



Vallibel Finance Ltd

**Date: 23-03-2010**

**Recommendation: Subscribe**

<b>Key Features of the Issue</b>	
No. Of shares to be issued	5,200,000 Voting Ordinary Shares
Issue Price	Rs.22.00
Amount to be raised	Rs.144,400,000
Opening of the subscription List	31-March-2010
Earliest closure of the subscription list	31-March-2010
Closure of the subscription List	23-April-2010
Basis of Allotment	In an event of an over subscription the shares will be allotted solely at the discretion of the board
Minimum number of shares in respect of which application may be made	The minimum number of shares for which application may be made is 100 shares of a subscription value of Rs.2,200 Applications exceeding 100 shares share be in multiples of 100 shares

## **History of the Company**

Vallibel Finance Limited is a public limited liability company which was incorporated in Colombo on 5th September 1974 as a private limited liability company under the Companies Ordinance (Chapter 145) as “THE RUPEE FINANCE COMPANY LIMITED” and was converted to a public company on 7th August 1989 under the Companies Act No. 17 of 1982.

On 21st November 2005, the name of the Company was changed to “VALLIBEL FINANCE LIMITED”. The Company was re-registered under the Companies Act No. 7 of 2007 on 20th August 2008 under Registration No.PB 526.

The change of the aforesaid Company name was consequent to the acquisition of the Company by Vallibel Investments (Private) Limited owned by Mr. K.D.D.Perera and his family. The Company’s principal activities are the acceptance of deposits, granting of lease facilities, hire purchase, mortgage loans, other credit facilities and related services in the finance business.

## **Stated Capital**

The stated capital of the Company as at 31st December 2009 is Rs.172,753,000/- represented by 15,575,300 Ordinary Shares of which 6,800,000 were issued on 19th December 2008 at an issue price of Rs.12.50 per share. The Company does not have any convertible securities outstanding as at the date of the Prospectus.

Name of the shareholder	Pre IPO		Post IPO	
	No. of shares	%	No. of shares	%
Vallibel Investments (Private) Limited	15,573,500	99.99%	15,573,500	74.96%
Mr. K D D Perera	300	0.00%	300	0.00%
Mr. W D N H Perera	300	0.00%	300	0.00%
Mr. J A S S Adhihetty	300	0.00%	300	0.00%
Mr. M D S Goonatilleke	300	0.00%	300	0.00%
Mr. S Senaratne	300	0.00%	300	0.00%
Mr. K D H Perera	300	0.00%	300	0.00%
General Public	-	0.00%	5,200,000	25.03%
<b>Total</b>	<b>15,575,300</b>	<b>100.00%</b>	<b>20,775,300</b>	<b>100.00%</b>

## Comparison with peers

Comparison of Finance Firms				
In thousands	VFIN		LFIN	CFIN
	2009	3Q2010	3Q2010	3Q2010
Revenue	270,336	307,336	2,996,649	5,660,064
Revenue Growth	225%	14%	14%	3.78%
PAT/Revenue	9.00%	9.87%	9.56%	14.37%
Net Profit for the period	24,336	30,349	286,588	813,368
Net Profit for 2009		32,192	359,607	1,181,044
Total Equity for 2009		232,688	1,350,097	8,192,490
Profit after Tax / Equity		13.83%	26.64%	14.42%
Return on Average Assets		2.35%	1.92%	2.34%
Book Value per Share	15.91	18.40	44.5	436.21
PBV	1.38	1.20	1.35	0.88
Earning Per Share 3Q	2.77	2.19	8.28	36.83
Annualized EPS	2.32	2.92	11.04	49.11
Current PER	9.48	7.53	5.43	7.84
Market Price	22.00	22.00	60.00	385.00

## Financials of Vallibel Finance Limited

	2008	2009	2010E	2011F	2012F
Income	125,954,756	376,368,753	420,025,980	588,036,372	735,045,465
Net Interest Income	50,670,212	127,670,499	160,761,569	225,066,196	281,332,745
Profit Before Loan Loss Provision	28,540,242	90,398,683	115,275,482	141,238,382	176,547,977
Loan Losses and Provision	(2,189,126)	(17,577,566)	(23,778,774)	(27,463,088)	(34,328,860)
Profit Before Tax	26,351,116	72,821,117	91,496,708	113,775,294	142,219,117
Profit After Tax	11,466,380	32,192,530	41,477,988	58,069,183	72,586,478
EPS (Adjusted)	0.55	1.55	2.00	2.80	3.49

Earnings growth of the company may dilute owing to expected drop in interest rate spread from 9.5% to at least 8% due to drastic drop of interest rates witnessed in the economy. During the current FY2010 the company is expect to make profits worth Rs.41.47Mn that would generate an EPS of Rs.2.00. Profit is expected to grow by 40% to Rs.58Mn within the FY2011 that would generate an EPS of Rs.2.80 per share. Further VFIN owns Rs.17.79 worth net assets per share with the IPO proceeds.

## Valuation

Year	2010E	2011F	2012F
EPS (Adjusted)	2.00	2.80	3.49
PER at Rs.22.00	11.00	7.86	6.30
<b>Forecasted Price</b>			
Sector PER of 11 times	22.00	30.80	38.39
Market PER of 17 times	34.00	47.60	59.33

We forecast that the investors would be entitle for substantial gains on their investments from IPO as the share is expected to trade at a price of Rs.30.00 according to earnings based valuations. Further current issued price of Rs.22.00 is discounted based on price to book value (PBV) valuation method. Therefore we advice investors to subscribe for VFIN at Rs.22.00

Current Book value of VFIN	16.38
Book Value after IPO proceeds	17.79
Sector PBV	1.45
Expected Price	25.80

---

This document has been prepared and issued by Asha Phillip Securities Ltd, on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Whilst all responsible care has been taken to ensure that the facts stated are accurate and the opinions given are fair and reasonable neither Asha Phillip Securities Ltd, nor any Director, Officer or employee, shall in any way be responsible for the contents. Asha Phillip Securities Ltd may act as a Broker in the investments which are the subject of this document or related investments and may have acted upon or used the information contained in this document, or the research or analysis on which it is based, before its publication. Asha Phillip Securities Ltd., Its Directors, Officers or Employees may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document.