



## CAPITAL ALLIANCE LIMITED

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### IPO Price – LKR 10.00

#### Company Profile

Capital Alliance Limited (CALT) was incorporated in 2000 as a debt dealer and appointed as an authorized primary dealer by CBSL in 2003. CAL Group has become one of the leading Investment banking group in Sri Lanka with over two decades of experience, specializing in originating, trading and investing in debt and equity securities while offering investments into diversified assets classes.

CAL Group has been serving a wide range of customers from banks to retail investors by providing services ranging from treasuries, asset management, corporate debt and equity advisory, stock brokering, private equity and research services. CALT's key business activities are trading government securities and earning profits through accurately forecasting interest rate movements. CALT forms a securities trading function of the group and maintain its position as one of the five Non-Bank primary dealer in the country by mainly focusing on building and nurturing a long-term relationship with their clients' base.

#### Future Outlook

As an authorized primary dealer regulated by CBSL, CALT is required to maintain a minimum core capital of LKR 2.5Bn by 1st January 2023. Therefore, the purpose of CALT through IPO is to improve the core capital by LKR 411.8Mn to LKR 2.8Bn. In the medium term, the company's goal is to improve its core capital to LKR 5.0Bn to meet any higher threshold that may be implemented by CBSL whereas the increased capital will also provide a cushion against adverse interest rate movements.

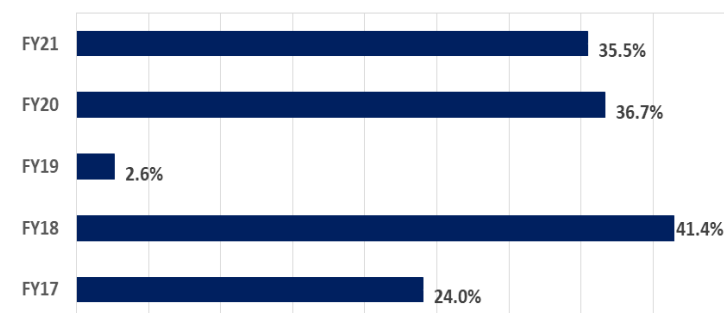
Moreover, the funds raised through the issue will be used to increase CALT's investments in financial instruments (mainly government securities), thus earning a return on the newly infused funds.

In addition to that, CALT is planning to expand its product base into alternative investments and derivatives to cater to clients investment requirements, which will allow the company to generate a fresh turnover line in addition to its traditional fixed income trading and interest income. Besides, the introduction of the Central Counterparty System will allow CALT to increase its secondary market volume significantly to trade with all market participants.

#### CALT Valuation

P/E 31 March	FY17	FY18	FY19	FY20	FY21	6-Months ended 30-Sep-21
<b>Earnings (LKR 'Mn)</b>						
Net Interest Income	197	261	222	340	368	88
Net Operating Income	595	843	202	1,313	1,570	83
Profit/(Loss) before tax	432	573	37	1,008	1,270	(13)
<b>Profit/(Loss) for the Year</b>	<b>307</b>	<b>573</b>	<b>37</b>	<b>737</b>	<b>966</b>	<b>(9)</b>
<b>Adjusted EPS (LKR)</b>	<b>1.1</b>	<b>2.0</b>	<b>0.1</b>	<b>2.6</b>	<b>3.4</b>	<b>(0.0)</b>
YoY % Growth		87%	-93%	1867%	31%	N/A
<b>Valuations</b>						
PER (x)	9.4	5.0	76.9	3.9	3.0	N/A
PBV (x)	2.25	2.08	2.03	1.43	1.06	N/A
DY (%)	47%	60%	0%	0%	104%	N/A

#### 5-Year ROE Comparison



#### Market Comparison

	Share Price (LKR)	3-Year Average EPS (LKR)	NAVPS 30.09.2021 (LKR)	P/E (x)	P/BV (x)
CALT - Pre IPO	10.0	2.01	8.38	5.0	1.2
Diversified Financial Sector				21.9	2.7
Market				13.9	1.5

#### Valuation outlook

Based on 3-year average EPS, CALT's PE is estimated 5.0x and is healthy compared to Diversified financial sector and market.

#### IPO Details

<b>Issue Price</b>	: LKR 10.00
<b>Amount to be Raised</b>	: LKR 411.8Mn
<b>No. of Shares Offered (Offer for Subscription)</b>	: 41,177,236 Ordinary Voting Shares
<b>Issue Open Date</b>	: November 25, 2021

#### Purpose of the issue

- To be in compliance with the minimum core capital required by the CBSL.
- Amount raised will be partly invested in financial instruments (mainly government securities).

#### Post IPO

Shareholders	No. Shares	%
Existing Shareholders	288,240,648	87.5%
IPO Shareholders	41,177,236	12.5%
	<b>329,417,884</b>	<b>100.0%</b>

#### Issue Allotment Structure

Applicant Category	Allocation of IPO (%)
Unit Trusts	10.0%
Retail Individual	40.0%
Non-Retail*	50.0%
	<b>100.0%</b>

\*The BOD of CALT reserves the right to allot up to 50% of the shares to the employees of CAL Group and its subsidiaries.



## Appendix 1 Summarised Audited Statements of Financial Position

Statement of Financial Position Year ended 31st March (LKR 'Mn)	FY17	FY18	FY19	FY20	FY21
<b>ASSETS</b>					
Cash and Cash Equivalents	6	20	26	5	10
Financial Assets measured at Amortised Cost	2,142	724	1,525	777	47
Financial Assets measured at FVTPL	4,901	9,501	9,051	13,523	11,464
Amount due from Related Companies	0	1	3	7	3
Financial Assets measured at FVOCI	459	478	462	1	1
Other Receivables	24	37	51	39	10
Deferred Tax Asset	-	-	-	7	9
Income Tax Receivable	-	-	4	-	-
Intangible Assets	8	14	8	5	3
Right-of-use Asset	-	-	-	3	13
Equipment	3	5	4	4	3
<b>Total Assets</b>	<b>7,543</b>	<b>10,780</b>	<b>11,133</b>	<b>14,370</b>	<b>11,565</b>
<b>LIABILITIES</b>					
Bank Overdrafts	3	-	1	-	-
Financial Liabilities at Amortised Cost	6,232	9,340	9,652	11,905	8,461
Amounts due To Related Companies	1	-	14	21	87
Other Payables	9	24	21	65	79
Lease Liability	-	-	-	3	14
Retirement Benefit Obligation	19	31	26	30	41
Income Tax Payable	-	-	-	335	160
<b>Total Liabilities</b>	<b>6,264</b>	<b>9,396</b>	<b>9,714</b>	<b>12,360</b>	<b>8,841</b>
<b>EQUITY</b>					
Stated Capital	289	296	312	312	312
Special Risk Reserve	413	471	474	548	645
Fair Value Reserve	(0)	57	36	-	-
Retained Earnings	577	561	597	1,151	1,767
<b>Total Equity</b>	<b>1,279</b>	<b>1,384</b>	<b>1,419</b>	<b>2,010</b>	<b>2,723</b>
<b>Total Equity &amp; Liabilities</b>	<b>7,543</b>	<b>10,780</b>	<b>11,133</b>	<b>14,370</b>	<b>11,565</b>

## Appendix 2 Summarised Audited Income Statement

Income Statement Year ended 31st March (LKR 'Mn)	FY17	FY18	FY19	FY20	FY21
Interest Income	795	1,159	1,093	1,440	1,075
Less: Interest expenses	(599)	(898)	(871)	(1,100)	(707)
<b>Net Interest Income</b>	<b>197</b>	<b>261</b>	<b>222</b>	<b>340</b>	<b>368</b>
Net Gain from Trading	281	611	(68)	898	1,345
Direct Expenses	(13)	(14)	(14)	(13)	(16)
Other Income	9	8	11	10	5
Net Gain/(Loss) from remeasurement of Financial Assets at FVTPL	120	(23)	51	78	(132)
<b>Net Operating Income</b>	<b>595</b>	<b>843</b>	<b>202</b>	<b>1,313</b>	<b>1,570</b>
Less: Operating Expenses					
Personnel Costs	(108)	(200)	(108)	(179)	(203)
Depreciation and Amortization	(5)	(6)	(8)	(10)	(9)
Other Operating expenses	(50)	(64)	(48)	(116)	(87)
<b>Profit/(Loss) before tax</b>	<b>432</b>	<b>573</b>	<b>37</b>	<b>1,008</b>	<b>1,270</b>
Less: Income tax (expense)/Reversal	(125)	-	-	(270)	(304)
<b>Profit/(Loss) for the Year</b>	<b>307</b>	<b>573</b>	<b>37</b>	<b>737</b>	<b>966</b>



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## About us

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