



CAPITAL ALLIANCE HOLDINGS LIMITED

SUBSCRIBE

IPO Price – LKR 10.00

Company Profile

Capital Alliance Holdings Limited (CALH) serves as the parent and holding company of the Capital Alliance group, overseeing operations in primary dealer services, unit trust and private wealth management, stock brokerage, and corporate finance and investment banking. CALH holds controlling interests in international subsidiaries, including CAL Investment Consultancy FZ LLC (CALIC) based in the UAE, which manages CAL's operations in Sri Lanka and Bangladesh. The principal activities of the company are engaging in investment activities and management of subsidiaries. Capital Alliance Holdings Limited (CALH) was established in 2003 as the holding company of the group. Its subsidiary, Capital Alliance Limited, was incorporated in October 2000 and following its listing in 2021, changed its status to a publicly listed company, now referred to as Capital Alliance PLC (CALT). CALH has expanded its presence beyond Sri Lanka, establishing CAL Securities Limited, CAL Investments Limited, and CAL Bangladesh Limited in Bangladesh, and CAL Investment Consultancy FZ-LLC in the UAE.

Financial Performance

CALH reported a moderation in financial performance for the nine-month period ended 31 December 2024, primarily driven by a normalization in market interest rates. Group Net Interest Income declined to LKR 2.5Bn, reflecting the tapering of the elevated margins seen in FY24, which had benefited from a steep decline in interest rates. Correspondingly, the Group's Net Interest Margin (NIM) contracted to approximately 3%, down from the abnormally high 8% recorded in the previous financial year. Net gains from trading also declined significantly, attributable to a high base effect stemming from strategic repositioning in FY24—where the Group reduced its exposure to government securities in anticipation of falling yields. The impact of these factors led to a more normalized earnings profile, though profitability remained relatively strong with CALH delivering a Return on Equity (ROE) of approximately 19% during the period.

Future Outlook

Growth Opportunity from Sri Lanka's Capital Market Development: Sri Lanka's capital markets are gradually recovering, supported by macroeconomic stabilization efforts, regulatory reforms, and a modest pickup in investor activity. CALH, with its established presence in the investment banking and primary dealership space, is positioned to benefit from this improvement.

Strategic Regional Expansion to Frontier Markets: CALH has extended its operations to Bangladesh and is aiming to expand further into selected frontier markets. This regional strategy is intended to diversify its earnings base and reduce concentration risk. Moreover, the low capital market penetration in Bangladesh offers CALH significant opportunity to expand within the financial services sector of the country. Similarly, the group has identified Kenya as a strategic entry point to the broader East African market. With a GDP of approximately USD 120Bn and a population of 55 million, Kenya is part of the larger East African region, which is projected to be one of the fastest-growing regions globally, with an estimated annual growth rate of 5–6% over the next decade. While execution in new markets will depend on regulatory and market conditions, CALH's existing experience in emerging economies could support its efforts to scale its business across similar environments over time.

Digitalization Initiatives to Support Long Term Growth: To support its growing client base, the company is implementing digital solutions to scale operations efficiently while managing costs. It also plans to integrate operations across its offices in three countries – such initiatives are likely to strengthen cross-border synergies and support the firm's long-term growth objectives.

Interest Rate Volatility Poses Risks to Earnings Stability: CALH's profitability surge during FY24 was driven by sharp interest rate declines and unique economic conditions in Sri Lanka, enabling exceptional bond trading gains. However, as rates normalize, earnings are expected to stabilize. Future profitability remains sensitive to interest rate fluctuations, and external macroeconomic risks—such as U.S. policy shifts or inflation—could fuel market volatility. These factors may pressure CALH's earnings and share performance despite strong underlying fundamentals.

CALH Valuation

P/E 31 March	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Earnings (LKR 'Mn)							
Net Interest Income	240	1,614	3,982	3,051	3,038	3,315	3,444
Net Fee and Commission Income	1,464	1,180	2,291	2,288	2,339	2,486	2,583
Net Operating Income	1,538	6,071	26,221	10,482	9,153	9,415	9,635
Profit/(Loss) before tax	295	3,783	20,714	6,837	5,302	5,417	5,705
Profit/(Loss) for the Year	171	2,239	11,338	4,068	3,155	3,223	3,395
Adjusted Basic EPS (LKR)	0.08	1.08	5.47	1.96	1.52	1.56	1.64
YoY % Growth	-83%	1209%	406%	-64%	-22%	2%	5%
Valuations							
PER (x)	121.1	9.3	1.8	5.1	6.6	6.4	6.1
PBV (x)	7.0	4.0	1.2	1.1	1.0	0.9	0.8
Adjusted NAVPS	1.4	2.5	8.0	8.9	10.3	11.0	11.8
Adjusted DPS (LKR)	0.1	-	0.9	1.1	0.8	0.9	0.9

Comparison of Listed Proxies

Listed Proxies	Share Price 29.04.25 (LKR)	Market Capitalization 29.04.25 (LKR Mn)	TTM EPS (LKR)	NAVPS Dec 2024 (LKR)	P/E (x)	P/BV (x)
CFVF	34.5	13,973	12.2	28.1	2.8	1.2
FCT	23.3	14,343	5.8	16.5	4.1	1.4
GUAR	154.5	12,369	47.0	312.2	3.3	0.5
Market Capitalization Weighted Average					3.4	1.1
Regional Peers						
Industrial Investment Trust Ltd (IIT IN)		15,848			13.0	1.0
Reliance Sekuritas Indonesia Tbk PT (RELI IU)		14,801			38.2	1.4
ABICO Asia Capital Corp (7777 TT)		21,273			N/A	1.2
Market Capitalization Weighted Average					14.9	1.2

*CALH - Post-IPO	10.0	20,720	1.5	10.3	6.6	1.0
-------------------------	-------------	---------------	------------	-------------	------------	------------

*Note - CALH valuations based on FY26E estimates

Valuation Outlook

The CALH IPO, which is offered at LKR 10.00 per share, implies a Price-to-Book Value (PBV) of 1.1x based on Dec 2024 book value. This valuation is broadly in line with the market capitalization-weighted average sector PBV of 1.2x, suggesting the issue is fairly priced relative to listed financial sector peers.

Following an assessment of both local and regional capital market players, we believe that a PBV multiple of 1.2x is appropriate in valuing CALH, reflecting its market position as a leading non-bank primary dealer and diversified business model. Applying the 1.2x PBV multiple to the expected book value for FY26E, we derive a fair value estimate of LKR 12.00 per share, indicating an upside potential of approximately 20% from the IPO price. This margin of safety offers a compelling entry point for medium to long-term investors. **SUBSCRIBE**

IPO Details

Issue Price : LKR 10.00

Amount to be Raised : LKR 1,575Mn

Total No. of Shares Offered : 157,500,000 ordinary
voting shares

Issue Open Date : May 08, 2025

No underwriting arrangements have been made for this Share Issue

Details of the issue

Estimated Utilization of Funds	Total Issue (LKR Bn)
Expansion into Foreign Markets	750.0
Boost Transactions by Expanding Broker Credit	375.0
Invest in Assets by Leveraging Market Expertise	300.0
Digital Innovation	150.0
Total	1,575.0

Shareholding - Pre and Post IPO

Shareholders	No. of Shares	Pre IPO %	No. of Shares	Post IPO %
M/S. Ashtth Holdings (Private) Limited	557,044,530	29.1%	557,044,530	26.9%
M/S. Jetwing Travels (Private) Limited	547,846,320	28.6%	547,846,320	26.4%
Mr. Widanilage Ajith Terence Fernando	400,855,830	20.9%	400,855,830	19.4%
Ms. Nawalage Therese Manouri Shirmol Cooray	175,310,640	9.2%	175,310,640	8.5%
Mr. Kanishke Piyanga Mannakkara	57,236,370	3.0%	57,236,370	2.8%
Mr. Andrew Deshan Pushparajah	53,980,410	2.8%	53,980,410	2.6%
Ms. Habaragumuralalage Mary Sharmali Perera	32,596,560	1.7%	32,596,560	1.6%
Mr. Tharindra Kulasinghe	22,985,025	1.2%	22,985,025	1.1%
Mr. Akila Milanka Induruwage	16,834,230	0.9%	16,834,230	0.8%
Mr. Udeeshan Rajith Jonas	13,467,375	0.7%	13,467,375	0.7%
Other Shareholders	36,392,055	1.9%	36,392,055	1.7%
Shareholding from IPO			157,500,000	7.6%
	1,914,549,345	100.0%	2,072,049,345	100.0%

Issue Allotment Structure

Applicant Category	Allocation of IPO (%)
CALH Group Employees	10.0%
Unit Trusts	10.0%
Non - Retail	40.0%
Retail Individual	40.0%
	100.0%

*Unit Trust Investors should be growth or balanced Unit Trusts operated by Managing Companies licensed by the Securities and Exchange Commission of Sri Lanka (SEC), under the SEC Directive SEC/LEG/11/06/01, to operate such Unit Trusts, where such Unit



First Capital
A Janashakthi Group Company

First Capital Research

Appendix 1 Summarized Audited and Forecasted Statement of Financial Position

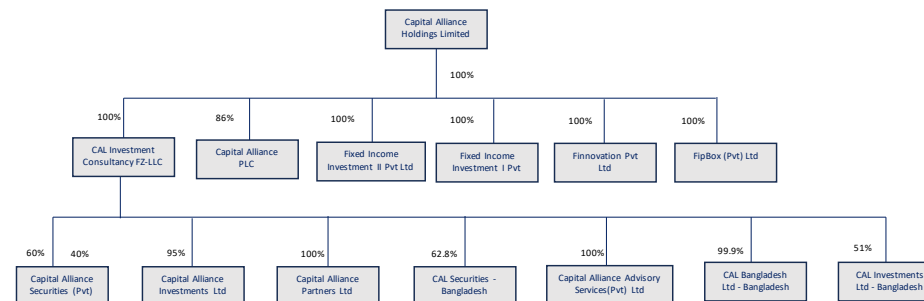
Statement of Financial Position Year ended 31st March (LKR 'Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
ASSETS							
Cash and Cash Equivalents	594	458	1,137	562	1,030	1,051	1,204
Financial Assets Measured at FVTPL	8,231	37,908	60,881	104,705	106,799	108,935	111,114
Financial Assets Measured at FVOCI	113	7	-	-	-	-	-
Financial Assets Measured at Amortised Cost	40	777	1,158	3,184	3,264	3,346	3,429
Trade and Other Receivables	2,467	2,178	2,976	5,271	6,080	6,526	7,016
Amounts Due from Related Entities	0	2	-	-	-	-	-
Investment in Subsidiaries	-	-	-	-	750	750	750
Investment in Joint Ventures	78	86	-	-	-	-	-
Intangible Assets	89	157	150	150	277	277	277
Right of Use Assets	129	137	103	103	103	103	103
Equipment	41	88	141	141	163	163	163
Deferred Tax Assets	50	26	46	46	46	46	46
Income Tax Recoverable	-	-	-	-	-	-	-
Total Assets	11,833	41,824	66,591	114,162	118,512	121,197	124,102
LIABILITIES							
Bank Overdrafts	-	-	-	909	909	909	909
Financial Liabilities Measured at Amortised Cost	6,887	31,898	37,914	86,065	86,496	86,928	87,363
Trade and Other Payables	1,003	1,934	3,912	2,867	3,236	3,468	3,813
Income Tax Payable	107	895	4,992	2,000	2,000	2,000	2,000
Amounts Due to Related Entities	-	-	-	-	-	-	-
Lease Liability	133	148	115	115	115	115	115
Deferred Tax Liability	1	1	0	0	0	0	0
Retirement Benefit Obligation	83	105	148	148	148	148	148
Total Liabilities	8,214	34,980	47,082	92,105	92,904	93,570	94,348
EQUITY							
Stated Capital	89	223	2,533	2,533	4,108	4,108	4,108
Special Risk Reserve	645	927	2,317	2,795	3,167	3,546	3,945
Fair Value Reserve	17	20	-	-	-	-	-
Retained Earnings	2,035	3,962	11,809	13,161	14,209	15,280	16,409
Foreign Currency Translation Reserve	171	61	(68)	(68)	(68)	(68)	(68)
Equity Attributable to Owners of the Company	2,956	5,194	16,591	18,421	21,416	22,866	24,394
Non Controlling Interest	663	1,651	2,917	3,635	4,192	4,761	5,360
Total Equity	3,619	6,845	19,508	22,057	25,608	27,627	29,754
Total Equity & Liabilities	11,833	41,824	66,591	114,162	118,512	121,197	124,102
Adjusted NAVPS	1.43	2.51	8.01	8.89	10.34	11.04	11.77

Statement of financial position has been forecasted considering the IPO funds

Appendix 2 Summarized Audited and Forecasted Income Statement

Income Statement Year ended 31st March (LKR 'Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Interest Income	662	4,934	10,742	8,785	9,509	10,252	11,069
Less: Interest Expense	(422)	(3,320)	(6,759)	(5,734)	(6,471)	(6,937)	(7,625)
Net Interest Income / (Expense)	240	1,614	3,982	3,051	3,038	3,315	3,444
Fee Based Income	1,464	1,180	2,291	2,288	2,339	2,486	2,583
Net Gain / (Losses) from Trading	(182)	624	19,061	6,671	5,337	5,204	5,230
Net Fair Value Gains/ (Losses) from Financial Assets	(6)	2,659	882	(1,544)	(1,575)	(1,606)	(1,638)
Direct Expenses	(8)	(17)	(69)	(46)	(47)	(50)	(52)
Other Income / (Expense)	29	12	73	61	61	66	69
Total Operating Income	1,538	6,071	26,221	10,482	9,153	9,415	9,635
Less: Operating Expenses							
Personnel Expenses	(836)	(1,232)	(3,579)	(1,581)	(1,616)	(1,589)	(1,771)
Depreciation and Amortization	(62)	(79)	(103)	(132)	(143)	(154)	(166)
Other Operating Expenses	(350)	(982)	(1,846)	(1,933)	(2,092)	(2,255)	(1,992)
(Impairment)/ Reversals of Subsidiaries	-	-	-	-	-	-	-
Operating Profit/ (Loss)	290	3,779	20,693	6,837	5,302	5,417	5,705
Share of Profit from Equity Accounted Investee (Net of	6	5	21	-	-	-	-
Profit/(Loss) Before Tax	295	3,783	20,714	6,837	5,302	5,417	5,705
Less: Income Tax (Expense)/Reversal	(158)	(1,008)	(6,623)	(2,051)	(1,591)	(1,625)	(1,712)
Profit/(Loss) for the Year	137	2,776	14,091	4,786	3,711	3,792	3,994
Profit/(Loss) Attributable to:							
Owners of the Company	171	2,239	11,338	4,068	3,155	3,223	3,395
Non-Controlling Interest	(34)	536	2,753	718	557	569	599
Profit/(Loss) for the Year	137	2,776	14,091	4,786	3,711	3,792	3,994
Adjusted EPS	0.08	1.08	5.47	1.96	1.52	1.56	1.64

Appendix 3 Group Structure





First Capital
A Janashakthi Group Company

First Capital Holdings PLC

No. 02, Deal Place,
Colombo 03.

General: +94 11 2639 898
Fax: +94 11 5736 264

RESEARCH

Dimantha Mathew	+94 11 2639 853	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Manusha Kandanaarachchi	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
--------------------	-------------------

EQUITY SALES

		Equity Branches		
CEO	Jaliya Wijeratne	+94 71 5329 602	Negombo	Priyanka Anuruddha +94 77 4546 070 Priyantha Wijesiri +94 77 9065 779
Colombo				
Rasika Vidanalage		+94 77 7072 698		
Isuru Jayawardana		+94 76 7084 953		
Nishantha Mudalige		+94 77 3204 929		
Anushka Buddhika		+94 71 4310 600	Agents	
Thushara Pathiraja		+94 77 0076 314	Colombo	Kithsiri Jayasinghe +94 77 7790 657
Anjelo LaBrooy		+94 77 7546 645	Anuradhapura	Amila Luwishewa +94 71 0628 195
Dillon Lowe		+94 76 6160 647	Galle	Nuwan Abeynayake +94 77 7288 274
Evelyn John		+94 77 779 2452	Kandy	Ajith Ihalawatta +94 77 8477 530
Yudheshan Kannadasan		+94 77 415 5809	Embilipitiya	Ruwan Wanniarachchi +94 77 3877 734

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
---------------------	-----------------	-----------------------	-----------------

BRANCHES

Kandy	Kurunegala
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.

Manager:	Salinda Samarakoon	Manager:	
Tel:	+94 81 2236 010	Tel:	+94 37 2222 930

Matara	Negombo
CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.

Manager:	Rohana Jayakody	Manager:	
Tel:	+94 41 2222 988	Tel:	+94 31 4937 072

About us

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.

Disclaimer

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the accuracy, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or a connected person or associated person 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. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.