



HEMAS HOLDINGS PLC [HHL.N0000]

MAINTAIN BUY

GROWTH STORY ON ALL FRONTS ...

Fair Value: FY23E - LKR 96.0 [+33%]

Total Return with DPS: FY23E - 40% [AER 27%]

P/E 31 March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Estimates (LKR 'Mn)							
Revenue	49,874	64,082	60,043	64,501	75,677	89,665	106,804
Gross Profit	17,707	21,478	19,148	19,417	21,946	26,900	32,041
EBIT	4,245	5,661	3,532	6,061	6,050	7,821	9,512
Net Profit	2,687	3,369	1,236	3,253	3,817	5,285	6,613
Adjusted EPS (LKR)	4.5	5.7	2.1	5.5	6.4	8.9	11.1
YoY Growth (%)	-23%	25%	-63%	163%	17%	38%	25%
DPS (LKR)	1.9	4.9	1.5	1.9	3.2	4.4	5.5
Valuations							
PER (x)	16.0x	12.8x	34.8x	13.2x	11.3x	8.1x	6.5x
PBV (x)	1.7x	1.5x	1.5x	1.3x	1.3x	1.2x	1.1x
DY (%)	2.6%	6.8%	2.0%	2.6%	4.4%	6.1%	7.7%

Healthcare segment to drive the group revenue

HHL is the largest pharma supplier in SL with a market share of 22%. We expect HHL to benefit from the recently extended agreement till 2024 to supply critical pharmaceuticals to the government. Moreover, construction of the new research and pharmaceutical manufacturing facility in Homagama is nearing completion and is targeting commercial production beyond 2QFY22E. New plant is capable of manufacturing 5Bn tablets per annum of medicine per annum adding to the existing capacity of 2Bn tablets and 366 kilo litres of medicine per annum. During FY21, Hemas increased stake in the online pharmacy provider "HealthNet", which is a new model of pharma distribution through online prescription fulfillment, and we expect to see a spike in demand for pharmaceutical distribution post COVID-19. HHL is expected to benefit from the Govt's policy of promoting domestic pharmaceutical manufacturing and accordingly, we expect health sector revenue to grow by 20%YoY to LKR 44.7Bn in FY22E.

Consumer sector; cautiously optimistic due to the essential nature

In the consumer sector, despite the fact that weaker consumer sentiment is likely to impact the operations in the short term, we estimate demand to pick up relatively quickly due to the essential nature of the consumer products. Moreover, given the Government's emphasis on supporting locally manufactured products we remain cautiously optimistic regarding the prospects for the remainder of FY22E. Recently HHL entered into the personal hygiene wash category by launching the "Shield" brand which includes a soap, a hand sanitizer and other personal care products. HHL continued to focus on expanding into rural markets in Bangladesh and West Bengal and we expect HHL to increase its market share in Bangladesh through further penetration of "Kumarika Hair Oil". Moreover, Atlas experienced an increase in demand during the quarter under review with the re-opening of schools. Consumer sector revenue is expected to increase by 10%YoY to LKR 27.5Bn.

Undervalued at current price levels-MAINTAIN BUY

In FY22E, we expect HHL to record a profit of LKR 3.8Bn (17%YoY) while FY23E net profit is expected to record at LKR 5.3Bn (38%YoY). Considering the defensive nature of the key main segments of HHL (Healthcare and Consumer segment) and due to the fact that Govt's local manufacturing policy bode well for HHL's portfolio of brands, we believe that there will be an upside to the company's growth. We have arrived at a TP LKR 96.0 for FY23E which indicate an upside of 33% on the Current Price. **MAINTAIN**

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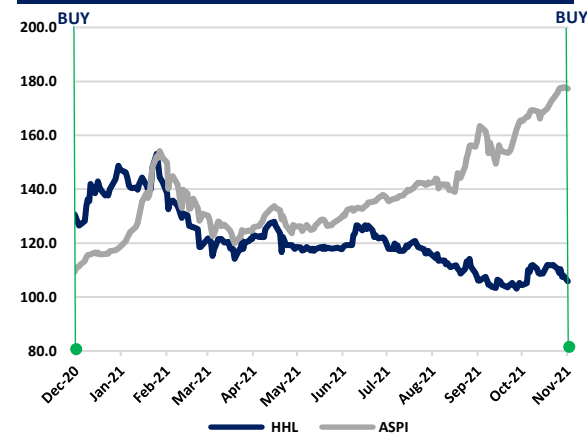
FIRST CAPITAL RESEARCH

Hiruni Perera +94 11 263 9864

hiruni@firstcapital.lk

Price Performance (%)	1 mth	3 mths	12mths
HHL	1%	1%	6%
ASPI	7%	23%	77%

Price Movement of HHL vs ASPI and Past Recommendations



Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of HHL during the five trading days prior to the issuance of this document.



First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Vidushika Perera	+94 11 2639 864
Atchuthan Srirangan	+94 11 2639 863		
Hiruni Perera	+94 11 2639 864		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Nethalie De Mel	+94 11 2639 854
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	Negombo	
Colombo			Priyanka Anuruddha	+94 70 2910 035
Rasika Indra Kumara		+94 77 7072 698	Priyantha Wijesiri	+94 70 2910 036
Isuru Jayawardena		+94 76 7084 953		
Nishantha Mudalige		+94 70 2910 041		
Ifadh Marikar		+94 77 9625 679		
Anushka Buddhika		+94 71 4310 600		
Thushara Pathiraja		+94 70 2910 037		
Chandika Jayawardana		+94 77 3940 070		

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy	Kurunegala	Matara	Negombo
2nd Floor, No.121 Kotugodella Veediya (E L Senanayake Veediya) Kandy 20000.	Ground Floor No. 42, Mihindu Mawatha, Kurunegala 60000.	2nd Floor, E.H. Cooray Building No: 24, 1/3, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange - Negombo Branch Office, No. 72A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 4937 072

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