



Recommendation: BUY

Target price- LKR 126.00/85.00

Sector- Material

CIC to touch a profit of LKR 8.7Bn by FY23E

YE 31 March	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue (LKR Mn)	30,702	30,535	37,233	41,760	71,189	84,305
YoY growth (%)	4.2%	0.5%	21.9%	12.2%	70.5%	18.4%
Revenue Contribution						
Crop Solutions	31%	28%	34%	24%	40%	39%
Agri Produce	11%	9%	9%	9%	7%	7%
Livestock Solutions	19%	23%	24%	30%	25%	26%
Industrial Solutions	12%	13%	10%	13%	13%	12%
Health & Personal Care	26%	27%	23%	24%	16%	17%
Operating Profit (LKR Mn)	2,315	3,187	5,394	7,029	20,005	21,197
Equity Holders Profit (LKR Mn)	483	833	3,132	3,685	8,708	10,487
YoY growth (%)	319.5%	72.3%	276.2%	17.6%	136.3%	20.4%
EPS (LKR) on current share volume	1.3	2.2	8.3	9.7	23.0	27.7
DPS (LKR)	1.0	2.0	2.3	2.0	3.4	4.1
BVPS (LKR) on current share volume	24.3	25.3	34.9	43.6	63.3	87.1
Ratios (%)						
EBIT margin	7.5%	10.4%	14.5%	16.8%	28.1%	25.1%
NP margin	1.6%	2.7%	8.4%	8.8%	12.2%	12.4%
Dividend Payout	19.6%	22.8%	27.2%	20.6%	15.0%	15.0%
Voting						
PE (x)	67.5	39.2	10.4	8.9	3.7	3.1
PBV (x)	3.5	3.4	2.5	2.0	1.4	1.0
Dividend Yield (%)	1.2%	2.3%	2.6%	2.3%	4.0%	4.8%
Non-Voting						
PE (x)	45.7	26.5	7.0	6.0	2.5	2.1
PBV (x)	2.4	2.3	1.7	1.3	0.9	0.7
Dividend Yield (%)	1.7%	3.4%	3.9%	3.4%	5.9%	7.1%

Prices as at 23.01.2023

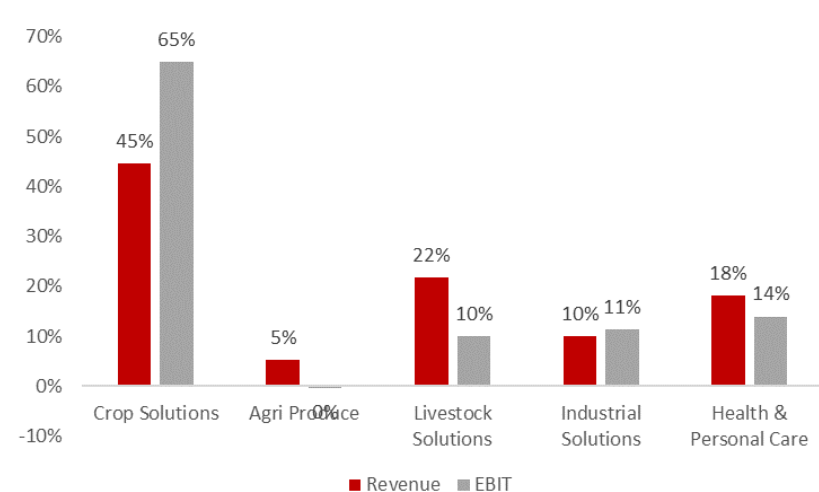
Key Statistics

Market Cap (LKR Bn) - Voting	25.11
Market Cap (LKR Bn) - Non Voting	5.09
Market Cap (USD Mn) - Voting	67.60
Market Cap (USD Mn) - Non Voting	13.71
Issued Quantity (Mn) - Voting	291.60
Issued Quantity (Mn) - Non Voting	87.48
Current Trading Range - Voting	84.00 -87.00
Current Trading Range - Non Voting	56.80 -59.40
52 week High - Voting	105.00
52 week Low - Voting	29.10
52 week High - Non Voting	74.50
52 week Low -Non Voting	17.00
YTD High - Voting	86.10
YTD Low- Voting	76.90
YTD High - Non Voting	58.20
YTD Low- Non Voting	52.00
Valuation	
Market PE (x)	5.05
Market PBV (x)	0.93
Trailing PE (x) - CIC Voting	4.30
Trailing PE (x) -CIC Non Voting	2.90
PBV (x) - CIC Voting	1.50
PBV (x) - CIC Non Voting	1.00
Bloomberg Ticker	CIC SL
GICS Industry Group	Materials

Main Shareholders as at 31.12.2022

	%
Paints & General Industries Limited	53.31
Employees Provident Fund	9.06
Chacra Capital Holdings (Private) Limited	4.49
Citibank Newyork S/A Norges Bank Account 2	3.22
Sri Lanka Insurance Corporation Limited - Life Fund	3.17

Crop solution continued to be the highest revenue and EBIT contributor for 9M'23



Price performance



- CIC Holdings PLC-one of Sri Lanka’s leading conglomerate delivered a stellar performance once again in 3Q’23 notwithstanding continued economic headwinds. Group’s profits for 3Q’23 jumped by 82%YoY to LKR 2.1Bn helped mainly by its crop solution segment (44.6% of revenue) which represents agro chemicals and fertilizer jumping by 217%YoY helped also by low base effect (with restrictions in imports on chemical fertilizer and agro chemicals) Groups second largest contributor to the revenue- livestock solutions (21.8% of revenue) grew by 24%YoY while health care solutions (herbal care, medical devices, personal care, pharmaceuticals) that contributes to 18.2% of revenue grew by 32%YoY. The other two segments – Industrial and agri produce meanwhile contributed to 10.0% and 5.3% of the revenue respectively. Profits for 9H’23 jumped by a notable 148%YoY to LKR 6.5Bn where crop solutions segment saw the steepest jump of 144%YoY for the same period.
- We take comfort on CIC’s scope of business which is mainly skewed towards defensive business portfolio (fertilizer, healthcare and poultry). They are likely to get least affected in an economic downturn in our view despite seeing considerable impact on margins, demand and prices. Margins that is seen contracting (EBIT margins dropped from 35% in 1Q’23 to 28% in 2Q’23 and 24% in 3Q’23 specially with crop solutions segments margins contracting from 53% in1Q’23 to 34% in 3Q’23) may see further pressure specially with consumers shifting to more cheaper alternates triggered by economic hardships. CIC’s scale (accounts to 35% of fertilizer and plant protection market), brand name, strong supplier relationship and island wide dealer network coupled with productivity measures however should keep the volumes of crop solutions segment despite margin contraction, thus volumes cushioning segment’s profits.
- Livestock solutions – a fully integrated system which operates feed, feed milling, poultry and vet care though could see pressure on demand again, is yet well positioned with chicken yet been considered as the cheapest form of protein. CIC’s efficient integrated supply chain and debottlenecking of supply chain (like sourcing of raw materials locally) meanwhile should help this segment while healthcare segment’s efficient product mix (pharmaceuticals and medical devices and personal and herbal care) should continue cushioning the margins. Industrial solution sector (construction material, industrial raw material and packaging) though may get impacted due to slowdown in construction segment, big players like CIC should be able to benefit specially with small scale players facing challenges and some being compelled to quit operations across the board.
- We estimate CIC’s profits to grow by 136%YoY to LKR 8.7Bn for FY23E due to its exposure to defensive sectors, despite seeing pressure from impaired demand, margins and revised taxes which wiped out some of the concessionary taxes. When looking at the valuations though Sri Lanka’s equity markets have tumbled to record low mainly on the back of uncertainties in the macro front (5.0x PE compared to 10YR average of 10-12x). CIC too had been no exception trading at 4.3x trailing PE (2.9x PE of CIC NV) compared to average PE’s of 14x over the last eight years. Markets should however turnaround specially with an IMF bailout program around the corner giving that much needed investor confidence. We hence arrived at a target price of LKR 126.00 for CICN, taking into consideration a conservative implied PE of just 5.5x and estimate the CIC NV to trade at LKR 81.00 with an 36% upside. We thus maintain are recommendation BUY.

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