

CIC Holdings PLC

(CIC (N) SL LKR: 51.10 / CIC (X) SL LKR: 41.70)

Business:

CIC Holdings PLC is a leading conglomerate in Sri Lanka with core interests in the local agriculture sector. The company was incorporated in 1964 as a part of Imperial Chemical Industries (ICI) in UK. At present, CIC has exposure to Agri Produce, Livestock Solutions, Crop Solutions, Health & Personal Care, and Industrial Solutions. Agri produce primarily include rice, dairy, and fresh produce whilst livestock solutions consist of poultry, day-old-chicks (DOCs), feed business and vet care. Crop Solutions segment caters to plant nutrition, plant protection and seeds. Health and personal care segment consist of pharmaceuticals, medical devices, and personal care. Industrial Solutions segment's core business is the supply of binders for local paint industry. Plastic packaging, water treatment solutions, dry rubber are other areas that fall under this segment.

Financial Performance:

CIC group bottom line grew by 256% YoY to LKR 3.8bn, aided by growth across all segments. Crop solutions which emerged as the main bottom line contributor (35%) witnessed a 179% YoY growth in profits to LKR 1.3bn driven by a heavy topline of LKR 12bn (+49% YoY). Livestock solutions recorded a turnaround performance of LKR 612mn (previous loss of LKR 510mn). Agri produce saw a significant reduction in losses from LKR 388mn to a loss of LKR 1mn (recurring profits) during the period. EBIT margins improved to 14.5% (previous 10.4%) on the back of operational cost savings. Net finance costs declined by 44% YoY further aiding the bottom-line performance. Revenue from exports which still accounts for ~2% of group revenue witnessed a 57% YoY growth in FY21 with growth from Agri produce, health and personal care and industrial solutions.

Outlook:

Livestock solutions is expected to witness a growing demand for chicken meat with recovery in consumer spending. This would in turn ensure sustained demand for DOCs. With poultry and dairy sectors expected to grow, demand for feed remains optimistic. However, there will be pressure on the availability of raw material given the price hikes of locally grown maize with the import ban and LKR depreciation affecting the import of other key raw material. Despite depressed demand from the hotel sector, retail sector indicates recovery for Agri solutions. The ban on imported basmati rice has given CIC an opportunity to promote its premium product to the market thereby boosting volumes. Noting that export volumes showed improvement from last year, capacity for milling is expected to increase to focus more on exports. CIC's dairy segment showed improved volumes towards the end of FY21, and further developments are expected for a premium offering for the mainstream market. Given the disruptions brought on to the 'Fresheez' chain of outlets, CIC is looking at leveraging digital technology to facilitate online orders. Both plant protection and plant nutrient segment under crop solutions is expected to have a heavy hit with the recently imposed ban on chemical fertilizer as their existing portfolio is incompatible with organic farming. Although, CIC is already into production of organic fertilizer at a smaller scale it will be insufficient to cater to a higher demand in the short term. Given the interest placed on this aspect CIC will look to accelerate organic fertilizer production and procure organic agrochemicals. Overall demand for pharma is expected to remain consistent from both the state and private sector. Lower hospital footfall in the private sector owing to the pandemic could have somewhat of an impact on the medical device segment. Personal care segment will place more focus on export markets going forward both by strengthening brand presence and diversification of the product range. Revival of economic activities especially in the construction industry, will aid the performance of industrial solutions.

Valuation:

Based on TTM EPS of LKR 8.26, CIC (N) trades at a PER of 6.3x and CIC (X) on 5.2x on CMP. DPS of LKR 2.25 for FY21 amounts to a dividend payout of 7% (average for past 3 years 11%). CIC (N) resulted a dividend yield of 1.1% while CIC (X) returned a yield of 1.3%. PBV of CIC (N) stands at 1.5x and CIC(X) at 1.2x with a net asset value of LKR 34.89.

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Trading Snapshot

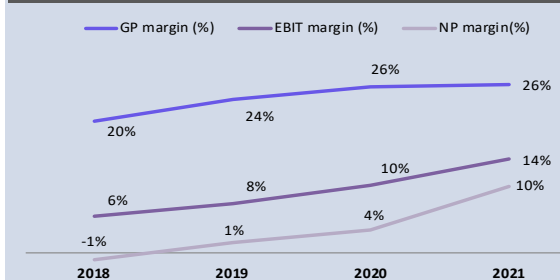
GICS Industry Group	Materials
Market cap (LKR 'mn)	18,549
Market cap (USD 'mn)	91
Outstanding equity shares (mn)	379.08
Public Holding (%) - March'21	
Ordinary Shares	46.62%
Non Voting (Class - X) Shares	96.27%
52-week High/Low (LKR)	
Ordinary Shares	71.60/13.08
Non Voting (Class - X) Shares	57.20/9.85
YTD ASPI return (%)	16.0%
YTD Stock return (%)	
Ordinary Shares	12%
Non Voting (Class - X) Shares	10.0%
One year Beta	
Ordinary Shares	1.31
Non Voting (Class - X) Shares	1.45

CSE ticker**CIC.N000/CIC.X000**

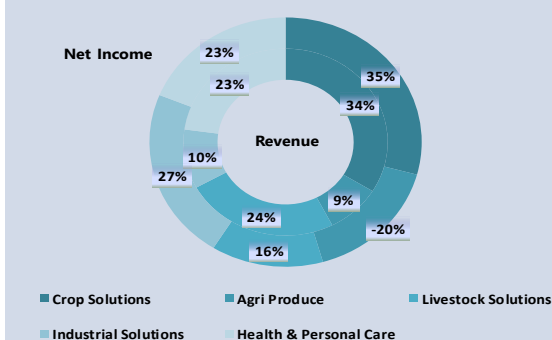
ASPI Vs CIC



Profit Margins



Revenue & Net Income FY21

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<i>LKR mn'</i>	2018	2019	2020	2021
Revenues	33,148	30,702	30,536	37,233
<i>Revenue growth (YoY) (%)</i>	<i>3%</i>	<i>-7.4%</i>	<i>-0.5%</i>	<i>21.9%</i>
Gross Profit	6,725	7,297	7,807	9,660
<i>GP growth (%)</i>	<i>-8%</i>	<i>8.5%</i>	<i>7.0%</i>	<i>23.7%</i>
<i>GP margin (%)</i>	<i>20.3%</i>	<i>23.8%</i>	<i>25.6%</i>	<i>25.9%</i>
EBIT	1,890	2,314	3,187	5,394
<i>EBIT growth (%)</i>	<i>-31.7%</i>	<i>22.4%</i>	<i>37.7%</i>	<i>69.3%</i>
<i>EBIT margin (%)</i>	<i>5.7%</i>	<i>7.5%</i>	<i>10.4%</i>	<i>14.5%</i>
Net Finance expenses	(1,468)	(1,809)	(1,705)	(948)
PAT	-378	457	1,079	3,846
<i>PAT growth (%)</i>	<i>-142.6%</i>	<i>-221.0%</i>	<i>136.0%</i>	<i>256.3%</i>
<i>PAT margin (%)</i>	<i>-1.1%</i>	<i>1.5%</i>	<i>3.5%</i>	<i>10.3%</i>
PAT attributable for shareholders	(413)	483	833	3,132
EPS (LKR)	(1.09)	1.27	2.20	8.26
Ordinary shares	291.60	291.60	291.60	291.60
Non-Voting (Class X) Shares	87.48	87.48	87.48	87.48
Total Weighted average shares (MN)	379.08	379.08	379.08	379.08
Shareholders' equity	1,008	1,008	1,008	1,008
NAV per share	90.09	97.26	25.26	34.89
DPS	0.25	0.25	0.13	0.56
Dividend yield(N)	0.4%	0.6%	0.4%	1.1%
Dividend yield(X)	0.4%	0.6%	0.4%	1.1%
ROE	-2.4%	45.3%	107.0%	381.4%
Total debt	21,737	17,206	17,101	9,841
Gearing	96%	94%	94%	91%
P/E (N)	(54.1)	30.2	15.9	6.2
P/E (X)	(37.2)	20.1	13.2	5.0
PBV (N)	0.7	0.4	1.4	1.5
PBV (X)	0.4	0.3	1.1	1.2
MPS (N) (LKR)	58.90	38.50	35.00	51.10
MPS (X) (LKR)	40.50	25.60	28.90	41.70
Enterprise value (mn')	40,834	29,426	27,697	27,001
EV/Sales (x)	1.2	1.0	0.9	0.2

*Note: historical EPS, NAV, DPS has been adjusted to reflect the 1:4 share subdivision

Top Twenty Shareholders	No. of shares	%
1 PAINTS & GENERAL INDUSTRIES LIMITED	155,441,396	53.31
2 EMPLOYEES PROVIDENT FUND	26,417,892	9.06
3 CHACRA CAPITAL HOLDINGS (PRIVATE) LIMITED	13,104,960	4.49
4 SEYLAN BANK PLC/ ARRC CAPITAL (PRIVATE) LIMITED	6,218,069	2.13
5 HOTEL INTERNATIONAL (PRIVATE) LIMITED	3,914,602	1.34
6 DAWI INVESTMENT TRUST (PRIVATE) LIMITED	2,061,150	0.71
7 MRS. L.K. GOONEWARDENA	2,005,828	0.69
8 DR. H.R. & MR. V.K. WICKREMASINGHE CUSTODIAN TRUSTEES MARTIN WICKREMASINGHE TRUST FUND	1,767,316	0.61
9 MR. S.R.S. DE SARAM	1,654,980	0.57
10 BANK OF CEYLON NO. 1 ACCOUNT	1,473,660	0.51
11 SEYLAN BANK PLC / JANASHAKTHI CAPITAL LIMITED	1,405,000	0.48
12 S.K. WICKREMESINGHE TRUST (GURANTEE) LIMITED	1,360,000	0.47
13 COMMERCIAL BANK OF CEYLON / COLOMBO FORT INVESTMENTS PLC	1,200,000	0.41
14 MISS. N.K.R.H. DE SILVA	1,135,700	0.39
15 MR. G. RAMANAN	1,135,051	0.39
16 PEOPLES LEASING FINANCE PLC / HI LINE TRADING (PRIVATE) LIMITED	1,025,000	0.35
17 MR. A.R. HETTIARACHCHI	1,000,000	0.34
18 MERCANTILE INVESTMENTS AND FINANCE PLC	1,000,000	0.34
19 SEYLAN BANK PLC / ANDARADENIYA ESTATE (PRIVATE) LIMITED	1,000,000	0.34
20 DFCC BANK PLC A/C 01	991,600	0.34
TOTAL VOTING SHARES	225,312,204	77.27

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Stock Ratings

Recommendation

Expected absolute returns (%) over 12 months

Buy

More than 10%

Hold

Between 10% and 0

Sell

Less than 0%

Expected absolute returns are based on the share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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