2,158)	(1,691)	(1,663)	(1,602)	(1,902)	(3,133)	(3,591)	(4,487)	(5,080)
Other expenses	(6)	(195)	(37)	(8)	(28)	(67)	(79)	(97)	(110)
Results from operating activities	1,890	2,095	3,187	5,394	7,028	16,843	6,891	9,901	13,319
Finance income			201	193	431	577	752	881	1,025
Finance cost			(1,906)	(1,141)	(2,619)	(4,894)	(2,887)	(3,550)	(4,013)
Finance cost (net)	(1,468)	(1,986)	(1,705)	(948)	(2,188)	(4,317)	(2,135)	(2,669)	(2,989)
Share of profit of equity accounted investees (net of tax)	267	395	390	466	643	542	958	1,163	1,182
Profit before tax	689	504	1,872	4,912	5,484	13,069	5,714	8,395	11,512
Income tax expense	(492)	(40)	(536)	(975)	(911)	(3,071)	(1,714)	(2,518)	(3,454)
Profit from continuing operations	197	464	1,336	3,937	4,573	9,998	4,000	5,876	8,059
Profit/(loss) from discontinued operations (net of tax)	(575)	(6)	(257)	(91)	(227)	55			
Profit for the year	(378)	457	1,079	3,846	4,346	10,053	4,000	5,876	8,059
Profit attributable to :									
Equity holders of the Company	(413)	483	833	3,132	3,684	7,801	3,121	4,545	7,121
Non- Controlling interests	35	(26)	247	714	662	2,251	879	1331	938

Balance Sheet Extractions	2018	2019	2020	2021	2022	2023	2024 E	2025 E	2026 E
ASSETS									
Non-current assets									
Property, plant & equipment	12,275	13,279	12,360	12,194	12,750	12,677	13,795	14,864	16,107
Equity accounted investees	1,014	1,026	951	1,136	1,185	1,264	2,067	2,394	2,558
Equity investments at fair value through OCI	362	273	204	263	1,236	5,154	2,996	4,692	5,985
Deposits with banks					316				
Current assets									
Inventories	8,843	7,568	7,319	8,297	9,542	17,894	21,316	19,545	26,036
Trade receivables	5,299	4,950	5,539	4,835	4,739	6,019	8,854	10,279	11,296
Other receivables	1,870	5,724	6,894	5,967	7,615	3,675	4,313	18,638	17,414
Equity investments at fair value through OCI	443	893	765	1,972	1,997	2,033	2,033	2,033	2,033
Cash in hand and at bank	1,567	1,277	2,108	1,355	2,277	1,942	1,814	1,212	1,353
Total assets	34,987	37,251	39,269	40,031	46,127	55,803	62,735	79,638	89,012
EQUITY AND LIABILITIES									
Stated capital	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008
Capital reserves	1,918	2,360	2,360	2,819	3,368	3,165	3,165	3,165	3,165
Revenue reserves	5,612	5,848	6,207	9,397	12,134	18,822	21,431	25,301	31,347
Non controlling Interests	2,175	2,061	2,136	3,079	3,603	4,833	5,712	7,043	7,981
Total Equity	10,713	11,279	11,712	16,303	20,114	27,829	31,316	36,518	43,502
Non-current liabilities									
Loans and borrowings	1,172	1,312	965	329	338	307	572	650	680
Retirement benefit obligations	661	646	701	770	820	897	897	897	897
Current Liabilities									
Trade payables	5,831	4,912	5,547	8,308	9,461	4,601	5,168	11,727	10,383
Accruals and other payables	1,446	1,738	1,488	1,672	1,766	3,153	3,563	4,378	5,037
Loans and borrowings	13,199	15,894	16,136	9,512	10,951	14,983	16,025	19,759	22,391
Total Liabilities	24,275	25,973	27,557	23,728	26,013	27,974	31,419	43,122	45,513
Total equity and liabilities	34,987	37,251	39,269	40,031	46,127	55,803	62,735	79,640	89,016

Peer Analysis



Name	Last Px (LKR)	Daily Price Chg (%)	Weekly Return (%)	1M Price Chg (%)	3M Price Chg (%)	6M Price Chg (%)	1 Yr Price Chg (%)	1 Yr Total Return (%)	3 Yr Annualized Total Return (%)	5 Yr Annualized Total Return (%)	MTD Total Return (%)	QTD Total Return (%)
CIC HOLDINGS PLC	70.70	-2.62	-1.81	-3.15	13.30	-5.73	12.22	16.45	62.62	48.84	-2.35	9.18
AGSTAR PLC	10.00	0.00	1.01	-9.91	-1.96	-23.08	-23.08	-23.08	37.37	27.85	-9.09	-0.99

Source: Bloomberg

CODE	CMP	Last Q EPS	Trailing EPS	Trail P/E	FWD EPS	FWD PE	NAV	PBV	Dividend	Dividend Yields	Payout ratio
AGST	10.00	0.36	2.85	3.51	1.45	6.9	15.1	0.66	-	0.0%	0.0%
HHL	80.00	1.83	7.18	11.14	8.07	9.9	63.3	1.26	2.35	2.9%	32.7%
HAYL	94	0.04	7.86	11.96	6.29	15.0	104.0	0.90	5.35	5.7%	68.1%
MELS	82	1.92	12.83	6.39	9.20	8.9	87.2	0.94	6.76	8.2%	52.7%
SUN	53	1.86	4.34	12.20	6.69	7.9	32.6	1.62	1.15	2.2%	26.5%
GRAN	164	14.26	59.88	2.74	51.33	3.2	161.9	1.01	6	3.7%	10.0%
Average				7.99		8.63		1.07		4%	32%
CIC	72.60	1.37	16.36	4.44	13.69	5.3	63.5	1.14	2.50	3.4%	15.3%
CIC.X	55.30	1.37	16.36	3.38	13.69	4.0	63.5	0.87	2.50	4.5%	15.3%
Target Price	7x FWD PE	We have considered 7x forward PE as fair for the valuation of CIC holdings based on its past trading performance, current economic conditions, near term economic expectations and market PE levels.									
CIC	95.81										
CIC.X	72.98										

Source: Asha Securities Research and company filings.

Valuation Metrics

01- Fundamental Analysis

DCF Valuation

Weighted Average Cost of Capital (WACC)		
	Rate	Weight
Cost of Equity	12.84%	51.6%
Cost of Debt	14.01%	48.4%
WACC		13.4%
Implied Share Price Calculation		
Sum of PV of FCF		17,686
Growth Rate		2%
WACC		13.4%
Terminal Value		37,462.6
PV of Terminal Value		25,685.7
Enterprise Value		43,372.0
(+) Cash		4,214.1
(+) Non Operating Asset		2,243.6
(-) Debt		18,353.2
(-) Minority Interest		4,833.0
Equity Value		26,643.5
Voting	77%	291.6
Non Voting	23%	87.48
No of Shares		379.08
Value Per Share		70.28

Note: Estimated Gains from equity investment is considered as non-operating asset for the calculations.

02 - Relative Valuation

Our base-case scenario results a target price of 95.8 for CIC voting share and 73 for the non-voting share.

In summary

Based on the fundamental valuation and the relative valuation our one-year target price for CIC.N is LKR 89.00 and CIC.X is LKR 68.00.

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