



## LANKA CREDIT AND BUSINESS FINANCE LIMITED

### IPO Price – LKR 4.00

#### Company Profile

Lanka Credit and Business Finance Limited (LCBF) is a financial service provider mainly serving Micro, Small and Medium Enterprises (MSMEs) Clients with the objective of assisting to increase their level of income and self-employment opportunities. LCBF also expects to uplift small and micro level enterprises to the medium scale through the provision of credit facilities. Currently LCBF has expanded up to 8 branches serving more than 26,000 customers across the country with a strong presence in the down south.

In 2018, LCBL acquired 72.39% stake in City Finance Corporation Limited which at that time was a loss making venture. The company took intense recovery strategies in turning around the business while managing to settle amounts outstanding to depositors as per CBSL guidance. Under new leadership and an experienced management LCBF has been able to establish itself as a CBSL Compliant company with industry best practices performing with enhanced credit quality.

#### Future Outlook

Fundamental aim of LCBF through this IPO is to increase its total regulatory core capital to LKR 2.5Bn by 31<sup>st</sup> Dec 2021 to be in compliance with the minimum core capital requirement as stipulated by the CBSL. LCBF also expects to seek potential opportunities subject to CBSL approval and requisite board and shareholder approvals, to merge or consolidate with suitable candidates in the NBFi sector which will enable the company to strengthen its core capital and asset base with the benefit of a high market reach.

LCBF is also in the process of establishing 4 new branches (pending for CBSL approval) in Kuliypitiya, Akuressa, Tangalle and Deiyandara which are expected to commence operations in FY22E. Strategic locations have been chosen with the objective of achieving a broader geographical coverage and to reach new segment of customers.

In terms of growing its revenue base LCBF will focus on major product categories such as SME, Micro Finance and Gold loans.

The company aims to take a step ahead by introducing information technology and digital platforms to provide their clients with easy and convenient access to their services and to offer innovative solutions.

#### LCB Valuation

P/E 31 March	FY17	FY18	FY19	FY20	FY21
<b>Earnings (LKR 'Mn)</b>					
<b>Total Income</b>	6	6	363	456	461
Net Interest Income	(14)	2	221	292	348
Total Operating Profit	(11)	6	489	325	353
Profit/(Loss) before tax	(38)	(6)	224	21	100
<b>Profit/(Loss) for the Year</b>	<b>(38)</b>	<b>(6)</b>	<b>514</b>	<b>11</b>	<b>25</b>
<b>Basic EPS (LKR)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>
YoY % Growth		-85%	-1526%	-98%	56%
<b>Valuations</b>					
<b>PER (x)</b>	<b>(7.8)</b>	<b>(51.3)</b>	<b>3.6</b>	<b>165.8</b>	<b>106.4</b>
<b>PBV (x)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>

#### Peer Group Comparison

	Share Price 11.10.21 (LKR)	EPS 31.03.2021 (LKR)	NAVPS 31.03.2021 (LKR)	P/E (x)	P/BV (x)
HNBf	9.7	-0.07	2.85	-138.6	3.4
SFIN	15.0	2.03	21.37	7.4	0.7
BFN	14.2	0.92	13.68	15.4	1.0
CRL	9.9	-5.95	11.27	-1.7	0.9
NIFL	483.8	0.65	11.83	744.2	40.9
GSF	14.6	0.48	18.71	30.4	0.8
MBSL	6.2	-2.07	11.65	-3.0	0.5
AAF	8.1	0.36	17.89	22.5	0.5
PMB	7.8	0.32	6.52	24.4	1.2
AFSL	26.1	4.31	29.94	6.1	0.9
CALF	82.4	-0.52	18.63	-158.5	4.4
<b>LCB - Pre IPO</b>	<b>4.0</b>	<b>0.04</b>	<b>3.17</b>	<b>106.4</b>	<b>1.3</b>
<b>LCB - Post IPO</b>	<b>4.0</b>	<b>0.03</b>	<b>3.30</b>	<b>126.4</b>	<b>1.2</b>
Diversified Financial Sector				14.9	1.9
Market				12.4	1.3

#### IPO Details

<b>Issue Price</b>	:	LKR 4.00
<b>Total Amount to be Raised</b>	:	LKR 500Mn
<b>Initial Tranche</b>	:	LKR 300,000,000
<b>Green shoe option</b>	:	LKR 500,000,000
<b>No. of Shares Offered (Initial Tranche)</b>	:	75,000,000 Ordinary Voting Shares
<b>No. of Shares Offered (Green shoe option)</b>	:	50,000,000 Ordinary Voting Shares
<b>Issue Open Date</b>	:	October 26, 2021

#### Purpose of the issue

- To be in compliance with the minimum core capital requirement of CBSL.
- Part finance the growth in the loan portfolio of the company.

#### Issue Allotment Structure

Investor Category	Percentage of Offer (%)
Unit Trusts	10.0%
Retail Individual	40.0%
Non-Retail	50.0%
<b>Total</b>	<b>100.0%</b>



## Appendix 1 Summarized 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 Equivalent	0	0	73	138	219
Financial Investment at amortised Cost	-	-	327	338	763
Financial assets at amortised Cost - Loans and Receivables	1	1	1,360	1,631	1,969
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	0	0	166	180	337
Other Financial Assets	-	-	13	10	8
Financial Investment at Fair value through Other Comprehensive Income	0	0	0	0	0
Other Non Financial Assets	183	177	22	51	38
Investment Property	-	-	372	356	-
Property, Plant and Equipment	5	4	55	47	39
Right of Use Assets	-	-	-	69	53
Intangible Assets	-	-	5	3	42
Deferred Tax Asset	-	-	290	281	206
<b>Total Assets</b>	<b>190</b>	<b>183</b>	<b>2,684</b>	<b>3,106</b>	<b>3,673</b>
<b>LIABILITIES</b>					
Financial Liabilities at amortised Cost - Due to Banks	88	88	419	472	518
Financial Liabilities at amortised Cost - Due to customers	541	541	885	1,012	832
Other Financial Liabilities	120	-	18	126	175
Other Non Financial Liabilities	-	119	28	9	36
Retirement Benefits Liabilities	1	1	2	3	4
<b>Total Liabilities</b>	<b>750</b>	<b>749</b>	<b>1,352</b>	<b>1,622</b>	<b>1,566</b>
<b>EQUITY</b>					
Stated Capital	1,727	1,727	3,092	3,232	2,039
Reserves	14	14	39	40	41
Retained Earnings	(2,302)	(2,307)	(1,799)	(1,788)	27
<b>Total Equity</b>	<b>(561)</b>	<b>(566)</b>	<b>1,332</b>	<b>1,483</b>	<b>2,107</b>
<b>Total Equity &amp; Liabilities</b>	<b>190</b>	<b>183</b>	<b>2,684</b>	<b>3,106</b>	<b>3,673</b>

## Appendix 2 Summarized Audited Income Statement

Income Statement Year ended 31st March (LKR 'Mn)	FY17	FY18	FY19	FY20	FY21
<b>Income</b>	<b>6</b>	<b>6</b>	<b>363</b>	<b>456</b>	<b>461</b>
Interest Income	2	2	298	424	456
Less: Interest expenses	(17)	(0)	(76)	(131)	(108)
<b>Net Interest Income</b>	<b>(14)</b>	<b>2</b>	<b>221</b>	<b>292</b>	<b>348</b>
Fee and commission income	0	0	11	29	29
Less: Fee and commission expenses	-	-	-	-	-
<b>Net fee and commission income</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>29</b>	<b>29</b>
Other Operating Income/(Expenses)	4	4	54	3	(24)
Fair value gain on Investment Property	-	-	202	-	-
<b>Total Operating Profit/(Loss)</b>	<b>(11)</b>	<b>6</b>	<b>489</b>	<b>325</b>	<b>353</b>
Impairment(Charge)/Reversal on Loan and Receivables	(3)	5	(118)	(101)	(23)
<b>Net Operating Income</b>	<b>(14)</b>	<b>11</b>	<b>371</b>	<b>224</b>	<b>330</b>
Less : Operating Expenses					
Personnel Costs	(10)	(7)	(57)	(76)	(94)
Depreciation and Amortization	(1)	(1)	(18)	(39)	(41)
Other Operating expenses	(12)	(8)	(57)	(68)	(73)
Written-off during the year	(1)	-	-	-	-
<b>Operating Profit before Tax on Financial Services</b>	<b>(38)</b>	<b>(6)</b>	<b>239</b>	<b>40</b>	<b>122</b>
Taxes on Financial Services	-	-	(16)	(19)	(22)
<b>Profit/(Loss) before tax</b>	<b>(38)</b>	<b>(6)</b>	<b>224</b>	<b>21</b>	<b>100</b>
Less: Income tax (expense)/Reversal	-	-	290	(10)	(75)
<b>Profit/(Loss) for the Year</b>	<b>(38)</b>	<b>(6)</b>	<b>514</b>	<b>11</b>	<b>25</b>



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### About us

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