First Capital
A Janashakthi Group Company

CEYLON COLD STORES PLC [CCS.N0000]

MAINTAIN BUY

"FOOTFALL AND VOLUME SURGE CUSHION "DITWAH" IMPACT"

Fair Value: FY26E - LKR 125.0 [+11%] **Fair Value: FY27E - LKR 140.0 [+24%]**

Total Return with DPS: FY26E - 16% [AER 298%] FY27E – 30% [AER 27%]

CCS delivered a strong performance in 3QFY26, with retail segment earnings increasing 24.7%YoY to LKR 1.1Bn, driven by robust Same Store Sales (SSS) growth, a 0.6% rise in Average Basket Value (ABV), and higher contributions from new store openings. The Supermarket segment recorded SSS growth of 14.3%, supported by a 13.2% increase in customer footfall, while higher Retail Selling Prices (RSPs) amid inflationary conditions further lifted ABV. Looking ahead, retail earnings are projected at LKR 2.9Bn in FY26E (+10.4%YoY) and LKR 3.5Bn in FY27E (+21.8%YoY). We have marginally revised down our FY27E estimate by 2.9%, reflecting the potential moderation in consumption growth that may temper momentum. Nevertheless, Keells Supermarkets' strong brand positioning, diversified customer reach, and continued expansion in modern trade remain key growth drivers. Persistent inflation could also support topline performance through higher average basket values (ABV). The manufacturing segment recorded earnings growth of 11.9%YoY to LKR 1.3Bn, supported by a 9.1%YoY increase in revenue. However, we have revised down our earnings projections by 3.6% for FY26E and 7.7% for FY27E, reflecting expected EBIT margin compression due to LKR depreciation, which continues to raise imported input costs such as sugar and skimmed milk powder. Profitability is expected to improve in 4QFY26E, supported by seasonal New Year demand, new product launches, and a strategic focus on high-margin impulse products, underpinned by Elephant House's strong brand equity. At the group level, we remain constructive on CCS, supported by continued retail store expansion, increased emphasis on private labels and value-added offerings, and steady growth in manufacturing volumes. Additionally, rising inflation and projected GDP moderation may weigh on consumer purchasing power. Intercompany adjustments, particularly intercompany dividend payments in 1QFY26, also weighed on reported earnings. Accordingly, we have revised down our earnings projections by 9.0% for FY26E and 12.0% for FY27E, resulting in revised earnings estimates of LKR 7.3Bn and LKR 8.2Bn, respectively. In line with these revisions and the associated margin assumptions, we have adjusted our fair value estimates to LKR 125.0 for FY26E (previously LKR 130.0) and LKR 140.0 for FY27E (previously LKR 150.0). Based on our revised valuation, we estimate a total annualized return of 27.0% for FY27E, exceeding our 17.0% minimum required return. MAINATAIN BUY

LKR (Mn)	3QFY25	3QFY26	YoY	9MFY25	9MFY26	YoY
Earnings (LKR 'Mn)						
Revenue	39,523	46,125	+17%	115,843	134,279	+16%
Gross profit	5,465	6,126	+12%	16,545	18,058	+9%
EBIT	2,540	3,103	+22%	7,316	8,148	+11%
PBT	2,059	2,501	+21%	5,666	6,363	+12%
Net Profit	1,383	1,681	+22%	3,812	4,128	+8%
Balance Sheet (LKR 'Mn)						
Shareholders' Equity	23,140	24,359	+5%	23,140	24,359	+5%
Borrowings	20,699	22,318	+8%	20,699	22,318	+8%
NAVPS	24.3	25.6		24.3	25.6	

Double-digit footfall momentum drove a sharp upswing in retail results

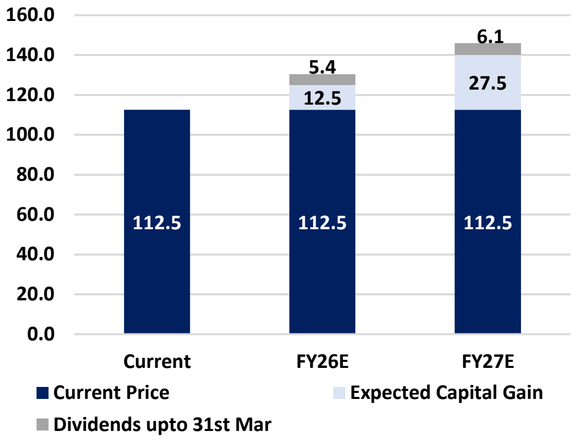
During 3QFY26, CCS's retail segment reported earnings growth of 24.7%YoY to LKR 1.1Bn, driven primarily by improvements in same-store sales (SSS), a 0.6% increase in average basket value (ABV), and higher contributions from new store openings. The Supermarket segment delivered strong performance, with SSS rising 14.3%, supported by a 13.2% increase in customer footfall. The uptick in ABV was largely attributable to higher retail selling prices (RSPs), reflecting inflationary pressures and increased purchase volumes. Looking ahead, retail segment earnings are expected to reach LKR 2.9Bn in FY26E (+10.4%YoY) and LKR 3.4Bn in FY27E (+20.1%YoY). We have marginally revised down our FY27E earnings estimate by 2.9%, considering that moderating GDP growth may soften momentum. Keells Supermarkets' strong brand positioning and its ability to serve diverse customer segments continue to provide a distinct competitive advantage. Moreover, sustained inflation could support higher average basket values (ABV), offering potential upside to topline growth.

Post "Ditwah" impact offset by beverage segment's volume growth

CCS's manufacturing segment delivered strong profitability, with earnings rising 11.9%YoY to LKR 1.3Bn, supported by a 9.1%YoY revenue increase. Profit growth was driven by the Beverages business, where higher volumes enabled better absorption of fixed costs. Segment EBIT margins expanded 31bps YoY to 20.7%, primarily due to volume growth in Beverage, which offset the negative mix impact from bulk and impulse categories, with impulse volumes affected by disruptions from "Ditwah". Within the segment, the Beverage business recorded 17.0%YoY volume growth, while Convenience Foods achieved 18.0%YoY growth. Looking ahead, earnings momentum is expected to be supported by a strategic focus on high-margin impulse products, new product launches specially in 4QFY26, and sustained volume growth, underpinned by Elephant House's strong brand equity. Profitability is expected to improve in the final quarter of FY26E, driven by seasonal New Year demand. EBIT margins are projected to remain healthy at 19.5% in FY26E and 19.0% in FY27E, with manufacturing segment earnings expected to reach LKR 5.3Bn in FY26E and LKR 6.0Bn in FY27E. However, we have revised down our earnings estimates by 3.6% for FY26E and 7.7% for FY27E, reflecting anticipated EBIT margin contraction resulting from LKR depreciation.

FCR's fair value estimate for FY27E revised down to LKR 140.0 from LKR 150.0, MAINTAIN BUY

We maintain a bullish stance on CCS, driven by the retail segment's continued store expansion, greater emphasis on private labels and value-added offerings, and the ongoing shift toward modern trade. The manufacturing segment is also well-positioned to benefit from steady volume growth and new product introductions. That said, margin pressures remain. LKR depreciation is expected to weigh on gross margins given the company's reliance on imported inputs such as sugar and skimmed milk powder and electricity tariff hikes may affect EBIT margin. Rising inflation and a projected slowdown in GDP growth as per FCR could dampen consumer purchasing power. Additionally, intercompany adjustments in 1QFY26 reduced reported earnings. Against this backdrop, we have revised our earnings forecasts downward by 9.0% for FY26E and 12.0% for FY27E, resulting in projected earnings of LKR 7.3Bn and LKR 8.2Bn, respectively. Reflecting the earnings downgrade, we reduce our target prices to LKR 125.0 for FY26E (from LKR 130.0) and LKR 140.0 for FY27E (from LKR 150.0). CCS is currently trading below its 15-year historical average PER of 20.0x. However, we expect CCS to trade at 16.0x in both FY26E and FY27E. Based on our revised valuation, we estimate a total annualized return of 27.0% for FY27E, comfortably exceeding our minimum required return threshold of 17.0%. ***MAINTAIN BUY***



FIRST CAPITAL RESEARCH

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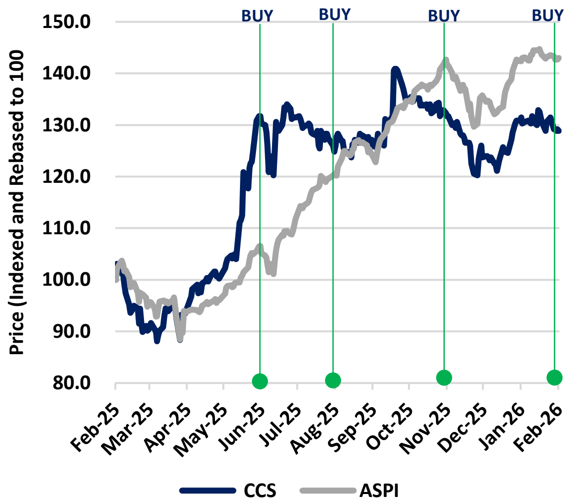
Price Movement of CCS vs ASPI (Indexed and rebased to 100)



Source: CSE

Minimum Return for BUY:

Buy Below for FY27E [AER of 17.0% with DPS]:
***LKR 122.3** CCS categorized as 'Grade B' counter*

Disclosure on Shareholding:

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

Key risks associated with our recommendation

Downside risks

- Gradually increasing inflation level
- Interest and exchange rate risks
- Competition from CARG and other supermarket players
- Lower than expected growth of impulse product range
- Adverse weather conditions

Upside risks

- Greater than anticipated volume growth due to economic recovery
- Partnership with reliance brand "Campa" may increase the beverages volume
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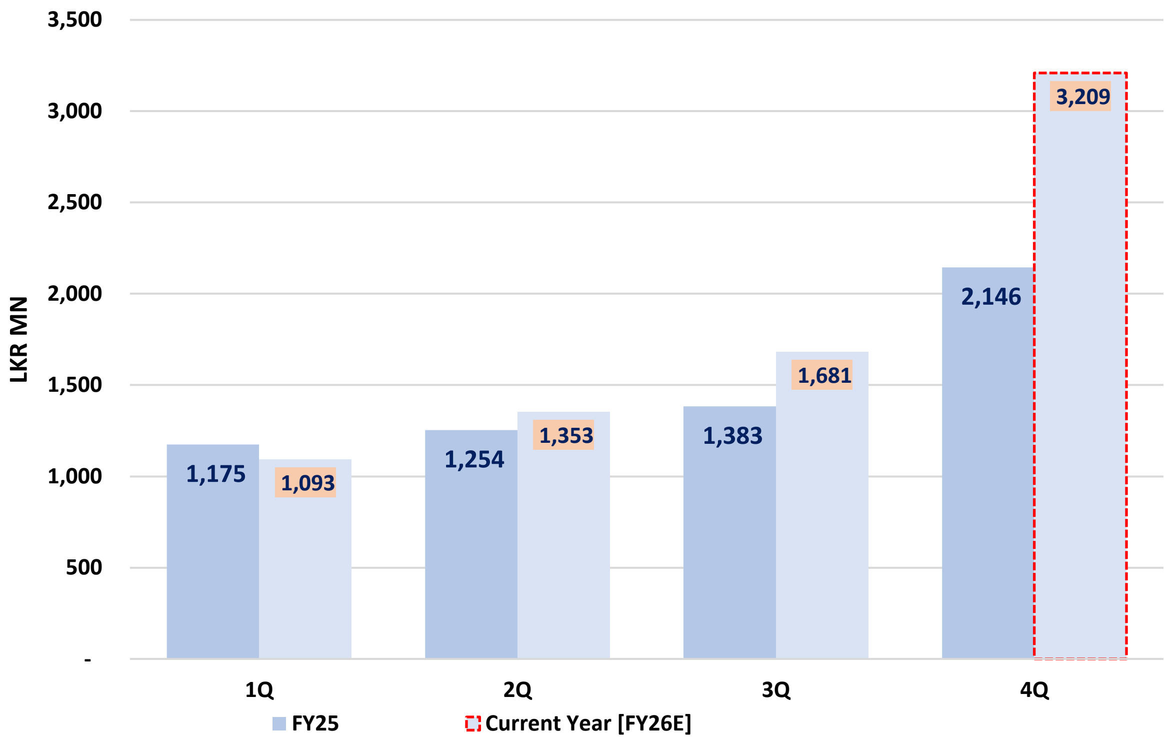
Quarterly Earnings



Estimate Revision

In LKR Mn	FY26E-O	FY26E-R	% Change	FY27E-O	FY27E-R	% Change
Earnings Estimate						
Revenue	188,132	187,853	-0%	221,645	220,998	-0%
Gross Profit	26,339	26,299	-0%	30,809	30,719	-0%
EBIT	14,011	13,756	-2%	16,211	15,783	-3%
Profit before Tax	11,869	10,789	-9%	13,796	12,106	-12%
Net Profit	8,071	7,336	-9%	9,382	8,232	-12%
Adjusted EPS	8.5	7.7	-9%	9.9	8.7	-12%
Growth YoY	35%	23%		16%	12%	
Balance Sheet Estimate						
Shareholders' Equity	27,193	26,165	-4%	30,946	28,635	-7%
Borrowings	7,292	7,292	0%	7,594	7,594	0%
Adjusted NAVPS	**28.6**	**27.5**	-4%	**32.6**	**30.1**	-7%
Ratio Estimate						
ROE (%)	***29.5%***	***28.0%***		***30.2%***	***28.7%***	
PER (x)	***13.4x***	***14.6x***		***11.5x***	***13.0x***	
PBV (x)	***4.0x***	***4.1x***		***3.5x***	***3.7x***	
DY (%)	***4%***	***5%***		***5%***	***5%***	

Valuation Table

P/E 31 March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Estimates (LKR 'Mn)							
Revenue	**84,543**	**126,149**	**139,625**	**157,934**	**187,853**	**220,998**	**255,495**
Gross profit	9,136	12,749	17,497	22,741	26,299	30,719	35,258
EBIT	4,744	6,185	8,155	11,314	13,756	15,783	17,637
Net Profit	**2,068**	**2,513**	**3,427**	**5,958**	**7,336**	**8,232**	**8,873**
Adjusted EPS (LKR)	**2.2**	**2.6**	**3.6**	**6.3**	**7.7**	**8.7**	**9.3**
YoY Growth (%)	*-12%*	*21%*	*36%*	*74%*	*23%*	*12%*	*8%*
Valuations							
PER (x)	**51.7**	**42.6**	**31.2**	**17.9**	**14.6**	**13.0**	**12.0**
PBV (x)	**5.9**	**5.6**	**5.2**	**4.5**	**4.1**	**3.7**	**3.4**
DY (%)	***1.0%***	***1.2%***	***2.1%***	***3.8%***	***4.8%***	***5.4%***	***5.8%***
NAVPS	19.1	20.1	21.5	25.2	27.5	30.1	32.9
DPS	1.1	1.3	2.3	4.3	5.4	6.1	6.5
Dividend Payout	*52%*	*49%*	*64%*	*69%*	*70%*	*70%*	*70%*

Ratio Analysis

		FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth	Revenue	22.9%	49.2%	10.7%	13.1%	18.9%	17.6%	15.6%
	Gross Profit	19.4%	39.5%	37.2%	30.0%	15.6%	16.8%	14.8%
	EBIT	15.4%	30.4%	31.9%	38.7%	21.6%	14.7%	11.7%
	Net Profit	-11.6%	21.5%	36.4%	73.9%	23.1%	12.2%	7.8%
Profitability	GP Margin	10.8%	10.1%	12.5%	14.4%	14.0%	13.9%	13.8%
	EBIT Margin	5.6%	4.9%	5.8%	7.2%	7.3%	7.1%	6.9%
	NP Margin	2.4%	2.0%	2.5%	3.8%	3.9%	3.7%	3.5%
	Return on Equity	11.4%	13.2%	16.8%	24.9%	28.0%	28.7%	28.4%
Liquidity	Current Ratio	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x
	Quick Ratio	0.3x	0.2x	0.3x	0.3x	0.3x	0.3x	0.3x
Activity	Inventory Days	39.2	37.9	40.4	37.1	37.1	37.4	38.5
	Accounts Payable Days	53.7	42.9	47.5	51.7	50.6	49.9	50.2
	Accounts Receivable Days	16.5	13.5	16.1	19.0	18.5	17.7	18.1
Gearing	Debt/Equity	0.7x	0.5x	0.4x	0.3x	0.3x	0.3x	0.3x
	Debt/Debt+Equity	0.4x	0.3x	0.3x	0.2x	0.2x	0.2x	0.2x
	Debt/Total assets	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x

Valuation Summary

Expected CCS price	FY26E	FY27E
PER Valuation based target price	123.5	138.6
SOTP Valuation based target price	132.8	138.8
Average Target Price	**128.2**	**138.7**
Target Price after Rounding off	**125.0**	**140.0**

Return	FY26E	FY27E
Target Price	**125.0**	**140.0**
Current Price	**112.5**	**112.5**
Capital Gain (LKR)	**12.5**	**27.5**
Dividends upto 31st Mar (LKR)	**5.4**	**6.1**
Capital Gain %	**11%**	**24%**
Dividend Yield %	**5%**	**5%**
Total Return %	**16%**	**30%**
Annualized Return %	**298%**	**27%**

PER based Valuation

PER based Valuation	FY26E	FY27E
Earnings (LKR 'Mn)	**7,336**	**8,232**
No. of Shares ('Mn)	**950**	**950**
EPS	**7.7**	**8.7**
Expected PER	**16x**	**16x**
Price at 16x Earnings	**123.5**	**138.6**

SOTP Valuation

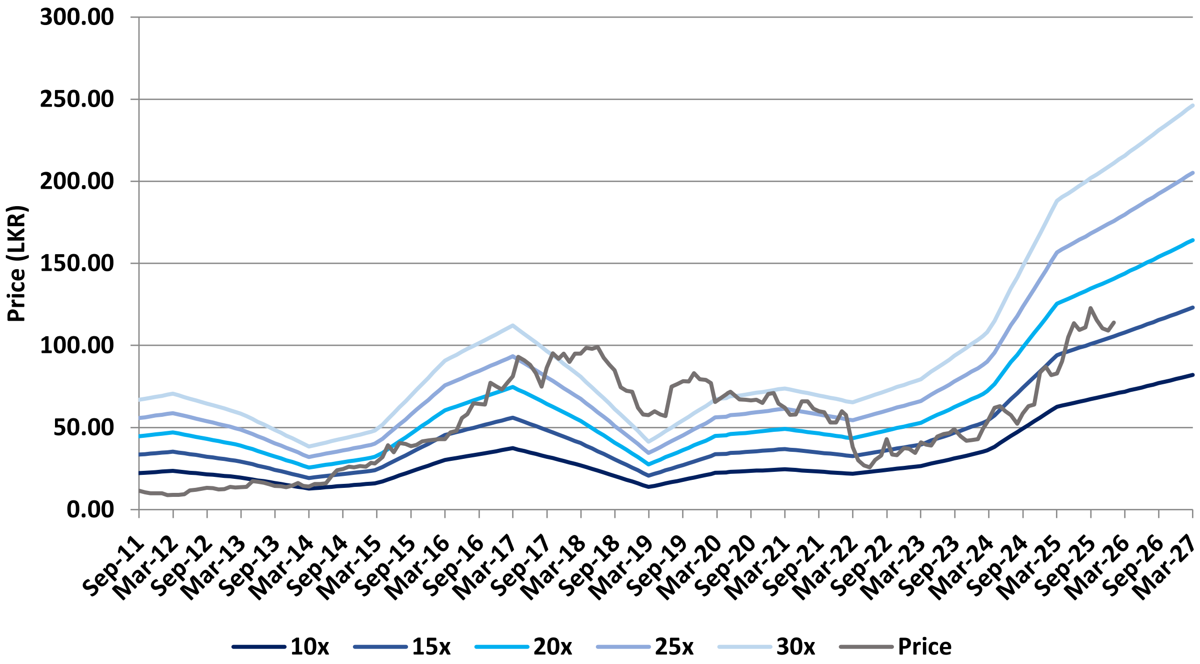
Segment	Valuation Method	Valuation assumption					Value in LKR Mn	
		CoE FY26E	CoE FY27E	WACC FY26E	WACC FY27E	Terminal growth	Firm value FY26E	Firm value FY27E
Consumer Foods	DCF	14.6%	14.6%	11.1%	11.4%	3.0%	70,442.0	72,244.4
Retail	DCF	14.6%	14.6%	11.1%	11.4%	3.0%	60,644.8	64,613.0
Firm value							131,086.9	136,857.4
Less: Debt								
Add: Cash and cash equivalents							2,416.5	2,628.9
Less: Debt							-7,292.0	-7,593.9
Equity value							126,211.4	131,892.4
No. of shares							950.4	950.4
Value per share							**132.8**	**138.8**

Recommendation Criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	14.00%	10.00%	10.00%
Grade B	Rest of the Companies	17.00%	12.00%	12.00%
Grade C	Companies less than LKR 1Bn Market Cap	20.00%	15.00%	15.00%

PER Chart



Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn) P/E 31st March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	84,543	126,149	139,625	157,934	187,853	220,998	255,495
Cost of sales	-75,407	-113,400	-122,127	-135,193	-161,553	-190,279	-220,236
Gross profit	**9,136**	**12,749**	**17,497**	**22,741**	**26,299**	**30,719**	**35,258**
Other operating income	1,831	2,599	2,954	3,417	4,348	4,076	3,469
Selling and distribution expenses	-3,149	-3,993	-4,965	-6,280	-7,159	-8,018	-8,819
Administrative expenses	-2,837	-3,830	-4,880	-5,870	-6,634	-7,430	-8,173
Other operating expenses	-237	-1,340	-2,451	-2,695	-3,099	-3,564	-4,098
EBIT	**4,744**	**6,185**	**8,155**	**11,314**	**13,756**	**15,783**	**17,637**
Change in fair value of investment property	**17**	**21**	**22**	**23**	**0**	**0**	**0**
Net Finance Income	-1,979	-3,967	-4,355	-4,694	-2,142	-2,415	-2,560
PBT	**2,782**	**2,239**	**3,822**	**6,643**	**10,789**	**12,106**	**13,049**
Taxation	-714	273	-1,504	-3,044	-3,452	-3,874	-4,176
Net Profit for the Period	**2,068**	**2,513**	**2,318**	**3,599**	**7,336**	**8,232**	**8,873**
Adjusted EPS	***2.2***	***2.6***	***3.6***	***6.3***	***7.7***	***8.7***	***9.3***

Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn) As at 31st March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets							
Non - current assets							
Property plant and equipment	25,580	27,250	27,746	29,967	33,163	35,890	39,535
Intangible Assets	2,822	3,601	4,485	4,597	4,827	5,069	5,322
Non-current financial assets	7,503	6,673	6,271	7,522	7,522	7,522	7,522
Other non-current asset	11,427	11,776	11,814	12,454	12,454	12,454	12,454
	47,332	**49,300**	**50,315**	**54,541**	**57,967**	**60,935**	**64,833**
Current assets							
Inventories	9,075	14,490	12,559	14,895	17,906	21,043	25,372
Receivables and prepayment	4,270	5,089	7,224	9,184	9,870	11,543	13,864
Other current asset	1,514	1,597	1,484	1,552	1,552	1,552	1,552
Cash and cash equivalents	1,345	1,253	2,161	1,714	1,047	1,259	-873
	16,204	**22,430**	**23,429**	**27,344**	**30,375**	**35,396**	**39,915**
Total Assets	**63,535**	**71,730**	**73,744**	**81,885**	**88,341**	**96,331**	**104,748**
Equity and Liabilties							
Capital and reserves							
Ordinary shares	918	918	918	918	918	918	918
Retained Earnings	13,312	14,532	16,066	18,051	20,252	22,722	25,384
Other componants of equity	3,877	3,627	3,466	4,995	4,995	4,995	4,995
	18,107	**19,077**	**20,451**	**23,965**	**26,165**	**28,635**	**31,297**
Non - current liabilties							
Interest-bearing loans and borrowings	8,308	6,850	3,164	3,150	3,308	3,420	3,591
Lease liabilities	9,928	9,963	10,690	11,384	11,384	11,384	11,384
Other non-current liabilities	2,756	2,787	4,026	5,126	5,126	5,126	5,126
	20,991	**19,601**	**17,879**	**19,660**	**19,818**	**19,930**	**20,101**
Current liabilities							
Trade and other payables	12,353	14,326	17,451	20,857	23,892	28,118	32,519
Short term borrowings	2,000	1,185	900	1,318	1,253	1,190	1,130
Interest-bearing loans and borrowings	2,179	2,170	4,503	2,506	2,732	2,984	3,133
Bank overdrafts	5,425	12,310	8,269	9,028	9,931	10,924	12,017
Other current liabilities	2,479	3,060	4,290	4,551	4,551	4,551	4,551
	24,437	**33,052**	**35,414**	**38,260**	**42,358**	**47,766**	**53,350**
Total Liabilities	**45,428**	**52,653**	**53,293**	**57,920**	**62,176**	**67,696**	**73,451**
Total Equity & Liabilties	**63,535**	**71,730**	**73,744**	**81,885**	**88,341**	**96,331**	**104,748**
Adjusted NAVPS	***19.1***	***20.1***	***21.5***	***25.2***	***27.5***	***30.1***	***32.9***

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About us:

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