

TICKER	VFIN		
Market Price	46.50		
Group	VALLIBEL FINANCE		
Year ending	March		
<i>No. of shares (MN)(Voting)</i>	41.55		
<i>No. of shares (Non-Voting)</i>	-		
<i>Mkt cap (MN)</i>	1,932.10		
<i>Sector</i>	BFI		
EPS (TTM)	17.75		
EPS (ANNUALIZED)	10.81		
	Voting		
<i>PER (ttm)</i>	2.62		
<i>PER (Annualized)</i>	4.30		
DPS -Final (2013/FY14)	1.00		
Dividend Yield (%)	2.15%		
DPS Interim (2012/2013)	1.50		
Net Asset value -end December 2014	1,404.85		
NBVPS	33.81		
PBV	1.38		

VALLIBEL FINANCE PLC (VFIN.N0000- LKR 46.50): Opinion on the 9M FY Mar 2015 performance

Vallibel Finance PLC has demonstrated strong growth in the past few years and has continued to do so in the nine months of the financial year 2014/2015 (“9M FY Mar 2015”). The Company, incorporated in 1974 as Rupee Finance, a family owned business was acquired by renowned investor, Dhammika Perera’s Vallibel Group in 2005 - as of today 72.87% is owned by Dhammika Perera via Vallibel investments. The Company’s primary business interests lie in that of hire purchase and leasing of three wheelers and motorcycles, focusing mainly on the small / medium scale entrepreneurs and low / middle income earners and operates 12 branches and 6 collection centres.

The Company’s pretax profits for the 9M FY Mar 2015 had improved 24.1% year-on-year (“y-o-y”) to LKR 368.89 million, mainly supported by the top line growth arising from expansion in the loan portfolio. The impairment charges for the Company had also worsened 53.6%, reflecting the quality of loan portfolio and total personnel costs had worsened 31.8% due to branch expansions; however, this was more than offset by the speedier top line growth.

The loan books had grown at 18.86% in the 9M FY Mar 2015 to reach LKR 11.81 billion (end-March 2014: LKR 9.94 billion) with growth mainly arising from the loans and receivables in comparison to the lease and hire purchase. Nevertheless, the latter remains the Company’s mainstay. We note that the

Company’s Non performing advances (“NPA”) had increased by LKR 215 million in absolute terms, with the gross NPA ratio reaching 5.14% as at end-December 2014 from 4.33% as at end-December 2013. While the overall growth has resulted in better performance for the Company, we remain cautious, as the loan books have yet to season and due to the uncertainty pertaining to the interest rates following the political change in the country.

The Company’s funding composition is dominated by public deposits accounting for 86% of the total funding mix as at end-December 2014. Elsewhere, Vallibel’s Loans to Deposits ratio eased to 107.16% in 9M FY Mar 2015 from 114.22% in 9M FY Mar 2014 reflective of the increased reliance on customer deposits as opposed to borrowed funds. Moreover, customer deposits grew at 23.50% y-o-y in 9M FY Mar 2015 supported by Vallibel’s extended branch reach

as well as its improving franchise. All in all the overall Earnings Per Share of the Company had shown improvement from LKR 6.54 in the 9M FY Mar 2014 to LKR 8.11 in 9M FY Mar 2015 and the trailing Price Earnings Ratio is attractive at 4.30 times.

VALLIBEL FINANCE PLC			
LKR Million	9M FY Mar 2015	9M FY Mar 2014	Change
INCOME STATEMENT			
Interest Income	2,089.21	1,808.04	15.55%
Interest Expenses	1,012.81	985.85	2.73%
Net Interest Income	1,076.40	822.19	30.92%
Profit/Loss Before Tax	368.89	297.32	24.07%
Group Earnings Per Share (EPS) LKR	8.11	6.54	
BALANCE SHEET			
	End-December 2014	End-December 2013	
Net Loans	11,812.36	9,521.96	24.05%
Deposits	11,489.14	8,423.53	36.39%
Total Equity	1,404.85	1,084.45	29.55%
Price Earnings Ratio (PE) times (annualised EPS)	4.30		
Group Net Asset Value Per Share (NAVS) LKR	33.81	26.10	

Table: Financial Performance for the 9M FY Mar 2015 and FY Mar 2014
(Source: Company Financials)

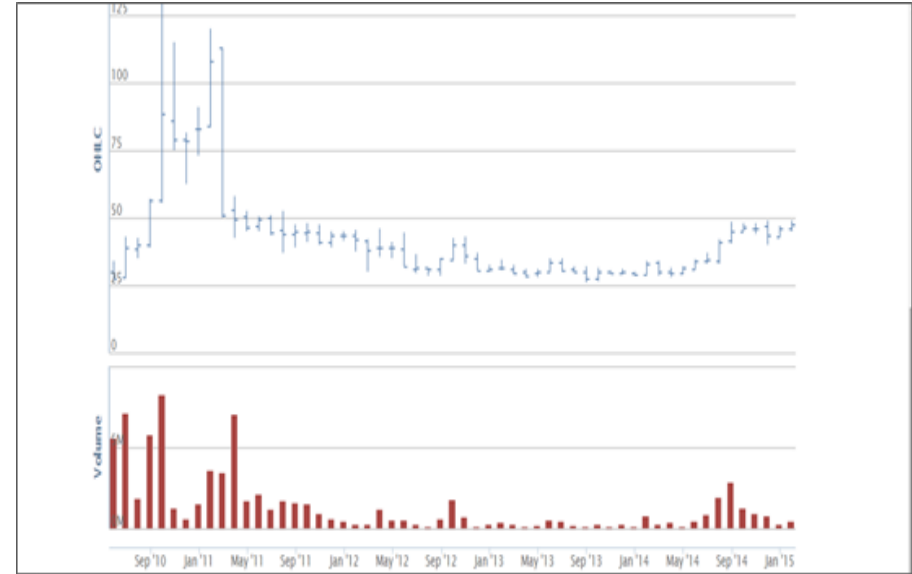


Chart: Share Price Movement VFIN from September 2010 to date-CSE Website

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