

INITIATION COVERAGE

BUY

Fair Value - FY27E (LKR) 145.0 [+35.8%]
Total Return with DPS (%) 39.5% [AER 31.5%]

KEY DATA

Share Price (LKR)	106.8
52w High (LKR)	111.0
52w Low (LKR)	54.0
Issued Share Capital (Shares 'Mn)	1,137.9
Market Cap (LKR 'Bn)	121.0
Market Cap (USD 'Mn)	390.1
Free Float	19.1%

FIRST CAPITAL RESEARCH

Analyst:
Manusha Kandanaarachchi
manusha@firstcapital.lk



VALLIBEL ONE PLC

CSE:VONE.N0000 | Bloomberg: VONE SL

EQUITY | SRI LANKA | CAPITAL GOODS

“A GEM IN RUBBLE...”

1. Investment summary.....	04
2. Key financials and stock performance.....	05
3. Key subsidiaries unlocking VONE's growth potential.....	06-69
 3.1. LFIN: the cash cow.....	07-34
i. Total income: 38.2%YoY growth in total income by FY27E	
ii. Margins: FCR expects a 32bps expansion in NIM by FY27E	
iii. Profitability: FCR expects LFIN's profitability to grow 33.2%YoY by FY27E driven by volume growth and NIM expansion	
 3.2. RCL: the construction proxy.....	35-69
i. Topline: RCL's topline to grow 8.3%YoY by FY27E	
ii. Margins: FCR expects RCL's group-level gross, EBIT, and net margins to improve by 19bps, 73bps and 168bps respectively	
iii. Profitability: FCR forecasts a 26.5%YoY increase in RCL's profitability by FY27E driven by topline increase and higher operating leverage	
4. Financial analysis.....	70-77
VONE's earnings to inflect sharply, delivering a 21.9% 3-year CAGR and a robust 27.7%YoY uplift in FY27E, fueled by topline growth and margin increase of its two key subsidiaries with ROIC potentially exceeding WACC	
5. Valuations.....	78-87
At a fair value of LKR 145.0 for FY27E VONE offers a total annualized return of 31.5%, supported by a consistent financial track record	

TABLE OF CONTENTS

6. Appendices.....88-155

i.	<i>Company overview at a glance and SWOT analysis for VONE</i>	89-93
ii.	<i>Environmental, social and governance</i>	94-97
iii.	<i>Key investment risks</i>	98-103
iv.	<i>First Capital Research Go to Market Survey results</i>	104-110
v.	<i>Industry overview with Porter's Five Forces – NBFI, tile, Aluminium and Packaging</i> .111-124	
vi.	<i>Global commodity price outlook: Gold and Aluminium</i>	125
vii.	<i>FCR's exchange rate outlook and PMI construction numbers</i>	126
viii.	<i>Financial Statements of VONE</i>	127-129
ix.	<i>Ratio analysis for VONE</i>	130
x.	<i>SOTP justification</i>	131
xi.	<i>The bull and bear outlook for earnings, EPS and DPS for VONE</i>	132
xii.	<i>Financial Statements of LFIN</i>	133-134
xiii.	<i>Ratio analysis for LFIN</i>	135
xiv.	<i>Valuations for LFIN</i>	136-137
xv.	<i>PER band chart for LFIN and ROE and PBV correlation</i>	138-139
xvi.	<i>Sensitivity analysis for LFIN</i>	140
xvii.	<i>LTV revisions and SSCL impact</i>	141
xviii.	<i>Financial Statements of RCL</i>	142-144
xix.	<i>Ratio analysis for RCL</i>	145
xx.	<i>Valuations for RCL</i>	146-148
xxi.	<i>Sensitivity analysis for RCL</i>	149
xxii.	<i>PER based valuation for RCL</i>	150
xxiii.	<i>Valuations for Delmege</i>	151-152
xxiv.	<i>Valuations for SAMP and RHTL</i>	153
xxv.	<i>FCR's recommendation criteria</i>	154
xxvi.	<i>Glossary of terms</i>	155

TABLE OF CONTENTS

INVESTMENT SUMMARY: "A GEM IN RUBBLE..."

A leader in non-banking financials, tile, tile related products and Aluminum sectors: Established in 2010 and listed on the CSE in 2011, VONE serves as the parent company of two listed subsidiaries; LB Finance (LFIN) and Royal Ceramics (RCL) as well as two non-listed subsidiaries, Delmege Group and Greener Water Limited. The company also holds strategic investments in one listed associate, The Fortress Resorts (RHTL), one non-listed associate; Swisstek Aluminium Ltd, and a long-term investment holding in Sampath Bank (SAMP). LFIN and RCL emerge as the key subsidiaries, collectively contributing over 90.0% of VONE's profit before tax.

Initiating coverage with a BUY recommendation: FCR initiates coverage on VONE with a **BUY recommendation**, arriving at a fair value target of LKR 145.0 for FY27E, implying a potential annualized total return of 31.5% (dividend yield: 3.6%). The valuation is derived using an equally weighted SOTP and PER-based valuation methodologies. FCR expects LFIN's market leadership in the SUV and crossover segments to position it well to capture new vehicle registrations and benefit from loan growth with a balanced leasing and gold loan portfolio. Simultaneously, RCL's leadership in tiles, tile-related products, and Aluminium sectors is poised to capitalize on the ongoing construction momentum. As a result, VONE is set for a strong earnings trajectory, with 23.0%YoY revenue growth and margin expansion of 83bps (gross), 94bps (operating), and 52bps (net), driving 27.7% earnings growth by FY27E, primarily supported by LFIN and RCL. ROE is expected to rise from 10.1% in FY25E to 12.6% by FY27E and ROIC may exceed cost of funding, potentially driving the stock to trade at 10.5x PER by FY27E. Therefore, our BUY recommendation is backed by three main stallion points:

1.0 LFIN: THE CASH COW - Supported by sustained growth in leasing and gold lending, LFIN's profitability is forecast to reach LKR 18.7Bn by FY27E, driven by higher vehicle imports and a conducive interest rate environment. This positions LFIN to deliver around 76.0% of VONE's profit before tax.

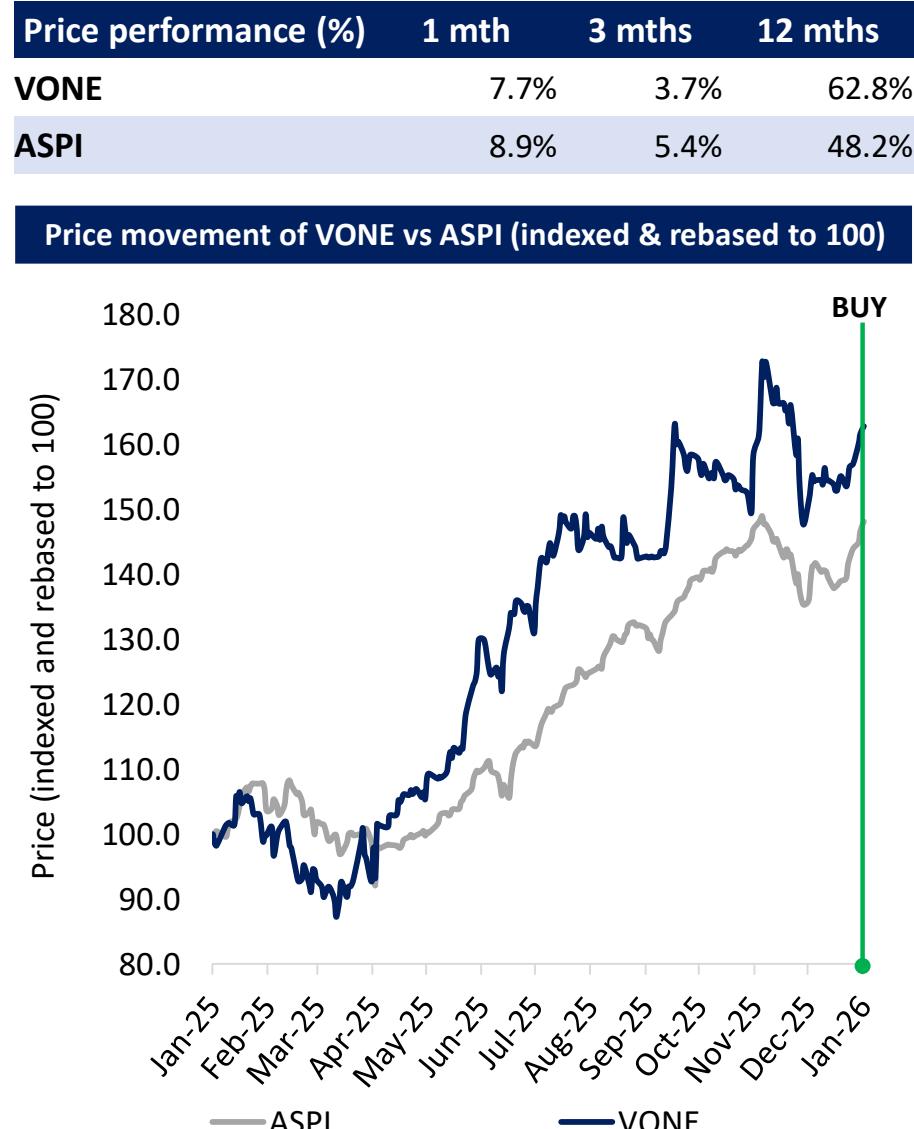
2.0 RCL: THE CONSTRUCTION PROXY - Driven by a recovery in construction activity and with increasing operating leverage, RCL's earnings are projected to expand 26.5%YoY by FY27E, positioning the RCL to contribute approximately 19.3% to VONE's profit before tax.

3.0 ROIC TO EXCEED WACC BY FY27E - FCR expects VONE's profitability to improve as the company generates a return on invested capital above its cost of funding, underscoring its strong return potential and investment appeal. By FY27E, ROIC (11.6%) is expected to surpass WACC (10.5%).

Key risks associated with our recommendation: Key risks to VONE stem from interest rate volatility, domestic economic conditions, and global macroeconomic factors; however, the company is well positioned to mitigate these risks through diversified revenue streams across its business segments. RCL, as a construction sector proxy, carries moderate cyclical risk, with earnings sensitive to exchange rate movements and global commodity prices. LFIN is highly exposed to interest rate risk. Given VONE's diversified structure, FCR has incorporated a bear-case scenario, with downside risks and profitability outcomes detailed in the scenario analysis and appendices. Investors are advised to assess the risk-reward profile carefully in the appendix iii (key investment risks).

KEY FINANCIALS AND STOCK PERFORMANCE

P/E 31st March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Estimates (LKR 'Mn)							
Revenue	94,295	116,855	122,330	122,760	148,513	182,680	198,667
Gross profit	45,530	50,652	54,399	53,726	66,747	83,625	91,526
Adjusted EBIT	30,139	30,678	32,507	30,505	36,402	46,502	50,986
Adjusted earnings	10,353	9,524	9,894	11,761	14,973	19,117	21,283
Adjusted EPS (LKR)	9.1	8.4	8.7	10.3	13.2	16.8	18.7
YoY Growth (%)	27.5%	-8.0%	3.9%	18.9%	27.3%	27.7%	11.3%
Margins and ROE							
Gross profit margin	48.3%	43.3%	44.5%	43.8%	44.9%	45.8%	46.1%
Adjusted EBIT margin	32.0%	26.3%	26.6%	24.8%	24.5%	25.5%	25.7%
Adjusted net profit margin	21.8%	15.2%	14.3%	13.1%	13.6%	14.1%	14.5%
Underlying ROE	19.0%	14.9%	12.5%	10.1%	11.3%	12.6%	12.5%
Valuations							
PER (x)	11.7x	12.8x	12.3x	10.3x	8.1x	6.4x	5.7x
PBV (x)	1.7x	1.6x	1.3x	1.1x	1.0x	0.9x	0.8x
DPS	2.5	0.0	1.0	3.0	3.0	3.9	4.3
DY (%)	2.3%	0.0%	0.9%	2.8%	2.8%	3.6%	4.0%
Dividend Payout (%)	27.5%	0.0%	11.5%	29.0%	23.0%	23.0%	23.0%
NAVPS	61.5	67.6	80.9	95.7	108.7	124.1	140.1



3. KEY SUBSIDIARIES UNLOCKING VONE'S GROWTH POTENTIAL

3.1

LFIN: THE CASH COW | VONE's finance arm

LFIN, the second-largest player in the NBFI sector, is well positioned to benefit from increased vehicle imports through its balanced portfolio, with continued growth in leasing and gold lending expected to lift profitability to LKR 18.7Bn by FY27E amid a favorable interest rate environment, contributing approximately 76.0% of VONE's profit before tax.

STOP value and % contribution: **LKR 51.0 | 38.1%**

LFIN's stake of VONE: **51.75%**

3.2

RCL: THE CONSTRUCTION PROXY | VONE's tile, tile related products, bathware, Aluminum and packaging arm

With construction activity accelerating, RCL is well placed to benefit from its premium brand presence across tiles, bathware, tile-related products, packaging, and Aluminium sectors, with earnings expected to grow 26.5%YoY by FY27E driven by a construction recovery and higher overhead cost absorption, contributing around 19.3% to VONE's profit before tax.

STOP value and % contribution: **LKR 35.9 | 26.8%**

RCL's stake of VONE: **55.96%**

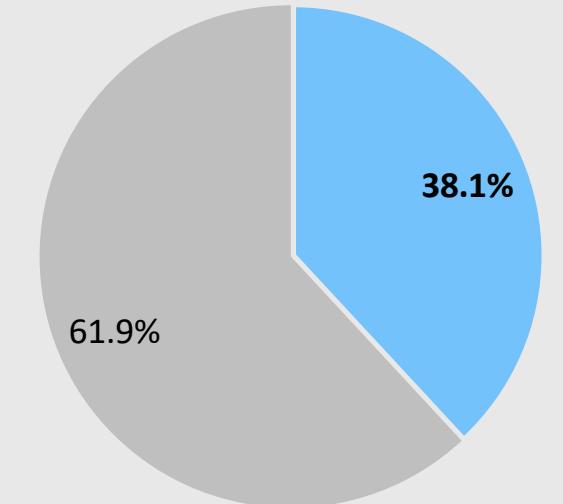


3.1

LFIN: THE CASH COW

LFIN, the NBFI sector's second-largest player, is poised to capitalize on the surge in vehicle imports with a balanced portfolio

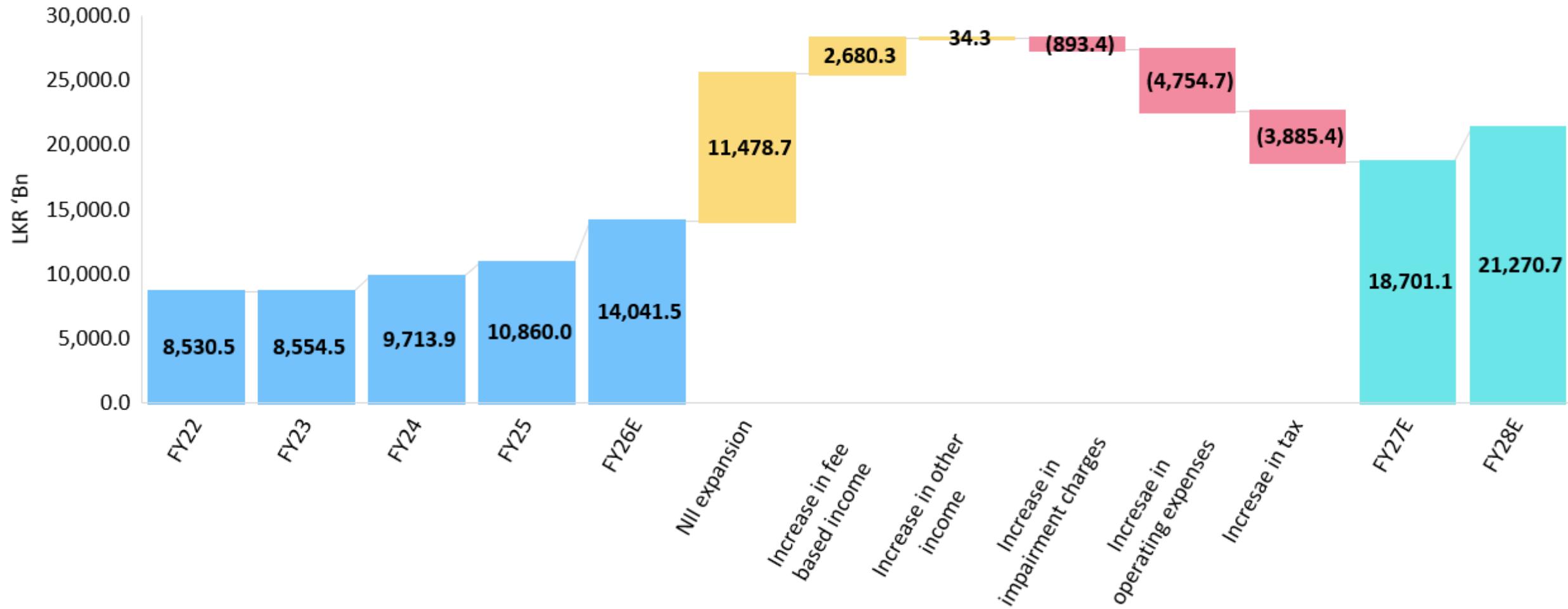
SNAPSHOT - LFIN: THE CASH COW

TOTAL INCOME	MARGINS	PROFITABILITY	SOTP CONTRIBUTION
<p>Loan growth FCR expects LFIN's loan book to grow 54.2%YoY in FY26E and 14.0%YoY in FY27E, outpacing industry loan growth under the base-case scenario. FCR expects new vehicle registrations to normalize by 2026E, as pent-up demand eases, resulting in a 30.0%YoY decline. However, LFIN's balanced mix of leasing and gold loan portfolio is expected to support stable earnings, consistent with its historical performance.</p> <p>AMF acquisition The AMF acquisition is expected to raise LFIN's lending market share to 14.0% by FY27E.</p> <p>Total income and NII expansion FCR expects NII to increase by 32.9%YoY by FY27E and 38.2%YoY growth in total income.</p>	<p>NIM FCR expects a 32bps expansion in NIM.</p> <p>AWPR expectations FCR anticipates that this low-rate environment will likely persist into next year as well, with only a modest increase in AWPR of about 100–150 bps, provided Sri Lanka continues to comply with IMF program guidelines.</p> <p>LFIN's CIM app FCR expects expect the cost-to-income ratio to remain around 33.5%, as LFIN continues to expand while maintaining stability, supported by its industry-leading digital innovation as LFIN has further scope to capitalize on its digital innovation, with a majority of customers yet to be onboarded to its flagship CIM app.</p>	<p>Earnings growth FCR expects LFIN's profitability to grow 33.2%YoY by FY27E, driven by NII expansion and loan-book growth on the back of 1.0% market-share gain through the AMF acquisition.</p> <p>AMF acquisition FCR expects AMF to contribute approximately 6.0% to LFIN's bottom line by FY27E, targeting LKR 1.2Bn.</p> <p>Impact of cyclone Ditwah The impact from Cyclone Ditwah is expected to be minimal, as less than 20.0% of the loan book is exposed to the Central and North-Western Provinces, where disruption has been higher supported by strong lowest stage 03 ratios compared to comparable peers with a higher provision coverage ratio.</p>	<p>LFIN to contribute 38.1% of VONE's SOTP value.</p>  <p>Legend: LFIN (Blue), Rest (Grey)</p> <p>SOTP value contribution: LKR 51.0 VONE's stake of LFIN: 51.75%</p>

Bottomline: Supported by sustained growth in leasing and gold lending, LFIN's profitability is forecast to reach LKR 18.7Bn by FY27E, driven by higher vehicle imports and a conducive interest rate environment. This positions LFIN to deliver around 76.0% of VONE's profit before tax.

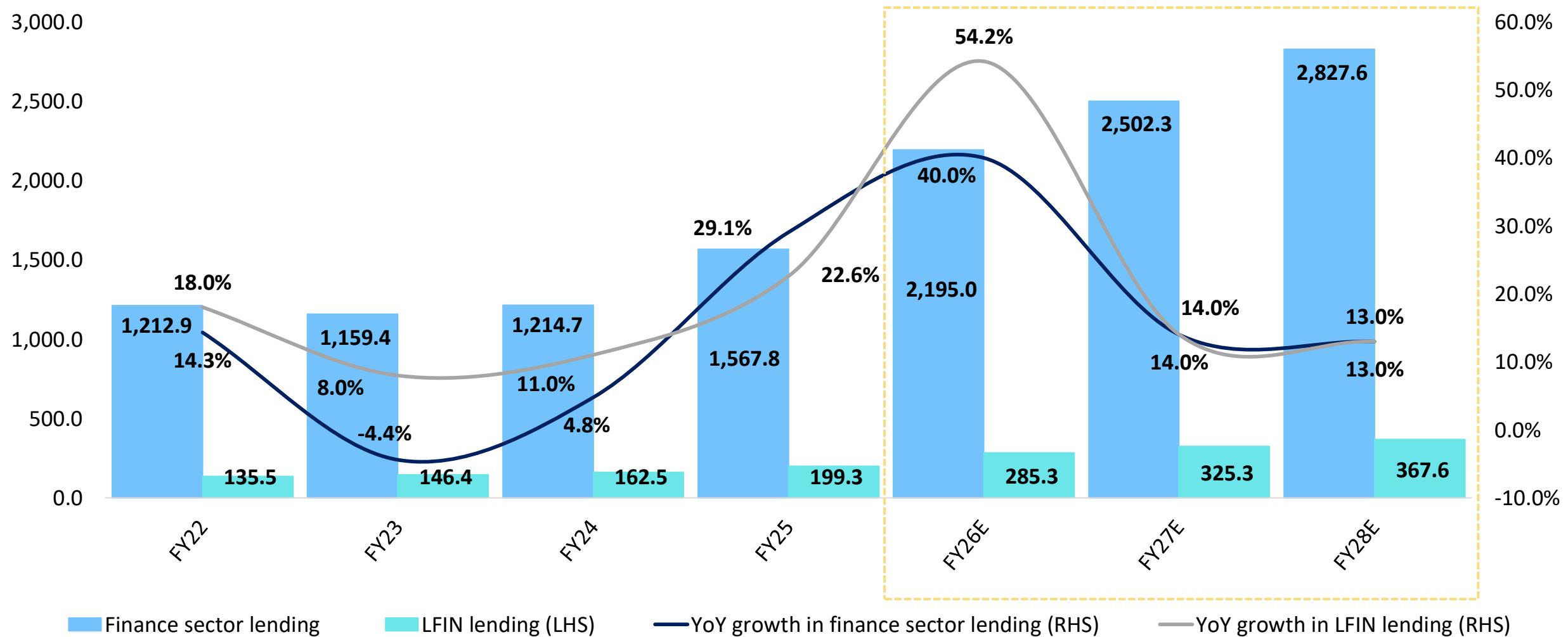
FCR expects LFIN's profitability to grow 33.2%YoY by FY27E, driven by NII expansion and 14.0% loan-book growth on the back of 1.0% market-share gain through the AMF acquisition

LFIN's earnings growth is expected to be driven by higher NII amid limited rate pressure, supported by 14.0%YoY loan-book growth boosting volumes, a 1.0% market-share gain from the AMF acquisition, and an industry-leading customer onboarding platform that lowers the cost-to-income ratio, contributing to VONE's profit before tax with nearly a 76.0% share and is expected to serve as a cash cow for the business.



FCR expects LFIN's loan book to grow 54.2%YoY in FY26E and 14.0%YoY in FY27E, outpacing industry loan growth under the base-case scenario

We expect LFIN's loan book to expand 54.2%YoY in FY26E and 14.0%YoY in FY27E, supported by rising vehicle imports and strong demand for gold-backed lending amid a low-interest-rate environment.

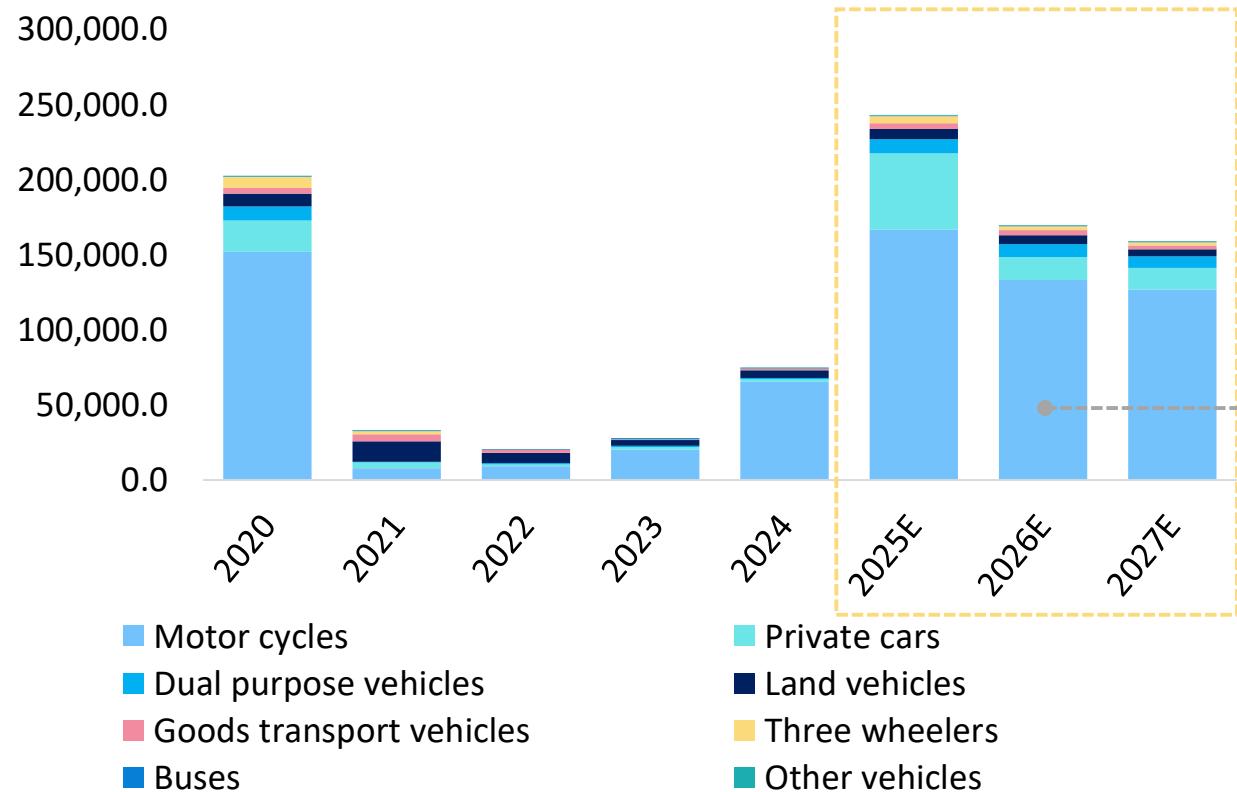


The easing of vehicle import restrictions is expected to act as a key catalyst for growth in the vehicle loans and leasing portfolio...

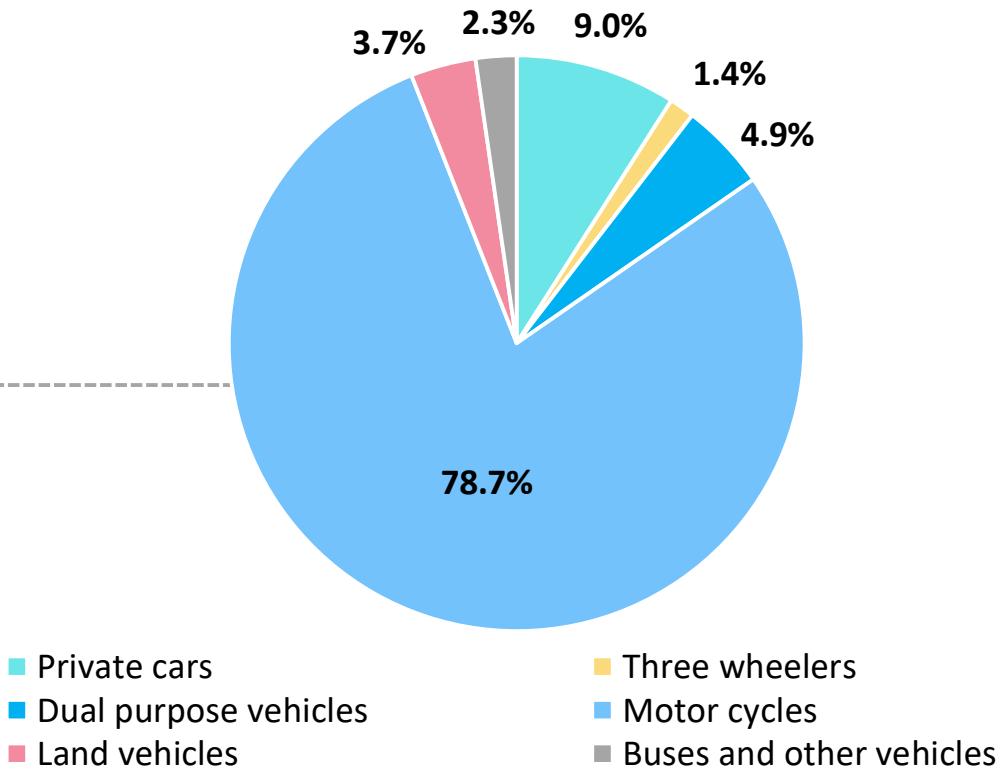
FCR expects new vehicle registrations to normalize by 2026E, as pent-up demand eases, resulting in a 30.0%YoY decline following a 226.1%YoY surge in 2025E.

Following motorcycles, private cars including SUVs and crossovers are expected to record the highest number of registrations, accounting for 9.0%.

FCR vehicle registrations forecast

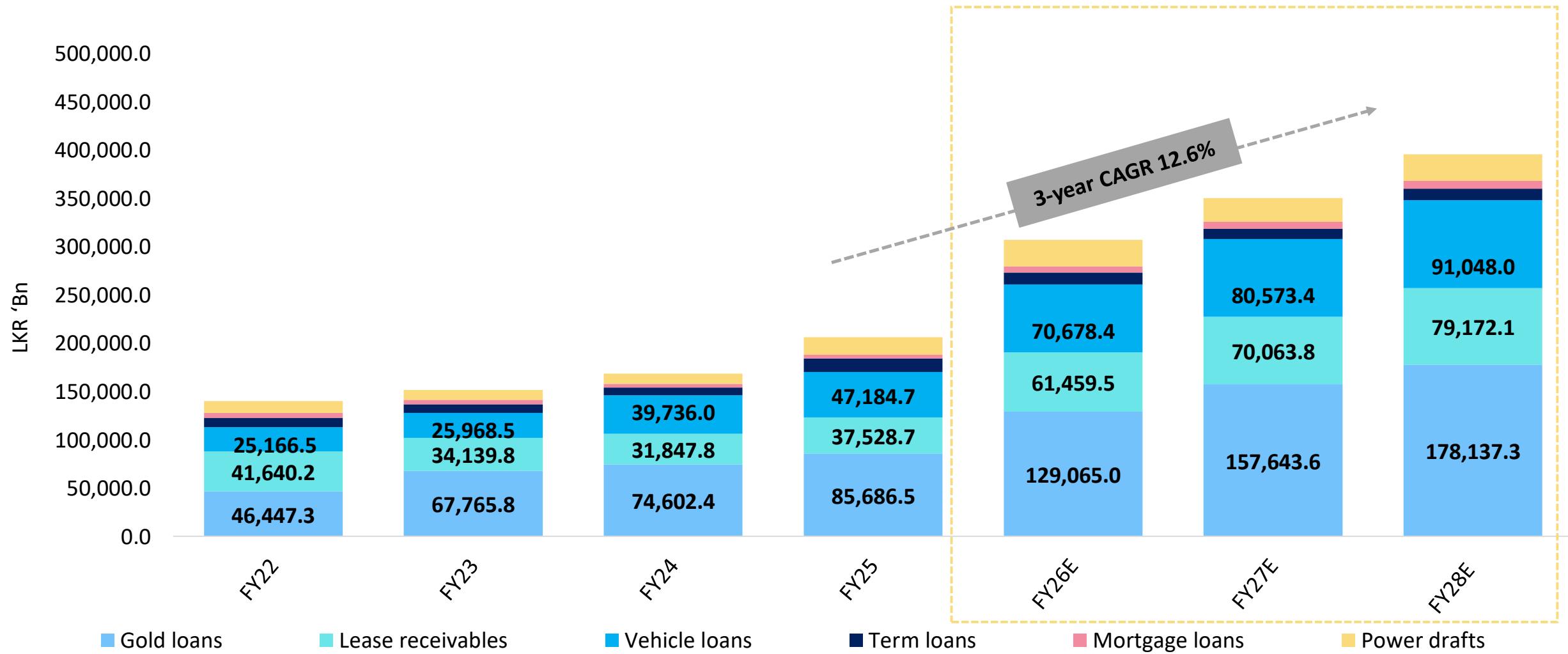


Vehicle registrations by type share as a % total registrations



...as FCR expects LFIN's leasing loan book projected to grow at a 3-year CAGR of 12.6% and the growth in leasing and vehicle loan book is further supported by...

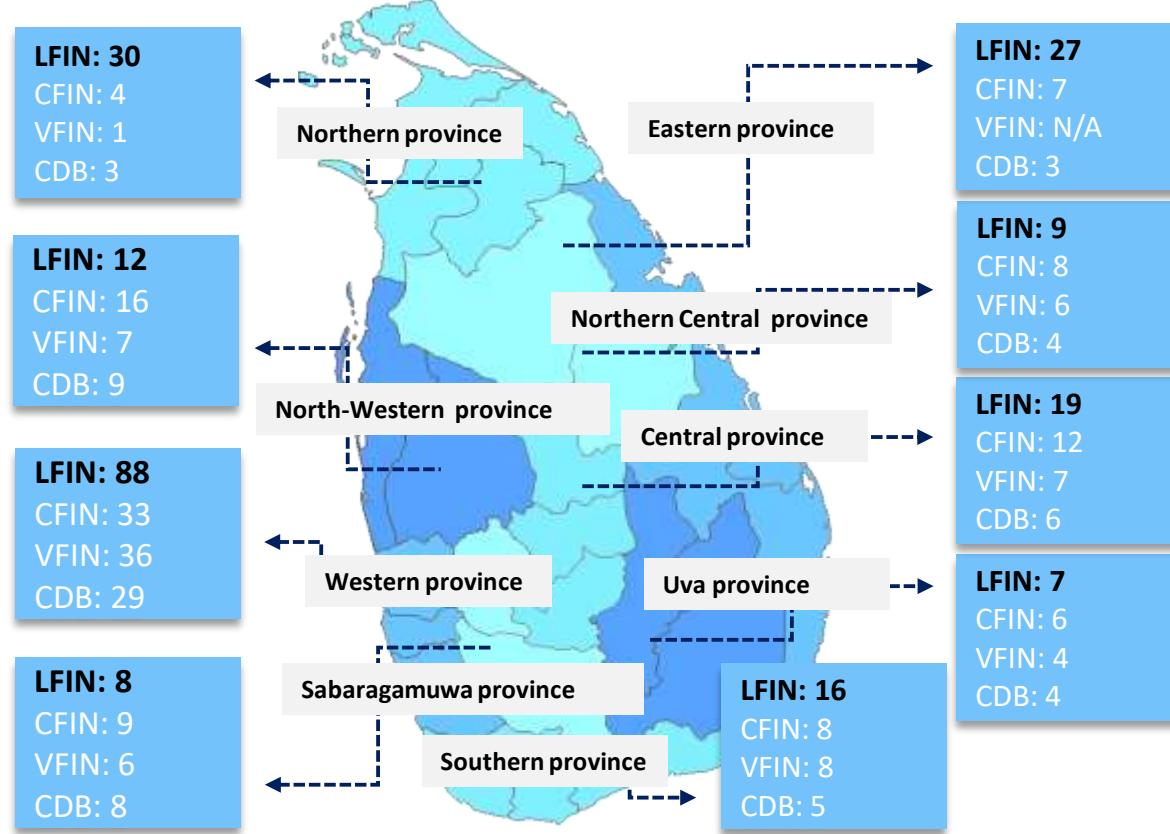
We expect LFIN's loan book to expand 54.2%YoY in FY26E and 14.0%YoY in FY27E, supported by rising vehicle imports and strong demand for gold-backed lending amid a low-interest-rate environment.



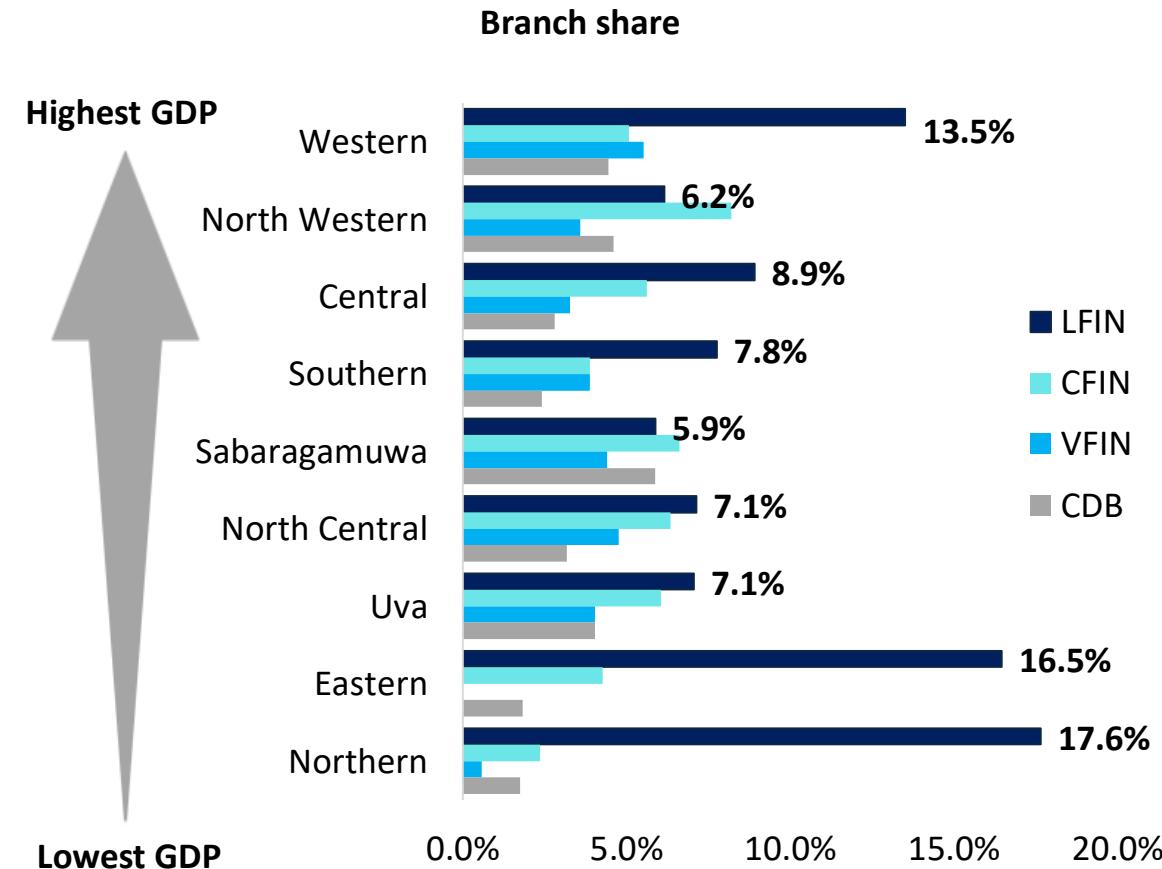
...LFIN's expansive branch footprint provides a USP in originating new loans, anchored by a strong presence in the high GDP contributing Western Province, where the epicenter of economic growth...

LFIN operates the largest branch network among finance companies, with a total of **216 branches**. The majority of LFIN's branches are located in the high per capita GDP Western Province, where economic growth is concentrated, giving it an advantage over peers with similar business models.

Branch network of selected finance companies

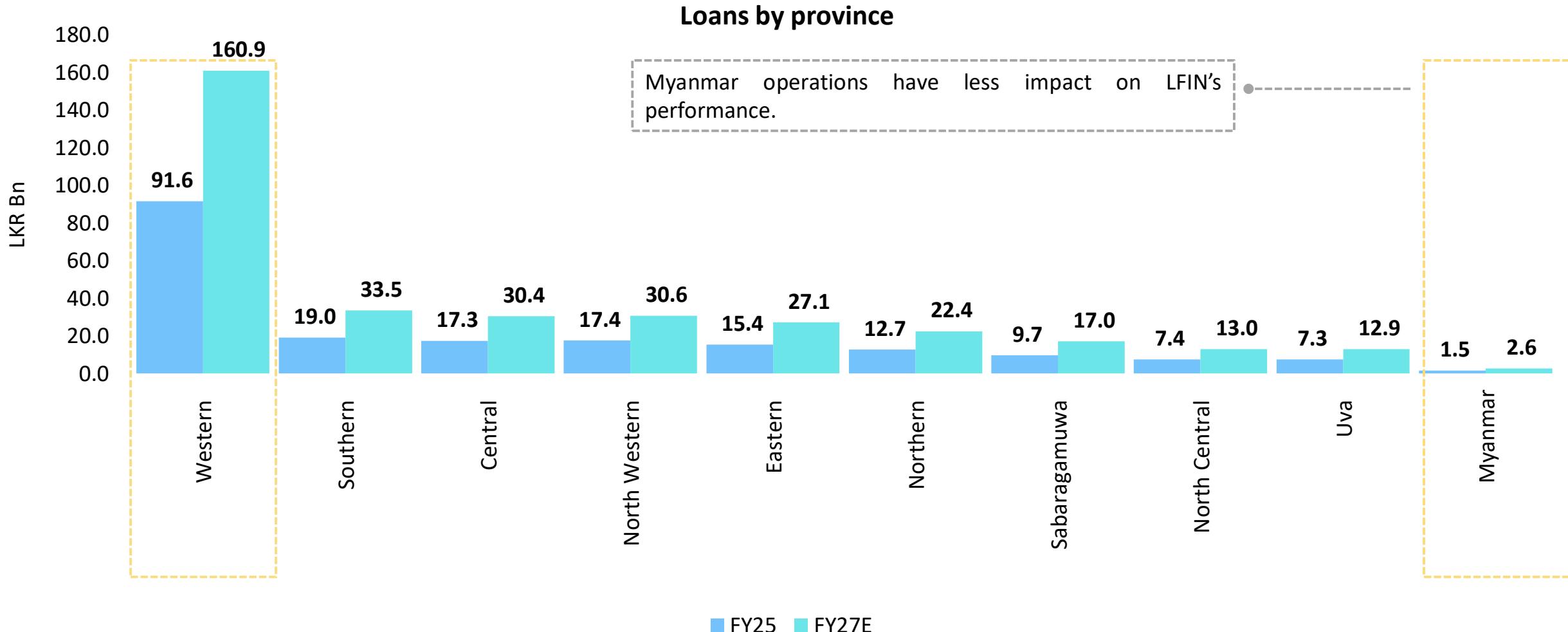


LFIN holds an **11.2%** share of the **overall branch network** among finance companies. LFIN's strong presence in high-GDP-generating provinces, coupled with its leading market shares in these regions, serves as a key value catalyst for effectively addressing the targeted segment.



...as nearly half of LFIN's portfolio; 46.0% of the loan portfolio concentrated in the Western Province, FCR anticipates Western province may remain as the primary province for future lending...

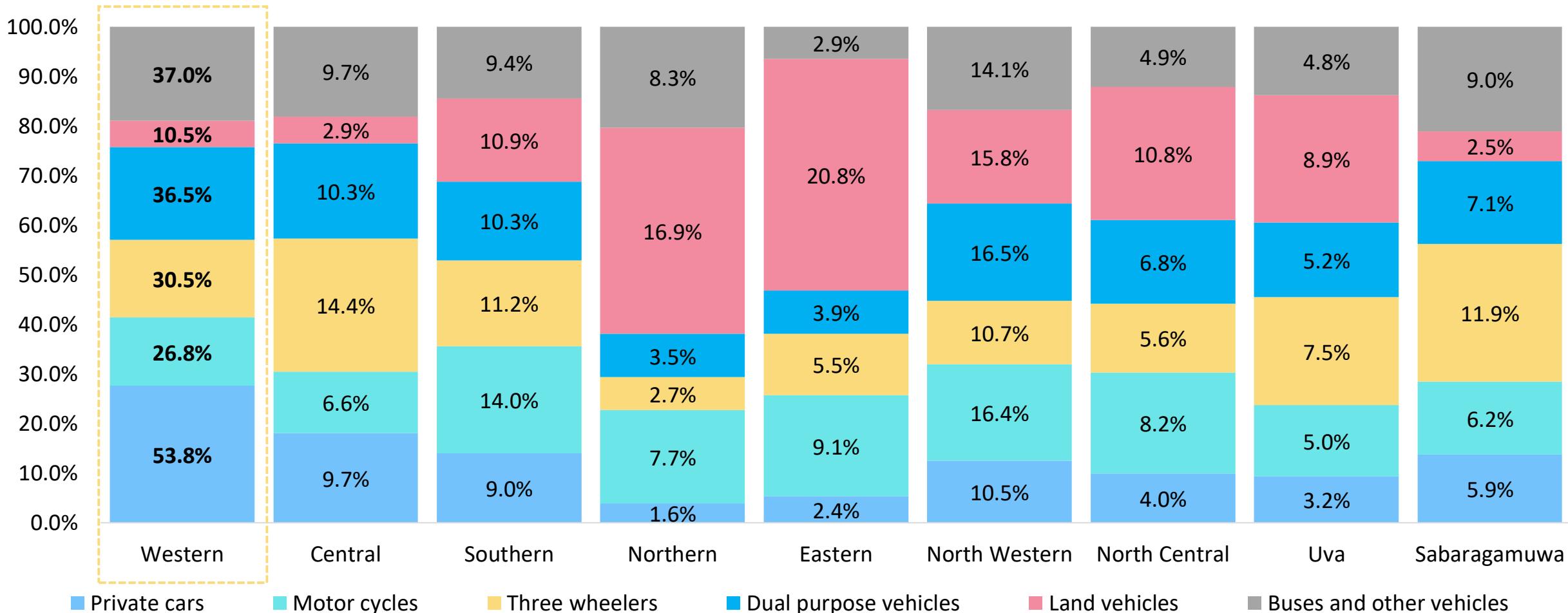
LFIN's lending portfolio is primarily concentrated in the Western Province, driven by its robust economic activity and high population density. Nonetheless, LFIN maintains active operations across all provinces. Looking ahead, the Western Province is expected to account for nearly 48.0% of total lending by FY27E.



■ FY25 ■ FY27E

...anchored by a dealer-driven model and bolstered by its focus on high-demand EV, SUV and crossover segments, where the Western province holds a leading position

Historically, the Western province has accounted for the largest share of the motor car population, at 53.8%. FCR expects this momentum to continue, as LFIN leverages its branch network to focus on the motor car segment.



Higher vehicle prices relative to previous years are expected to sustain loan growth, notwithstanding a gradual price correction

The lifting of vehicle import restrictions in February 2025 marks a pivotal turning point for the leasing sector, which had been severely constrained by the import ban imposed in 2020. As of 2025, taxes on imported vehicles exceed 250.0% of the vehicle's Cost, Insurance, and Freight (CIF) value, and in some cases, particularly for larger-engine or electric vehicles, total taxes can surpass 300.0%.

Car with a 1,498-cc engine



CIF of Rs. 13.5Mn
Taxes (including VAT) LKR 24.0Mn
Final price: 37.3Mn

Taxes as a % of CIF value:
c.180% taxes

Small with a 1,100-cc engine



CIF LKR 2.0Mn
Taxes (including VAT): LKR 5.2Mn
Final price: LKR 7.2Mn

Taxes as a % of CIF value:
c.260.0% taxes

Price comparison of vehicles compared to 2023

Higher vehicle prices compared to previous years due to higher taxes could lift the company's loan values.



2023
Nissan X-Trail
Now
Nissan X-Trail



LKR 10.5Mn LKR 32.0Mn
+205.0% increase in value



2023
Toyota Vitz
Now
Toyota Vitz



LKR 3.8 LKR 8.5Mn
+124.0% increase in value

Higher vehicle prices relative to previous years are expected to sustain loan growth, notwithstanding a gradual price correction cont'd...

How is LFIN going to benefit from the vehicle import ban?



FCR's car forecast for 2026E
15,289 (-70.0%YoY)

Average price of a SUV or cross over:
C.LKR 35.0-55.0Mn

Total cost for 15, 289 vehicles
C.LKR 611, 560.0Mn

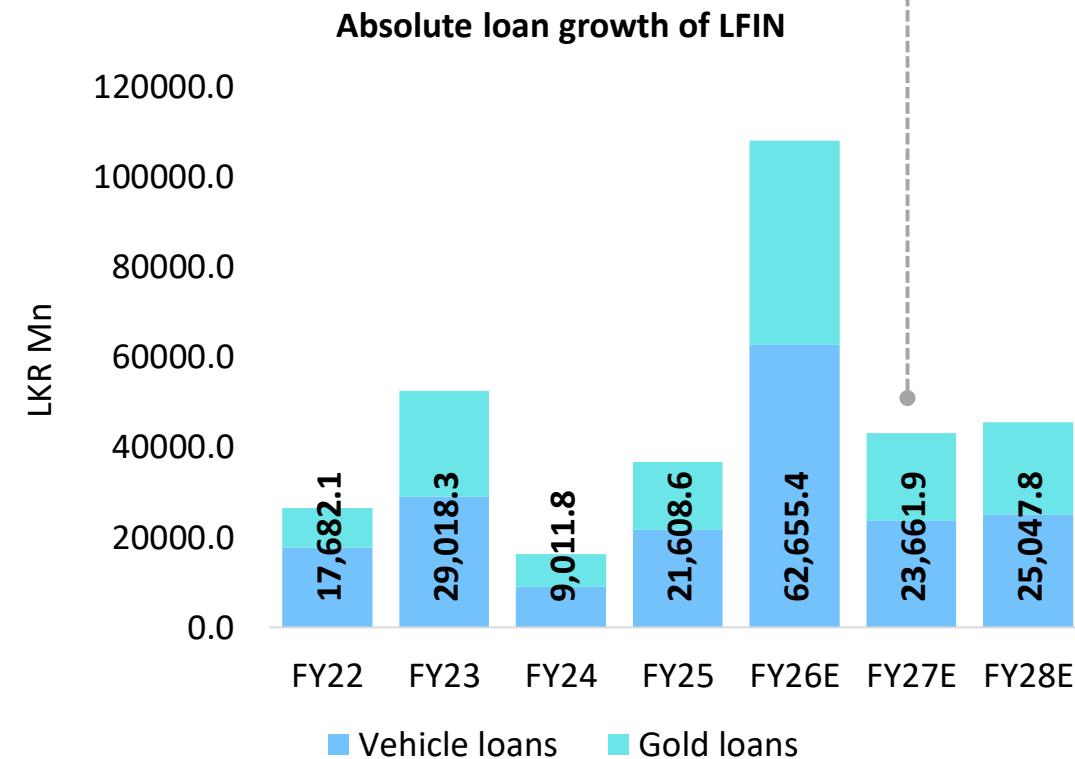
Assuming 80.0% going to be leased at 50.0% LTV
C.LKR 244, 624.0Mn

LFIN's lending market share 14.0% for both leasing and gold loans post AMF acquisition

Loan amount for LFIN: c.LKR 21,510.8Mn

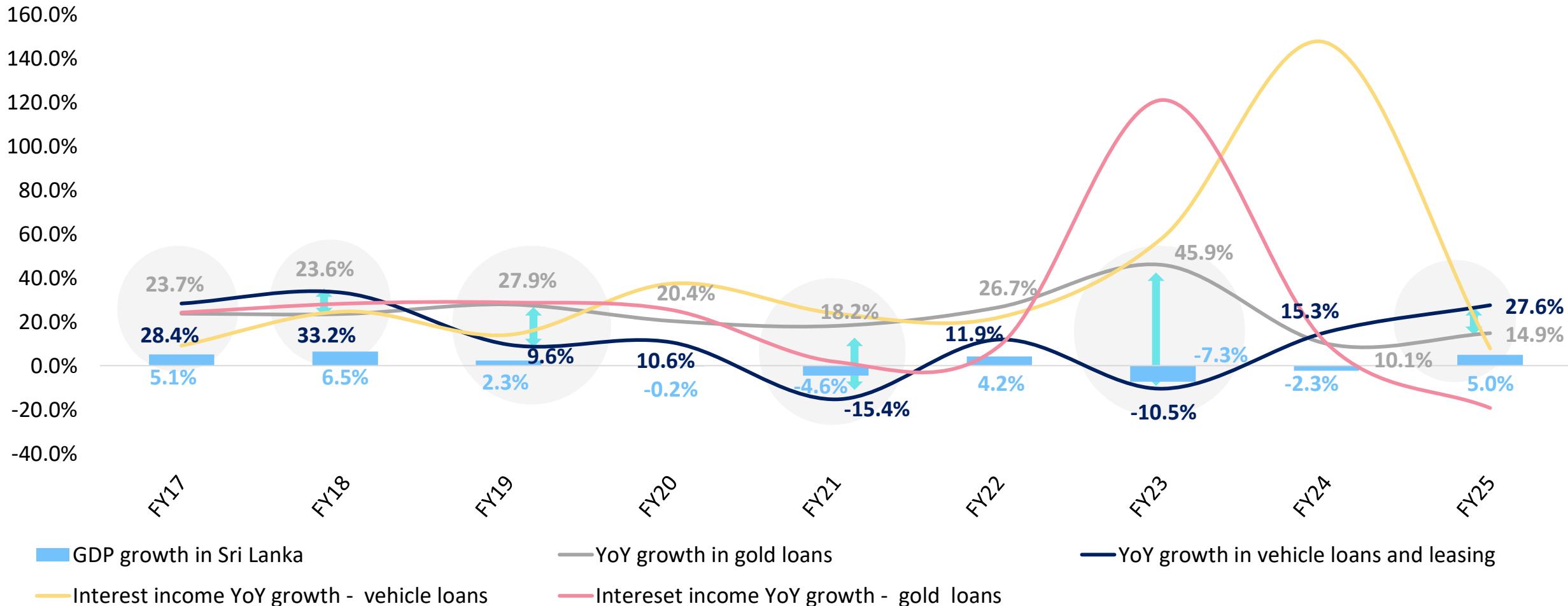
(LFIN has a balanced portfolio between gold and vehicle loans)

Higher vehicle prices driven by increased taxation are likely to further support vehicle loan growth, with LFIN expected to record 14.0% loan growth in FY27E, including approximately LKR 23,661.9Mn from vehicle-related lending.



As vehicle demand normalizes by FY27E, LFIN's balanced mix of leasing and gold loan portfolio is expected to support stable earnings, consistent with its historical performance...

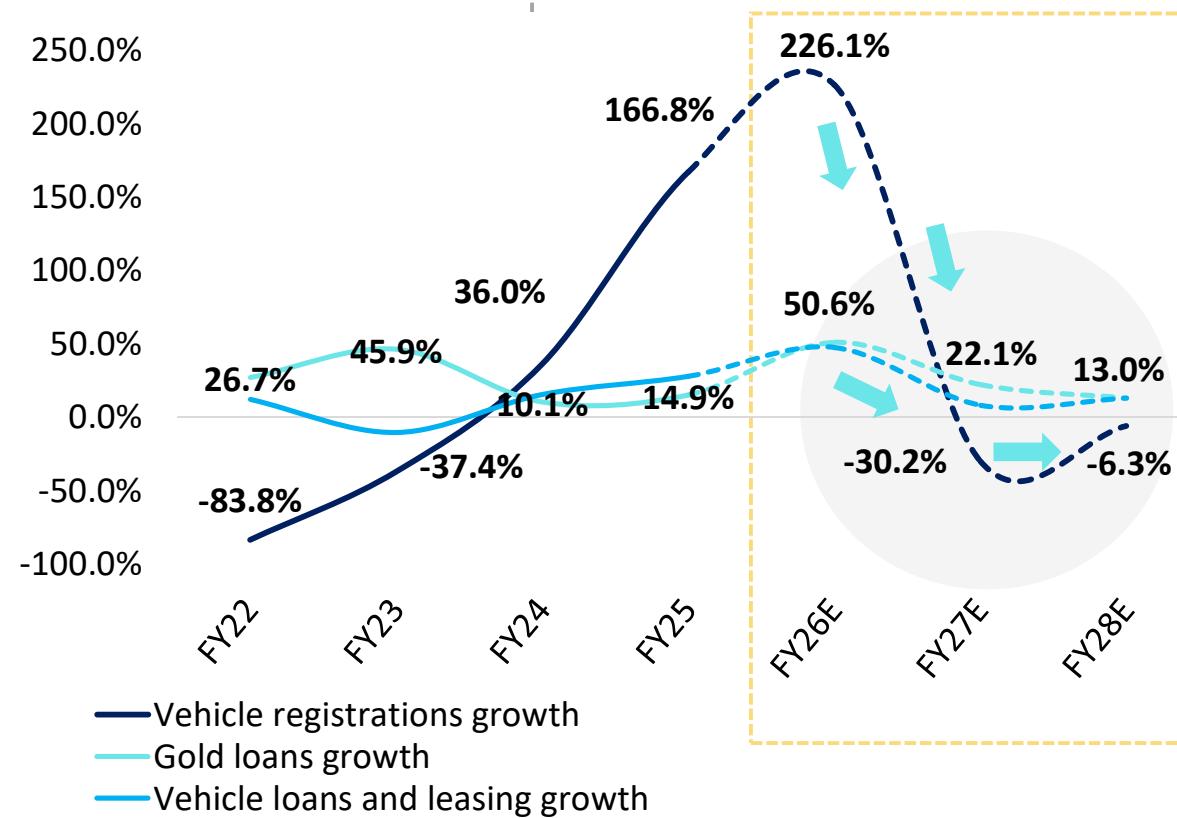
LFIN's dual-engine portfolio has shown strong resilience during economic downturns. For instance, in FY21, when GDP contracted by 4.6% and vehicle loans and leasing declined, gold loans continued to perform robustly. We view this dual-engine portfolio as an effective hedge against economic cycles.



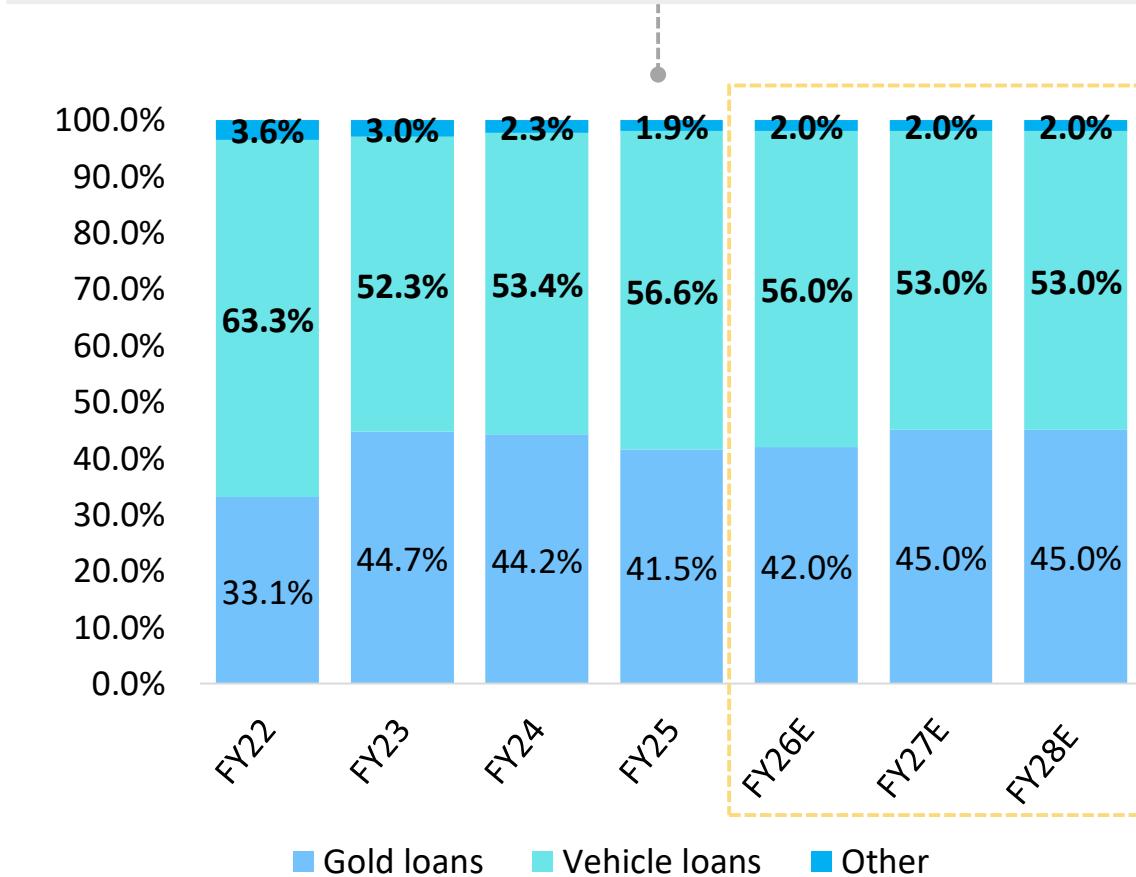
...as FCR expects LFIN to continue demonstrating this trend going forward, with gold loans contributing around 45.0% of the total portfolio by FY27E as vehicle pent-up demand normalizes

J.P.Morgan USD 4,753/oz Morgan Stanley USD 4,400/oz
Goldman Sachs USD 4,500/oz **BANK OF AMERICA** USD 4,538/oz

FCR's GDP forecast for 2026E and 2027E – 3.0% to 4.0%

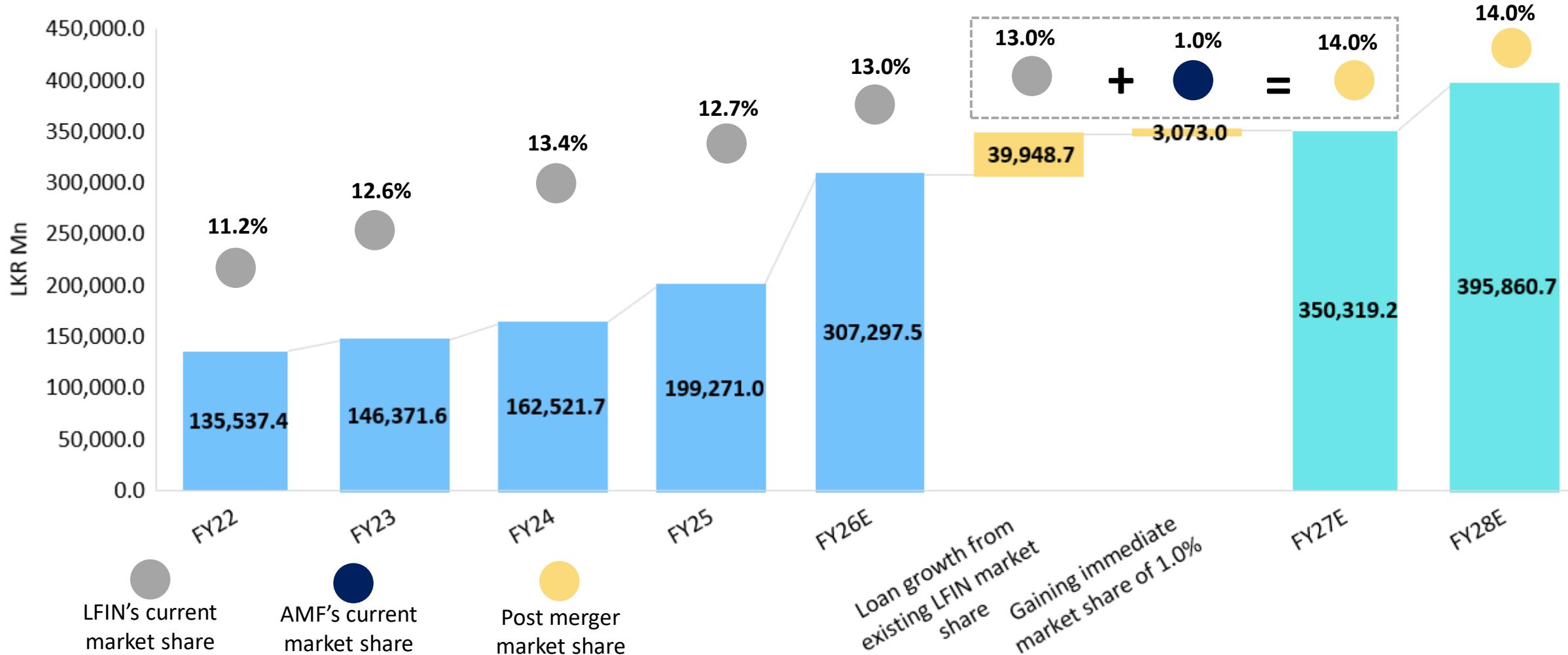


Consensus estimates suggest gold prices could reach USD 4,500–5,000 by 2026E. We also expect Sri Lanka's GDP growth to moderate, while pent-up demand for vehicles normalizes. Accordingly, FCR expects gold loans to account for 45.0% of the total loan portfolio by FY27E, reflecting a YoY growth of 22.1%.



The AMF acquisition is expected to raise LFIN's lending market share to 14.0% by FY27E...

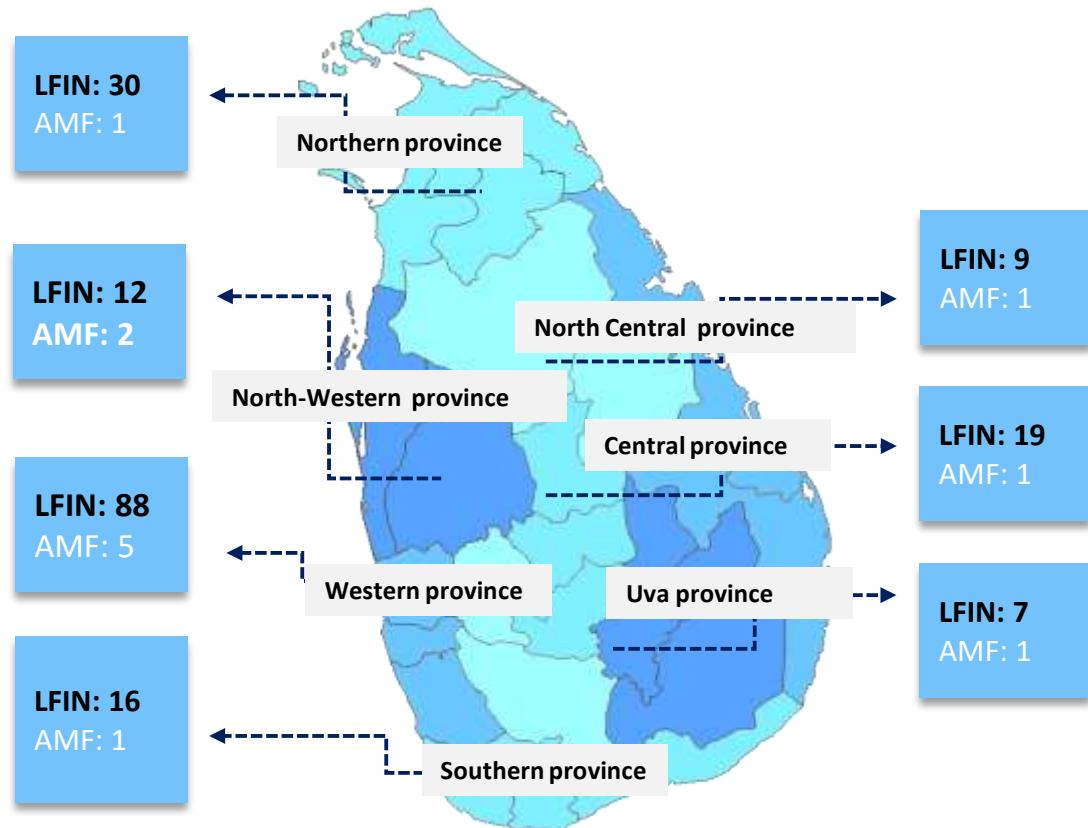
LFIN acquired a 73.11% stake in AMF on 25th Oct-25, with FY26E financials expected to reflect the acquisition's impact. Accordingly, FCR expects LFIN's lending market share to increase to 14.0% within the licensed finance company segment, adding approximately LKR 25.0Bn to its loan portfolio once the acquisition is fully completed, which is expected by FY27E, in line with the CBSL's plan to consolidate finance companies by 2028E.



...supported by the integration of AMF's branch network...

FCR expects LFIN to amalgamate AMF's 12-branch network by FY27E, similar to its approach following the Multi Finance acquisition. Around 42.0% of these branches are located in the Western Province, while 17.0% are in the North-Western Province, the second-highest GDP-contributing region, where LFIN's presence is currently limited. This expansion is expected to strengthen the company's regional foothold.

Existing LFIN branches and AMF branches



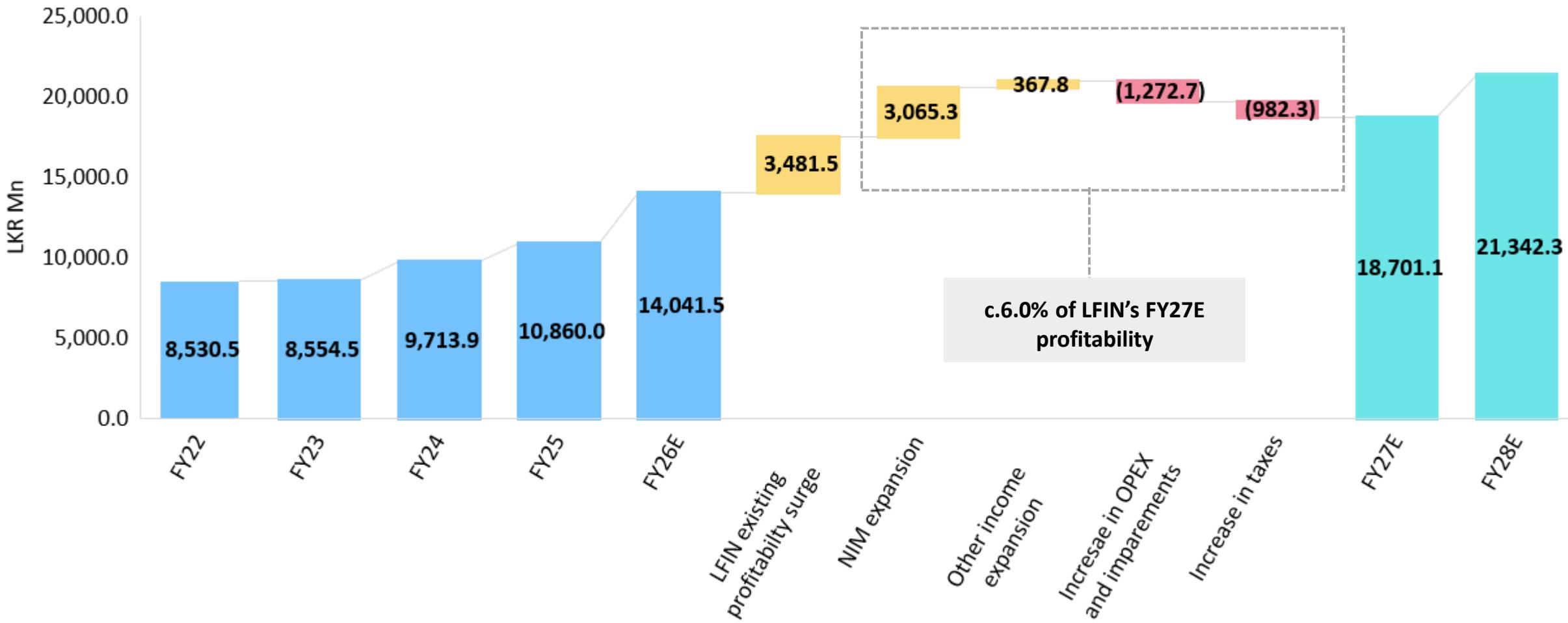
LFIN's lending sensitivity to the market share

Losing AMF's market share would result in a decrease of c.LKR 25.0Bn to LFIN, while a decline in LFIN's own market share to 10.0% would translate into a reduction of about LKR 75.0Bn in lending.

LFIN's lending market share	AMF's lending market share				
	0.00%	0.50%	1.00%	1.50%	2.00%
10.0%	250,228.0	262,739.4	275,250.8	287,762.2	300,273.6
12.0%	300,273.6	312,785.0	325,296.4	337,807.8	350,319.2
13.0%	325,296.4	337,807.8	350,319.2	362,830.6	375,342.0
16.0%	400,364.8	412,876.2	425,387.6	437,899.0	450,410.4
18.0%	450,410.4	462,921.8	475,433.2	487,944.6	500,456.0

...as FCR expects AMF merger to consolidate LKR 1.2Bn by FY27E to LFIN's bottom-line

FCR expects AMF to contribute approximately 6.0% to LFIN's bottom line by FY27E, targeting LKR 1.2Bn, primarily driven by NII growth from an expanding loan book.

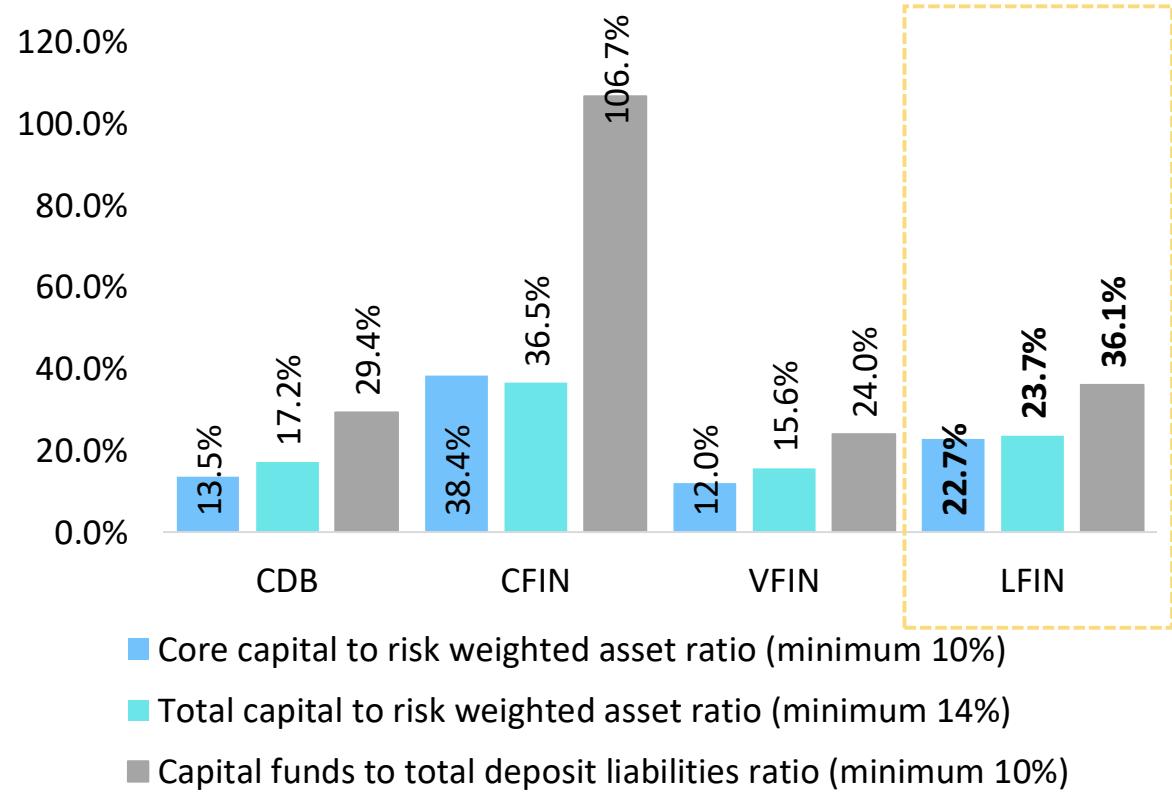


With capital adequacy well above industry benchmarks, LFIN is strongly positioned to support loan growth, underpinned by a deposit base expanding at 19.0%YoY through FY27E...

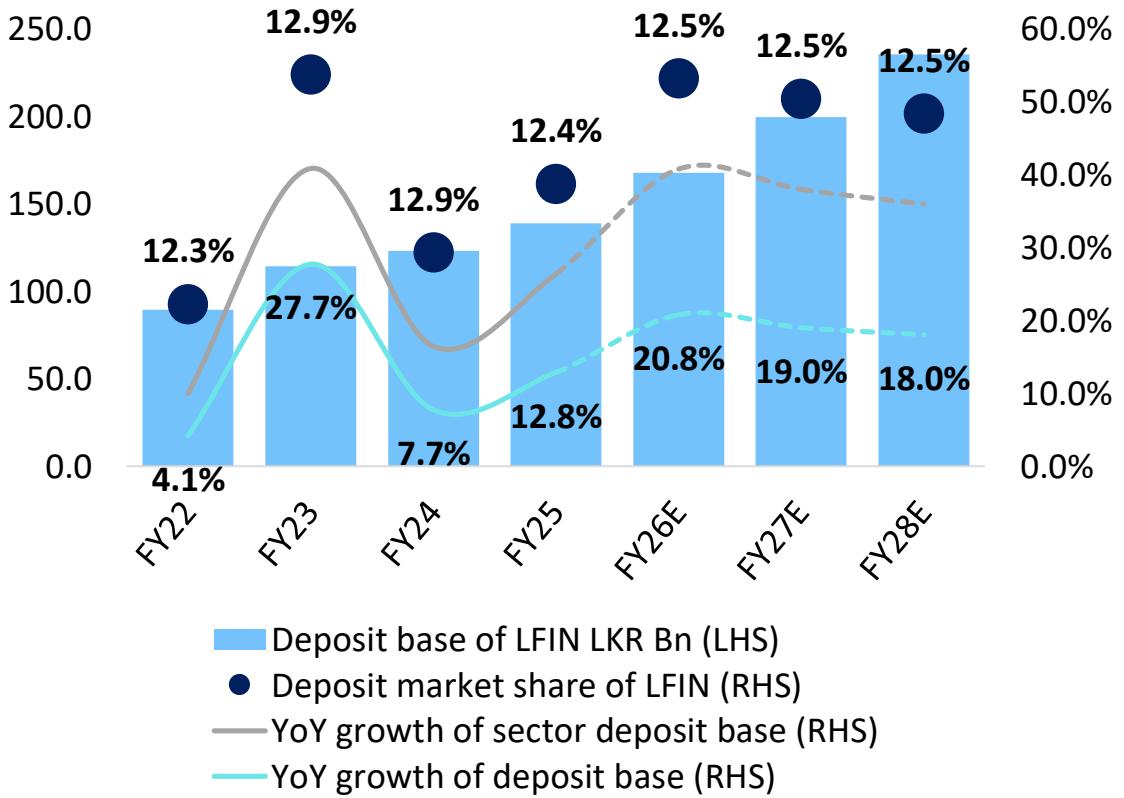
LFIN maintains capital requirements well above the minimum threshold, reflecting reduced risk exposure.

We expect LFIN's deposit base to grow by 19.0%YoY, supported by a modest increase in interest rates, broadly in line with sector growth, while maintaining a market share of approximately 12.5% over the forecast period.

Regulatory capital requirements



Finance sector deposit base vs. LFIN's deposit base

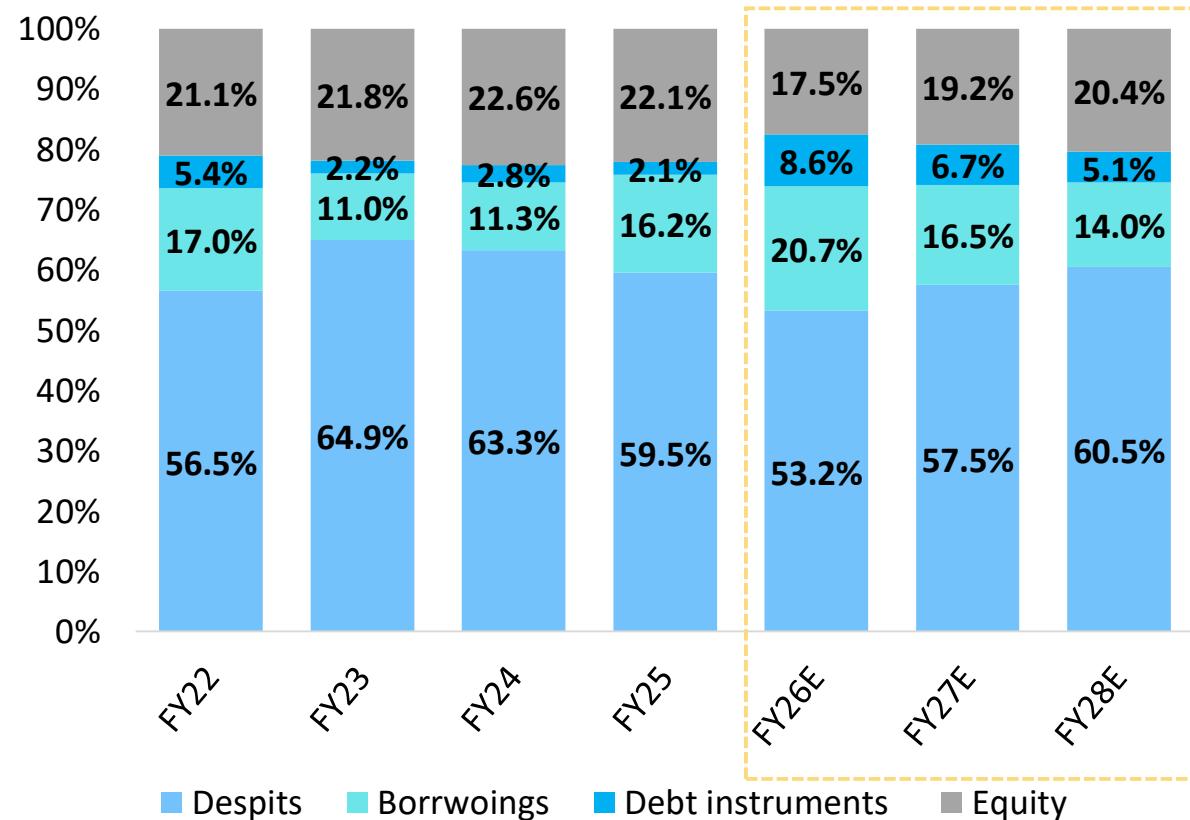


...however, consistent with its historical practice of maintaining a healthy funding mix, LFIN may also resort to bank borrowings for fund mobilization

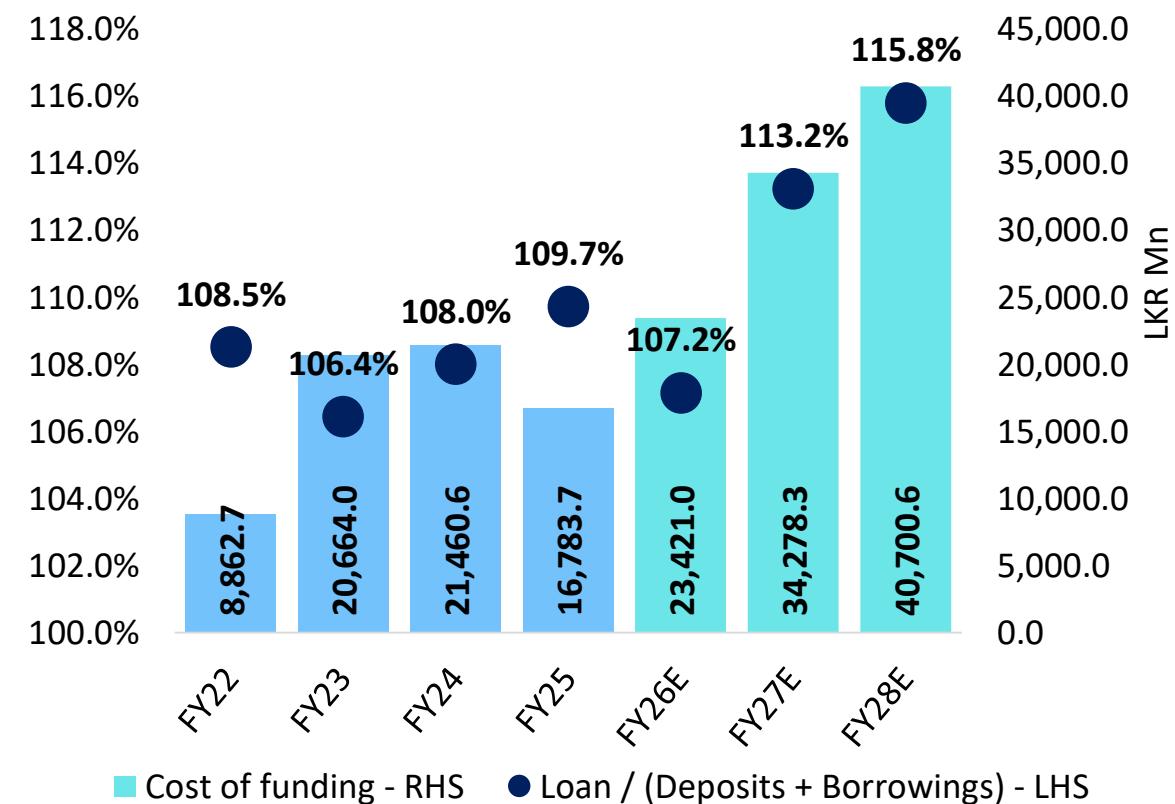
FCR expects the deposit base to account for approximately 57.5% of total funding by FY27E, in line with historical patterns, while borrowings are projected to remain around 16.5% of total funding.

Accordingly, the loan-to-deposits plus borrowings ratio is expected to remain above 100.0%, supported by increased borrowings, while the cost of funds is projected to rise gradually.

Funding mix of LFIN

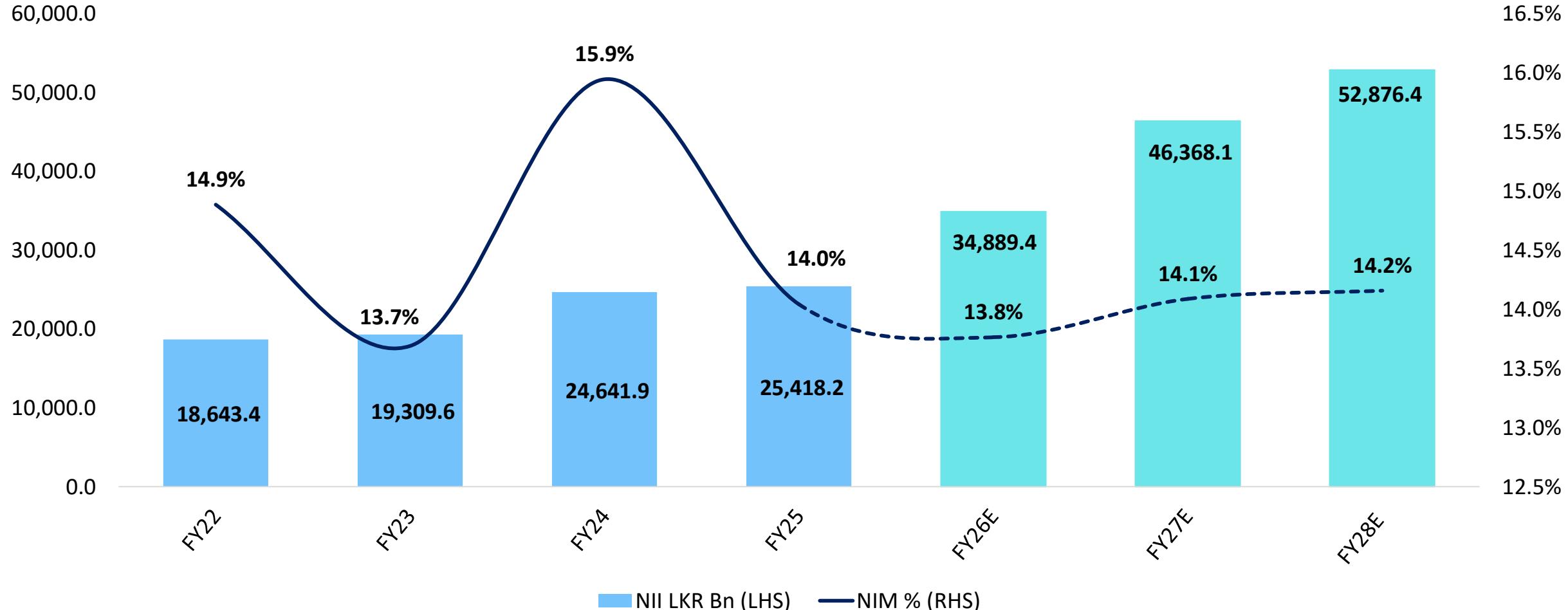


Cost of funding and leverage of LFIN



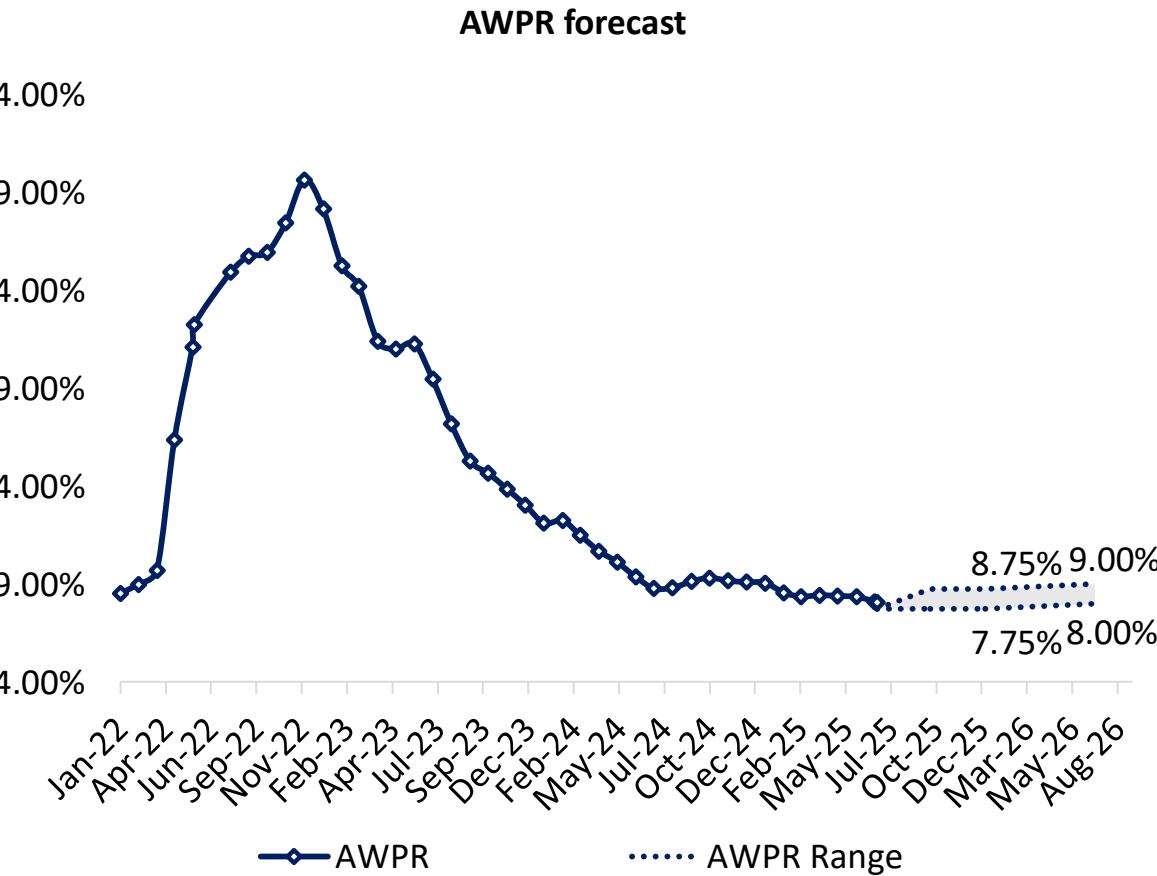
FCR expects NII to increase by 32.9%YoY by FY27E with the NIM expansion and volume growth...

We forecast NII to grow by 32.9%YoY, driven by a 32bps expansion in NIM along with volume growth as we expect a 100-150bps rate increase by FY27E.

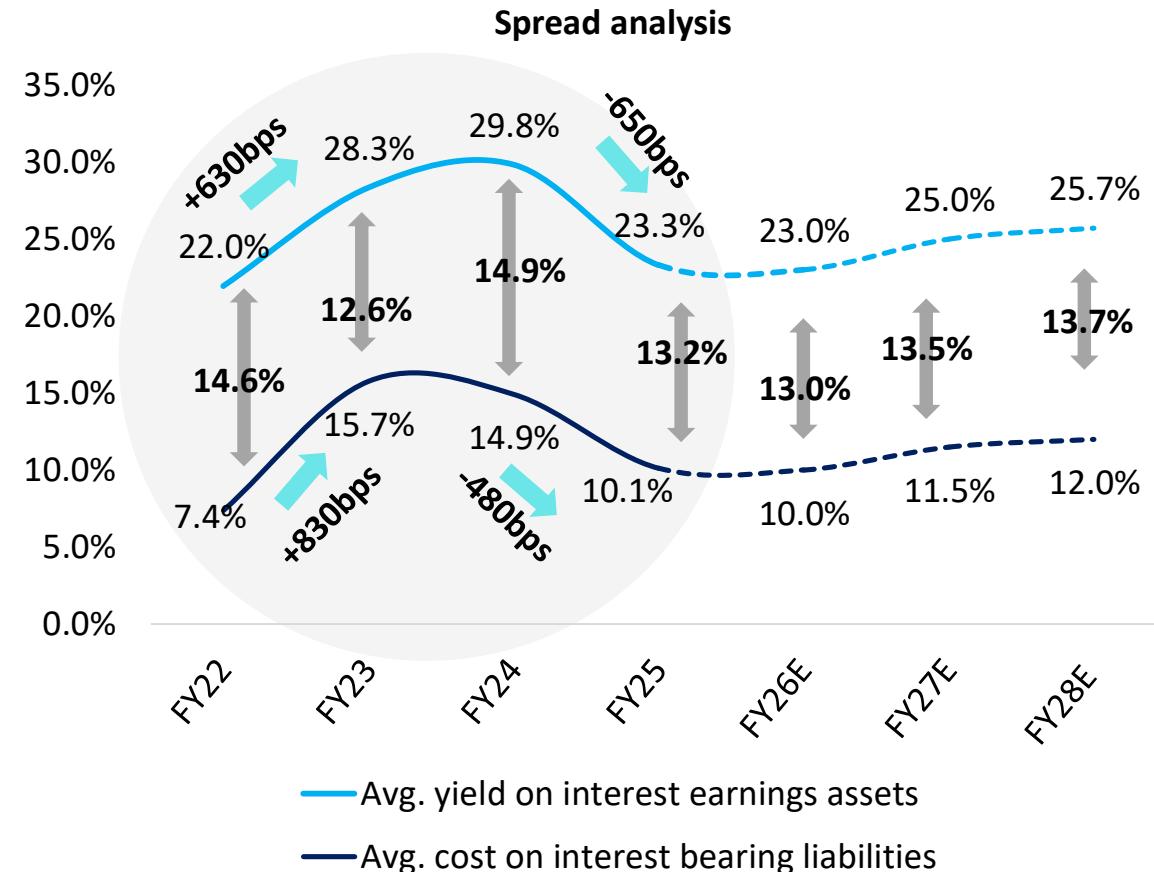


...as rising interest rates of 100–150 bps by FY27E weigh on spreads with NIM expansion expected to ease over the forecast period

FCR anticipates that this low-rate environment will likely persist into next year as well, with only a modest increase in AWPR of about 100–150 bps, provided Sri Lanka continues to comply with IMF program guidelines.



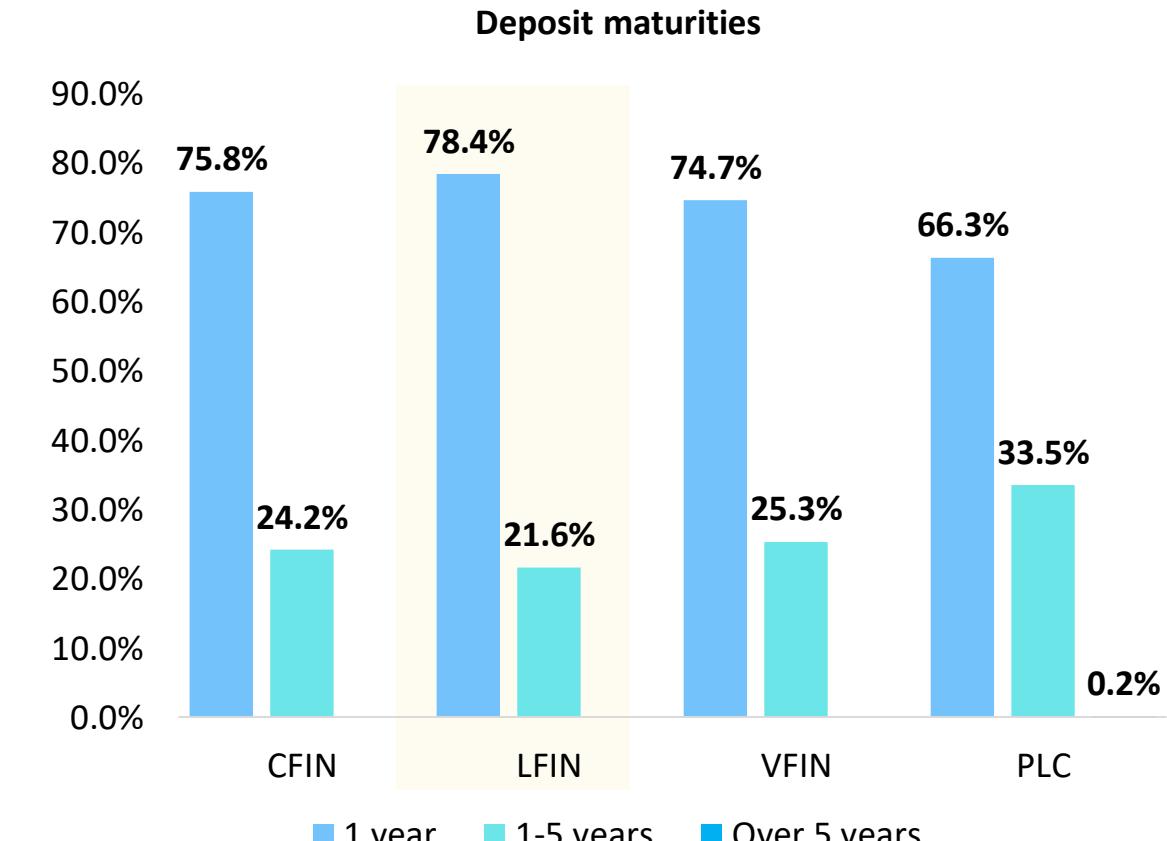
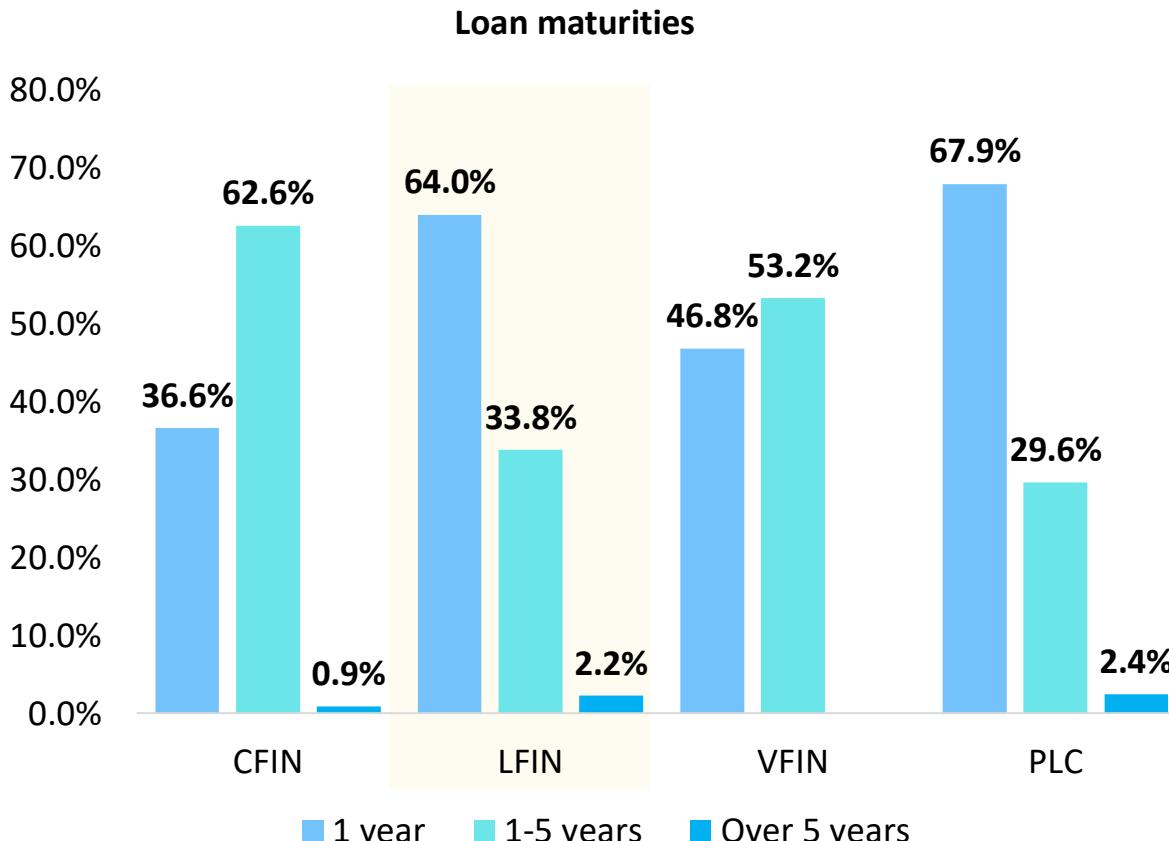
Nevertheless, FCR expects spreads to compress further in FY26E before gradually expanding, supported by rising interest rates as faster loan maturities and quicker deposit repricing typically benefit spreads in an upward rate environment.



Nonetheless, effective asset-liability management is expected to generate cost benefits for LFIN

With around 64.0% of LFIN's loans maturing within one year, the company has a higher ability to reprice its loan book in a rising interest rate cycle compared to peers.

With approximately 78.4% of deposits maturing within one year, there is increased pressure on deposit repricing in an increasing interest rate environment. This pressure can be partially mitigated through effective ALM, as evidenced by the loan structure.



NII sensitivity to interest rate movements

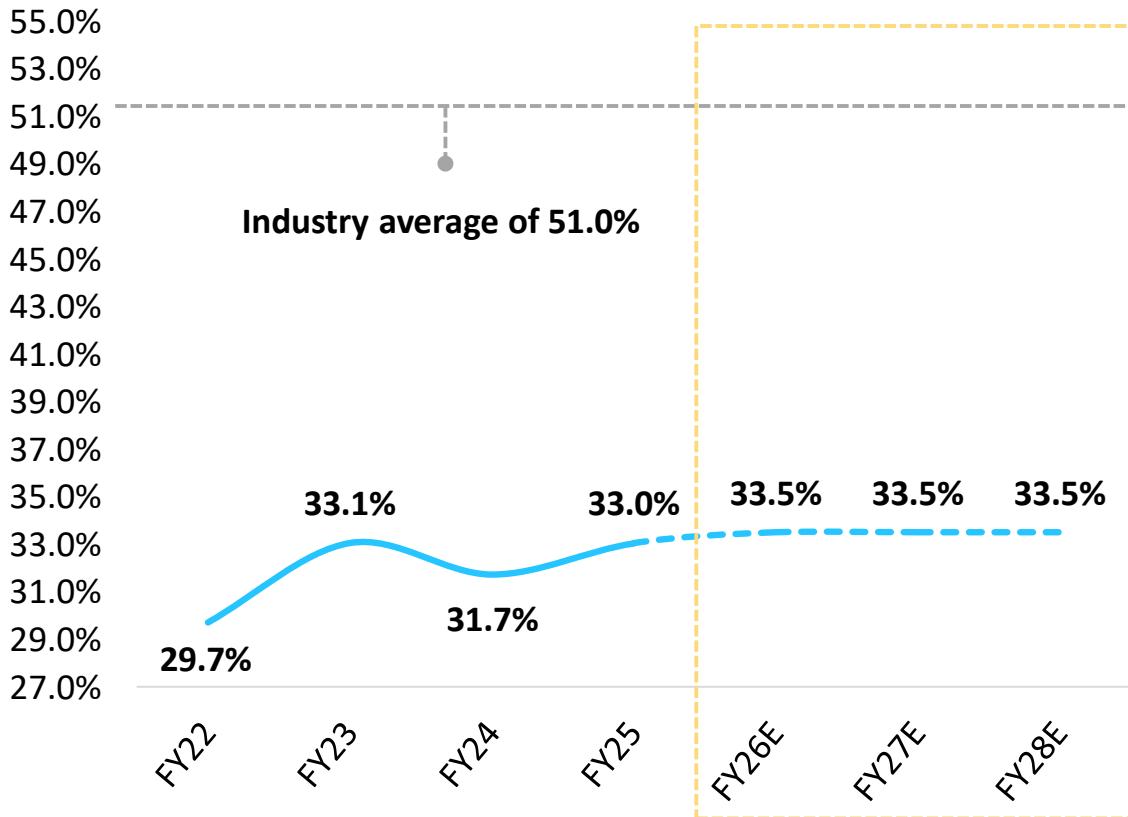
Holding other variables constant, a 2.0% increase in the average yield on interest-earning assets raises NII by 14.2%, while a 1.0% increase in the average cost of interest-bearing liabilities reduces NII by 6.4%. When both change simultaneously (asset yield +2.0% and liability cost +1.0%), NII increases by 7.8%, and the reverse changes reduce NII by the same magnitude. Therefore, NII is more sensitive to changes in the average yield on interest-earning assets than to changes in liability costs.

		Average yield on interest earning assets				
		20.50%	22.50%	25.0%	26.50%	28.50%
Average cost on interest bearing liabilities	9.50%	39,162.8	45,746.2	52,329.5	58,912.9	65,496.3
	10.50%	36,182.1	42,765.4	49,348.8	55,932.2	62,515.6
	11.5%	33,201.3	39,784.7	46,368.1	52,951.5	59,534.9
	12.50%	30,220.6	36,804.0	43,387.4	49,970.8	56,554.1
	13.50%	27,239.9	33,823.3	40,406.7	46,990.0	53,573.4

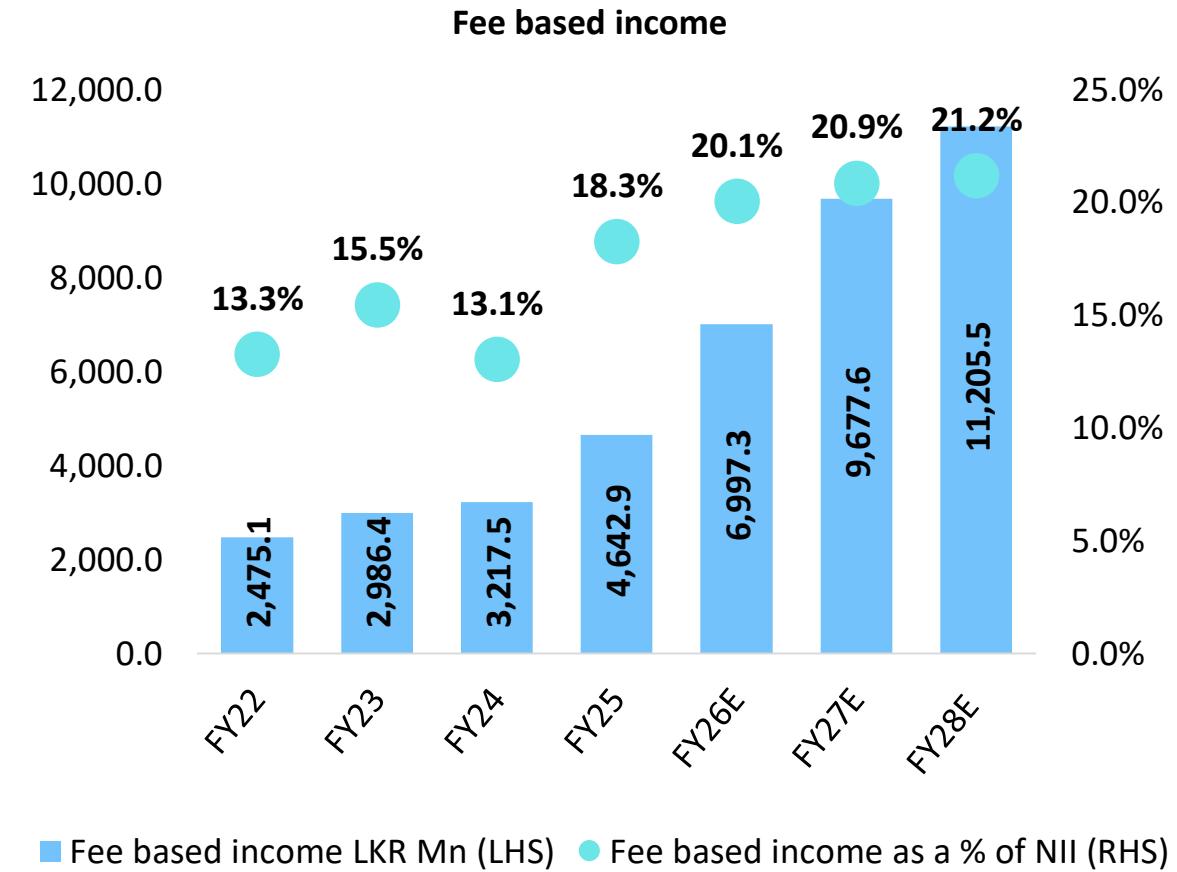
FCR expects the cost-to-income ratio to remain around 33.5%, as LFIN continues to expand while maintaining stability, supported by its industry-leading digital innovation...

FCR expects the cost-to-income ratio to remain stable over the forecast period, while the shift of customers to digital channels and the rollout of additional digital applications may drive faster income growth well below the industry average of 51.0%.

Cost to income to remain stable over the forecasted - industry average

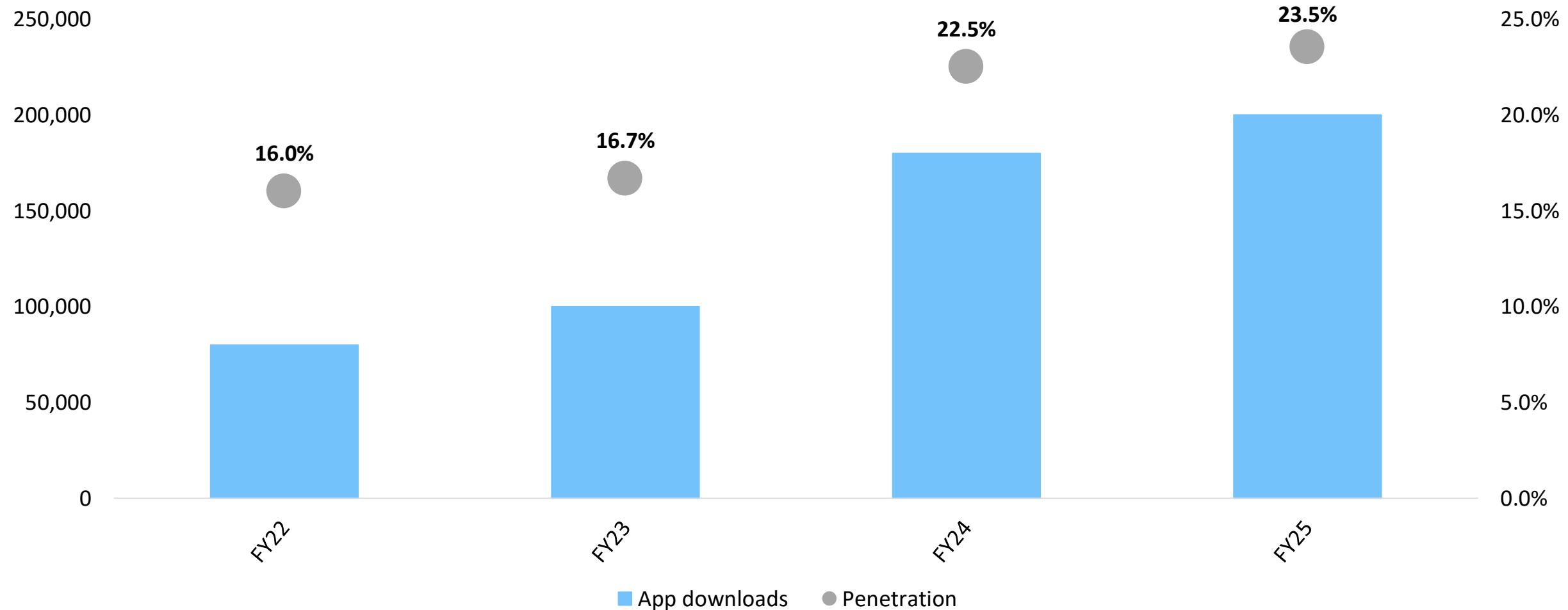


FCR anticipates fee-based income to contribute 20.9% of NII by FY27E, underpinned by increasing digital penetration.

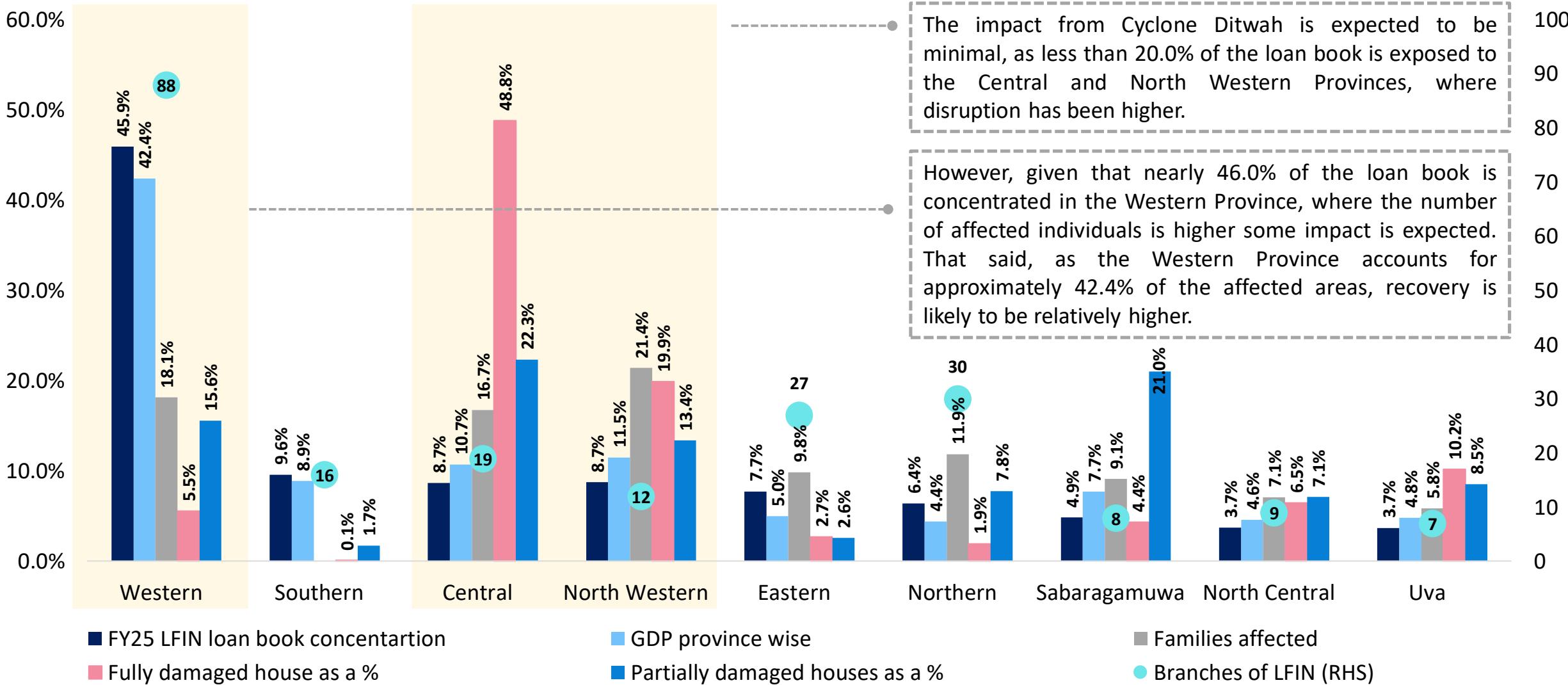


...as LFIN has further scope to capitalize on its digital innovation, with a majority of customers yet to be onboarded to its flagship CIM app

With only 23.5% of customers having downloaded LFIN's CIM app, there remains strong potential for greater digital penetration, higher volumes, and cost efficiencies.



Cyclone Ditwah is expected to have a minimal impact on LFIN's operations...

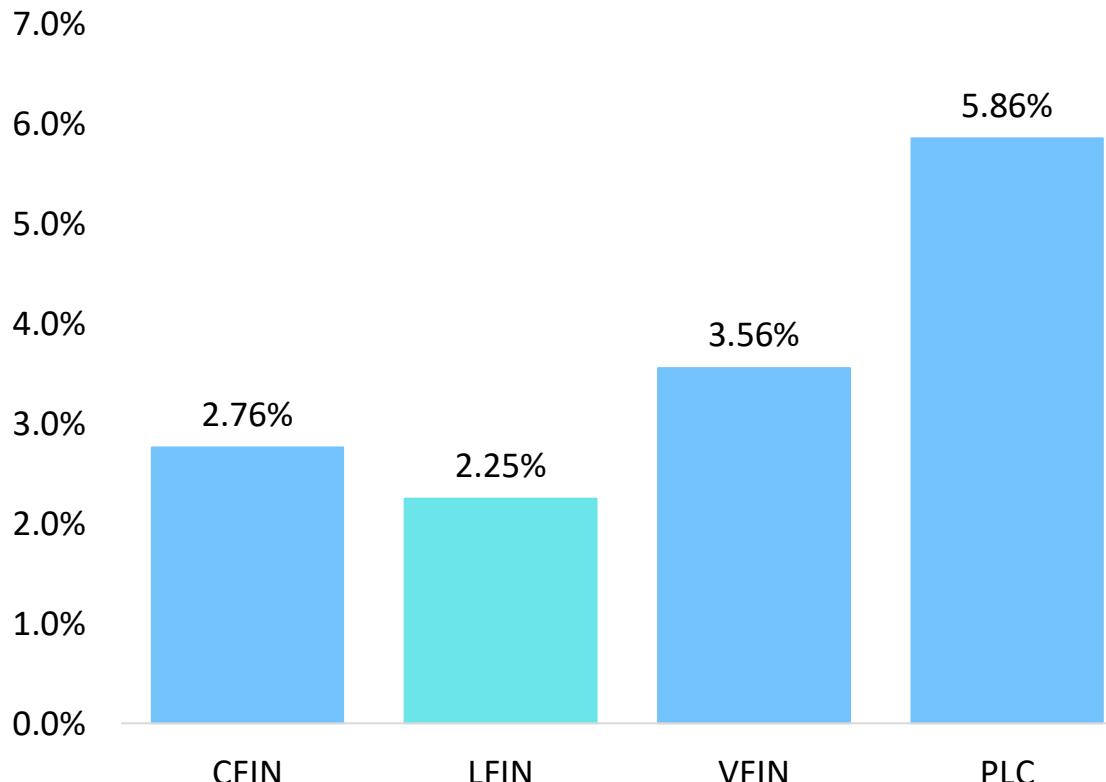


...supported by strong NPL management and industry lowest stage 03 ratios compared to comparable peers...

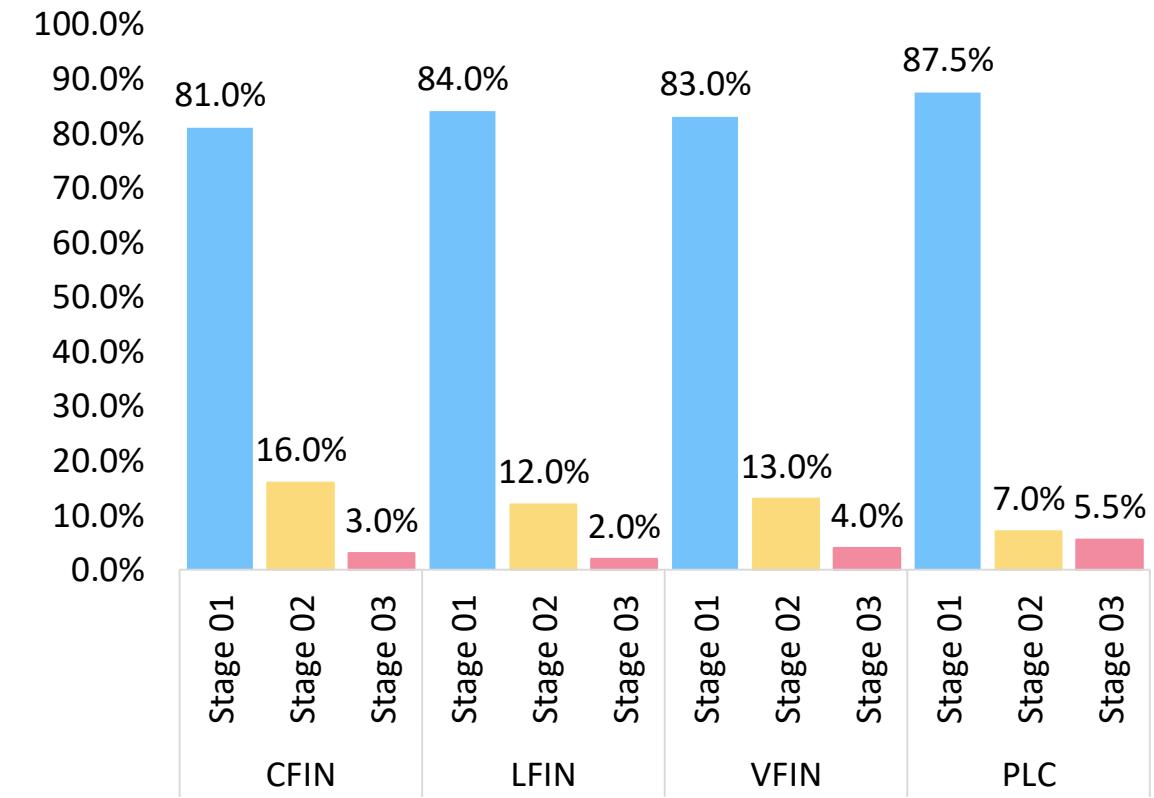
LFIN records a lower gross NPL ratio compared to peers, underscoring the strength of its portfolio mix between gold-backed lending and leasing, a trend we expect to be sustained going forward...

...underscored by the industry's lowest Stage 3 concentration which is well below the industry peers operate under the same business model.

Gross NPL ratio – FY25

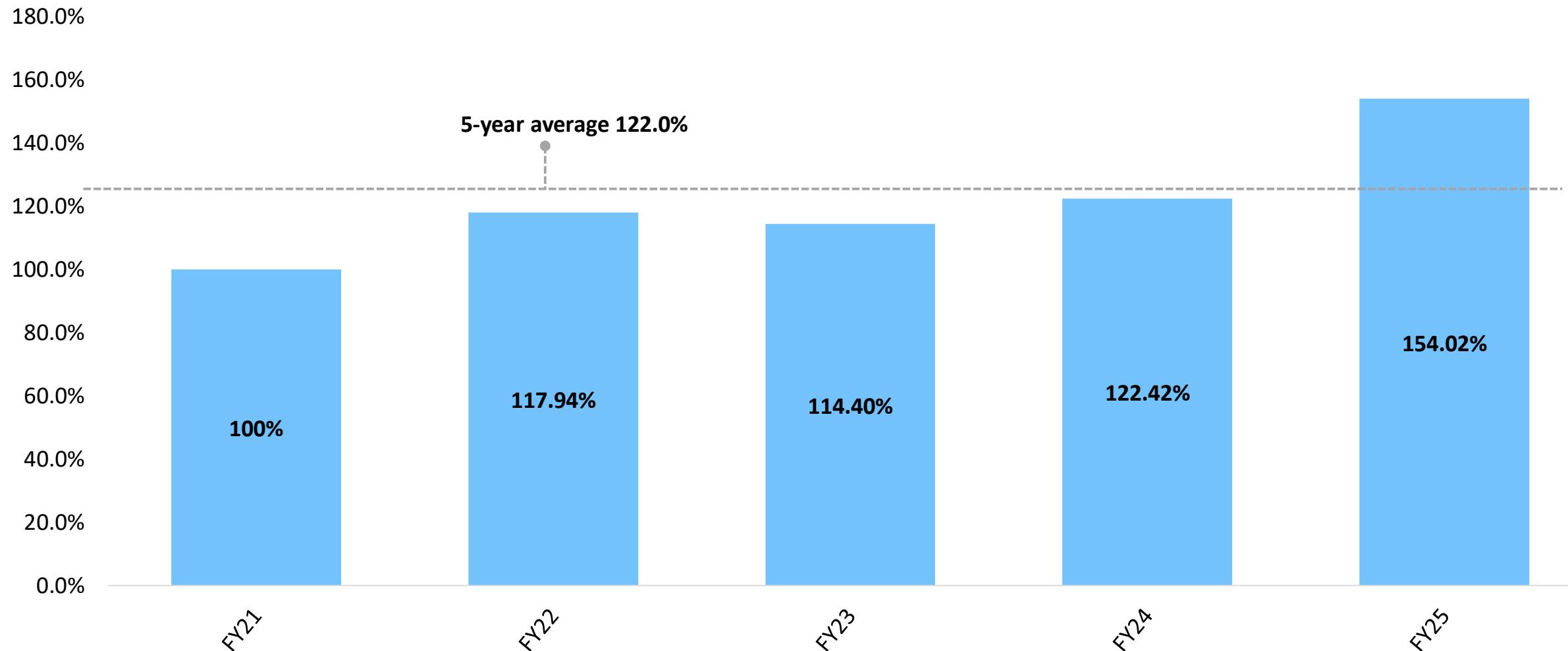


Stage wise ratios



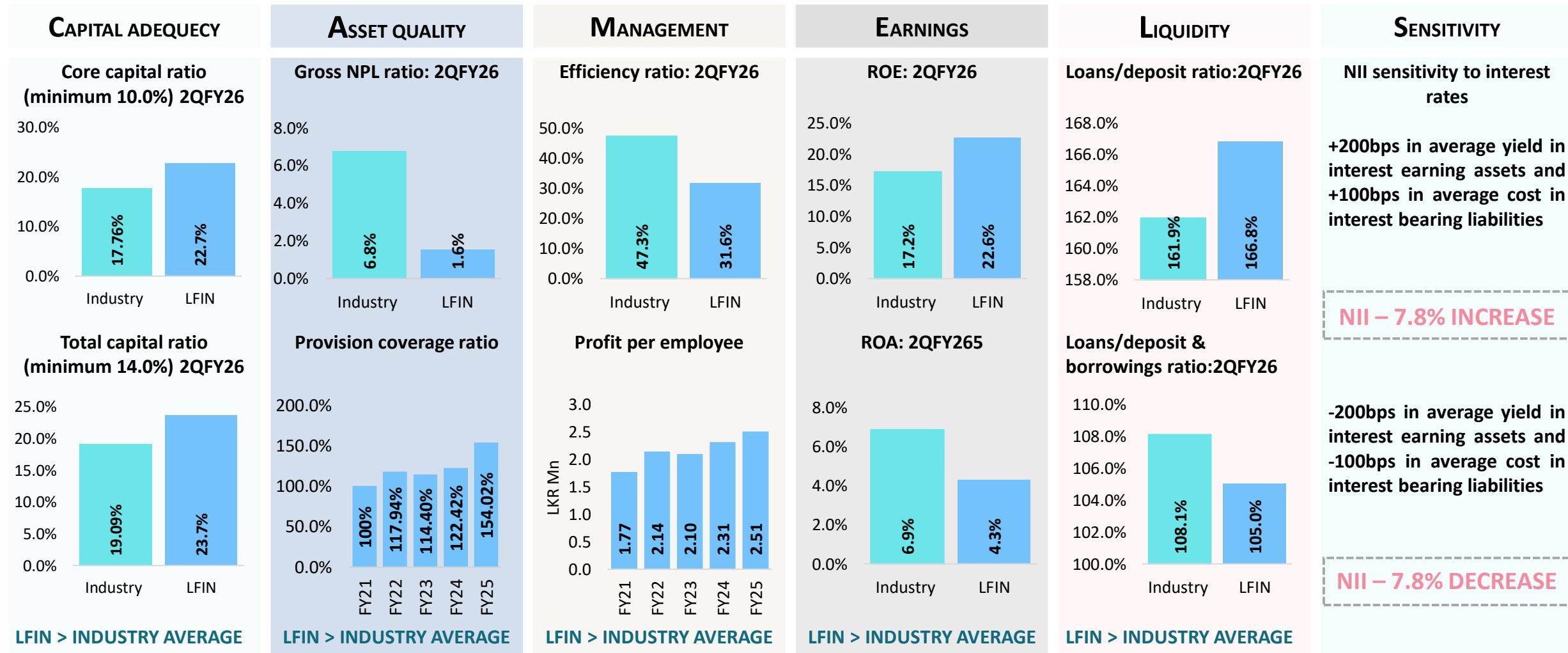
...coupled with higher provision coverage ratio

LFIN's provision coverage ratio remains well above 100.0%, with the five-year historical average at 122.0%, indicating that provisions comfortably exceed expected future credit losses as historically proven.



CAMELS proves LFIN's financial stewardship

CAMELS: FCR employs the CAMELS framework to assess LFIN's performance, demonstrating its industry leadership. Across the six pillars of financial stewardship, LFIN consistently outperforms the industry.





3.2

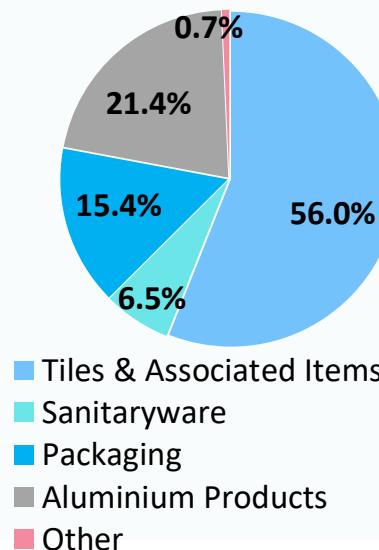
RCL: THE CONSTRUCTION PROXY

With construction momentum picking up, RCL is well positioned to benefit from its premium brand presence across tiles, bathware, tile-related products, packaging, and Aluminium

SNAPSHOT - RCL: THE CONSTRUCTION PROXY

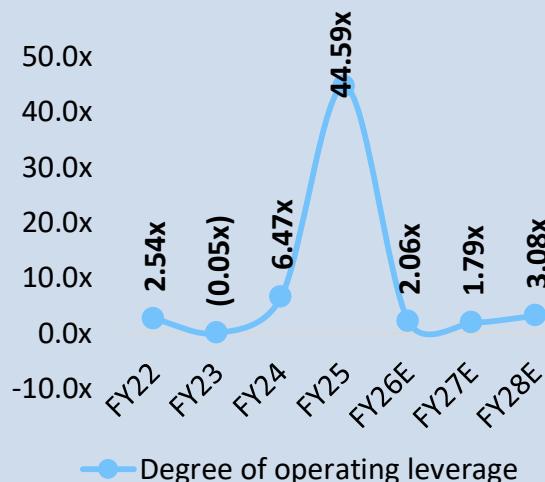
TOPLINE

RCL's topline to grow 8.3%YoY by FY27E, supported by volume growth in tiles and bathware, despite pressure from cheaper imports, along with rising grout and aluminum, packaging sales. Tile and associated products to contribute 56.0% of the total RCL topline.



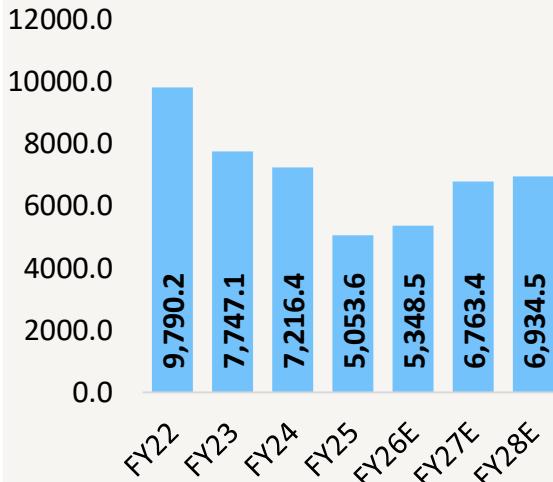
MARGINS

FCR expects RCL's group-level gross, EBIT, and net margins to improve, driven by higher volume growth across the tile, bathware, and Aluminium segments. The volume growth is expected to enhance operating leverage, leading to better absorption of fixed costs and a reduction in fixed cost per unit in tile, bathware, and Aluminium segments.



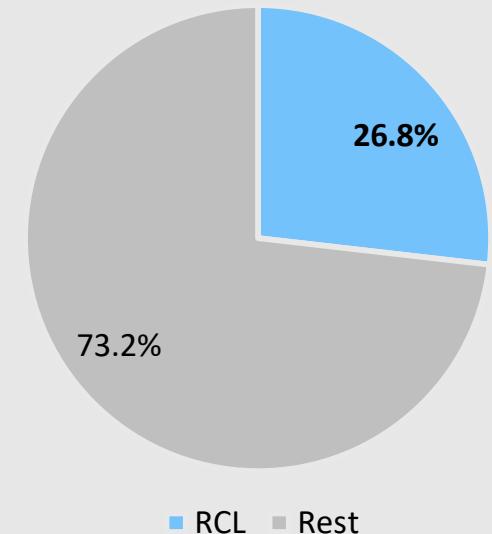
PROFITABILITY

FCR forecasts a 26.5%YoY increase in RCL's profitability by FY27E, driven mainly by volume growth in the core-businesses along with margin expansions and LFIN's profit share.



SOTP CONTRIBUTION

RCL to contribute 26.8% of VONE's SOTP value.

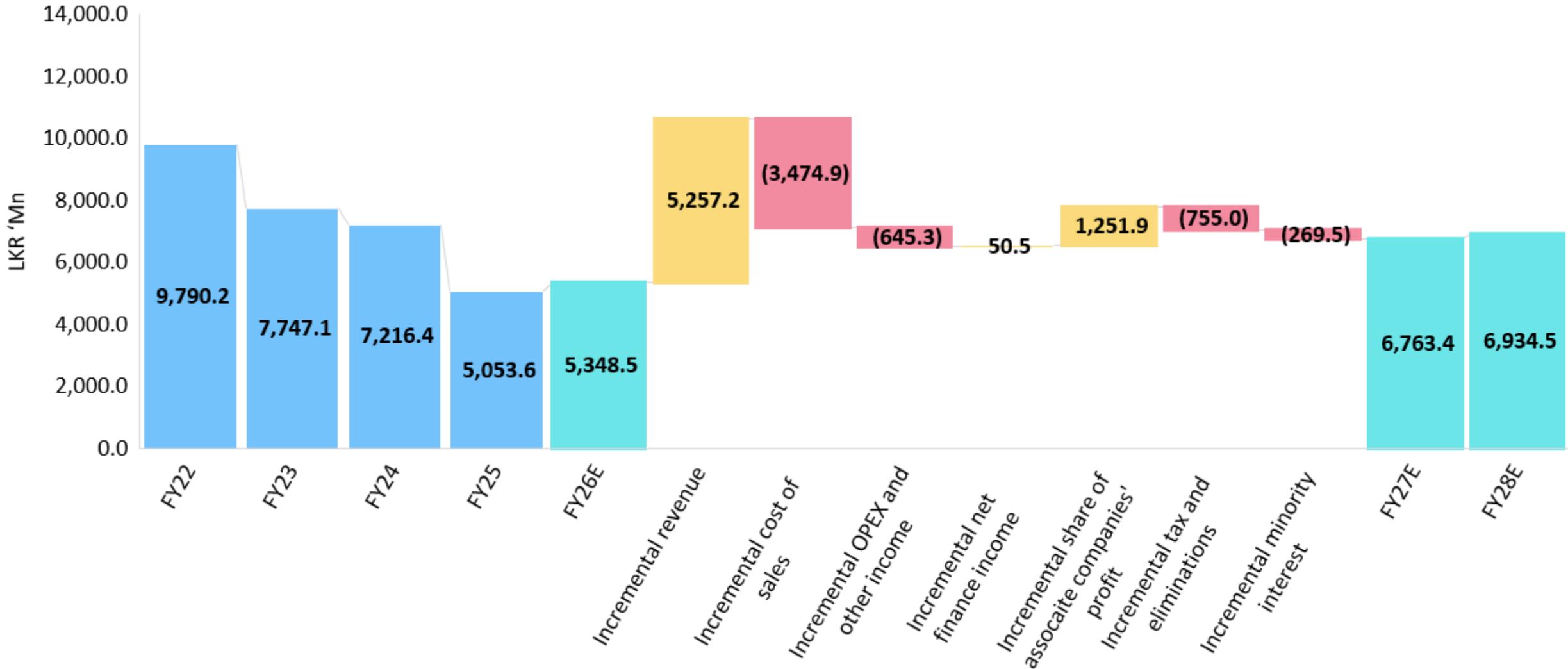


SOTP value contribution: LKR 35.9
VONE's stake of RCL: 55.96%

Bottomline: Driven by a recovery in construction activity and strategic cost optimization, RCL's earnings are projected to expand 26.5%YoY by FY27E, positioning the RCL to contribute approximately 19.3% to VONE's profit before tax.

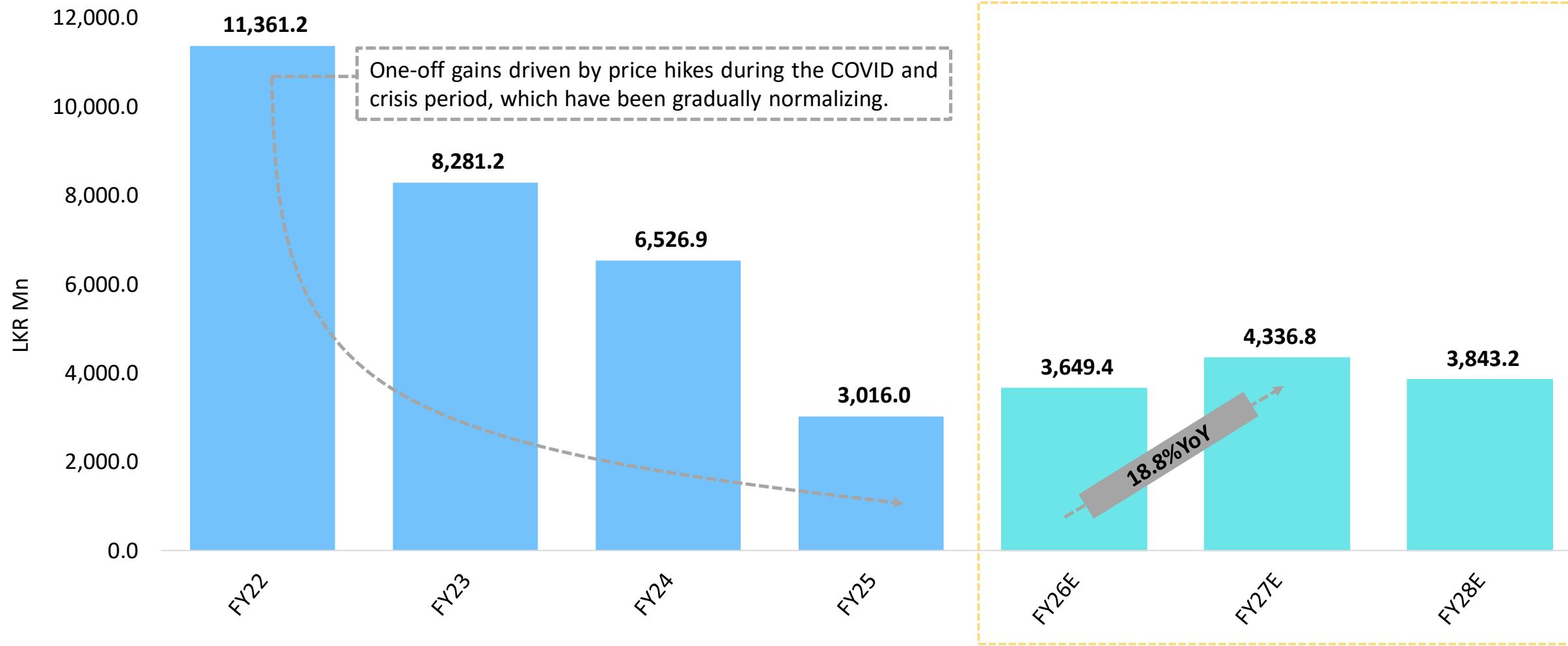
FCR forecasts a 26.5%YoY increase in RCL's earnings attributable for equity holders by FY27E, driven mainly by volume growth in the core-businesses along with margin expansions and LFIN's profit share

RCL's expected earnings growth is driven by the anticipated construction sector boom that is likely to trickle down to volume growth in RCL's core businesses. Thereby, FCR expects RCL may contribute around 19.3% to VONE's profit before tax.



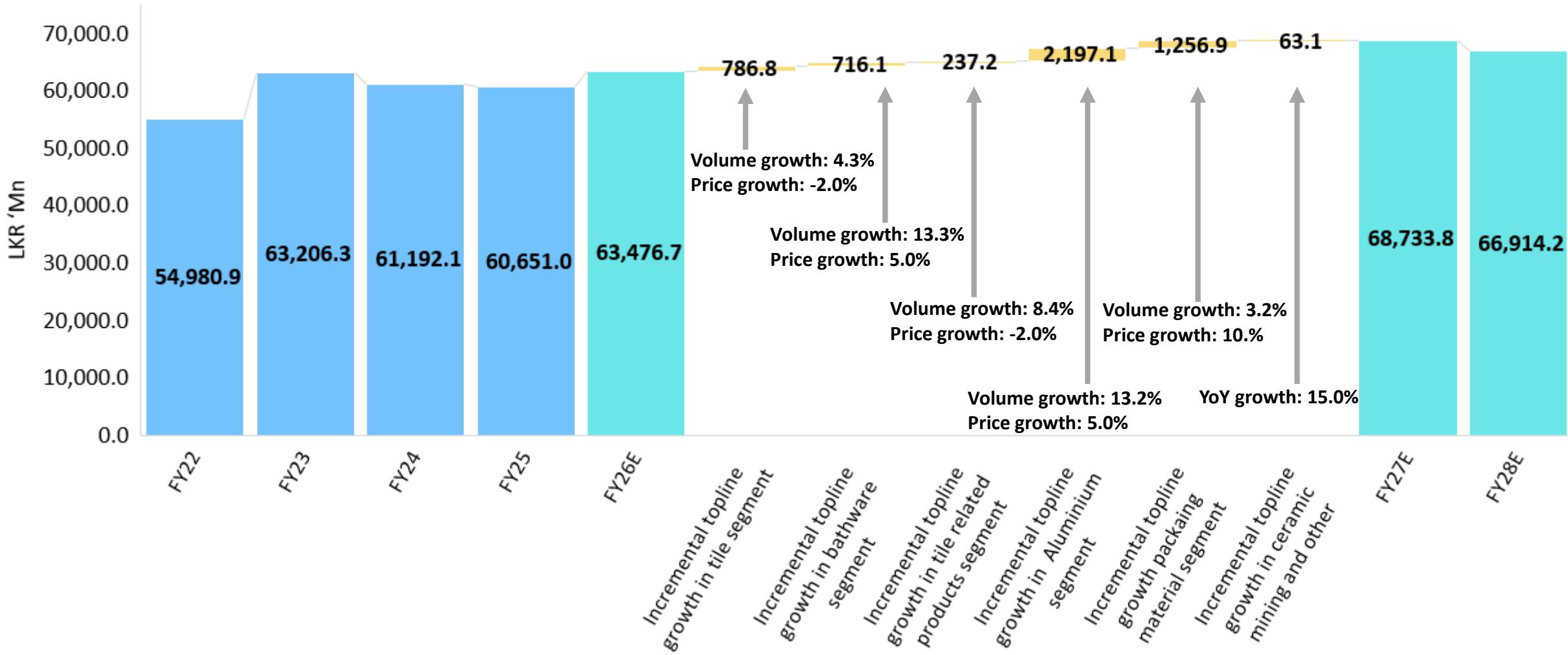
Core business profitability: FCR forecasts an 18.8%YoY increase in RCL's core business profitability by FY27E, driven mainly by volume growth in the core-businesses along with margin expansions

RCL's expected PAT growth is underpinned by a projected construction sector upturn, which is likely to translate into higher volumes across its core businesses. However, RCL is unlikely to replicate the absolute profit levels recorded in FY21 and FY22, as those periods benefited from one-off price hikes during the COVID and crisis period due to import ban and supply shortages.



RCL's topline to grow 8.3%YoY by FY27E, supported by volume growth in tiles and bathware, despite pressure from cheaper imports, along with rising grout and aluminum, packaging sales

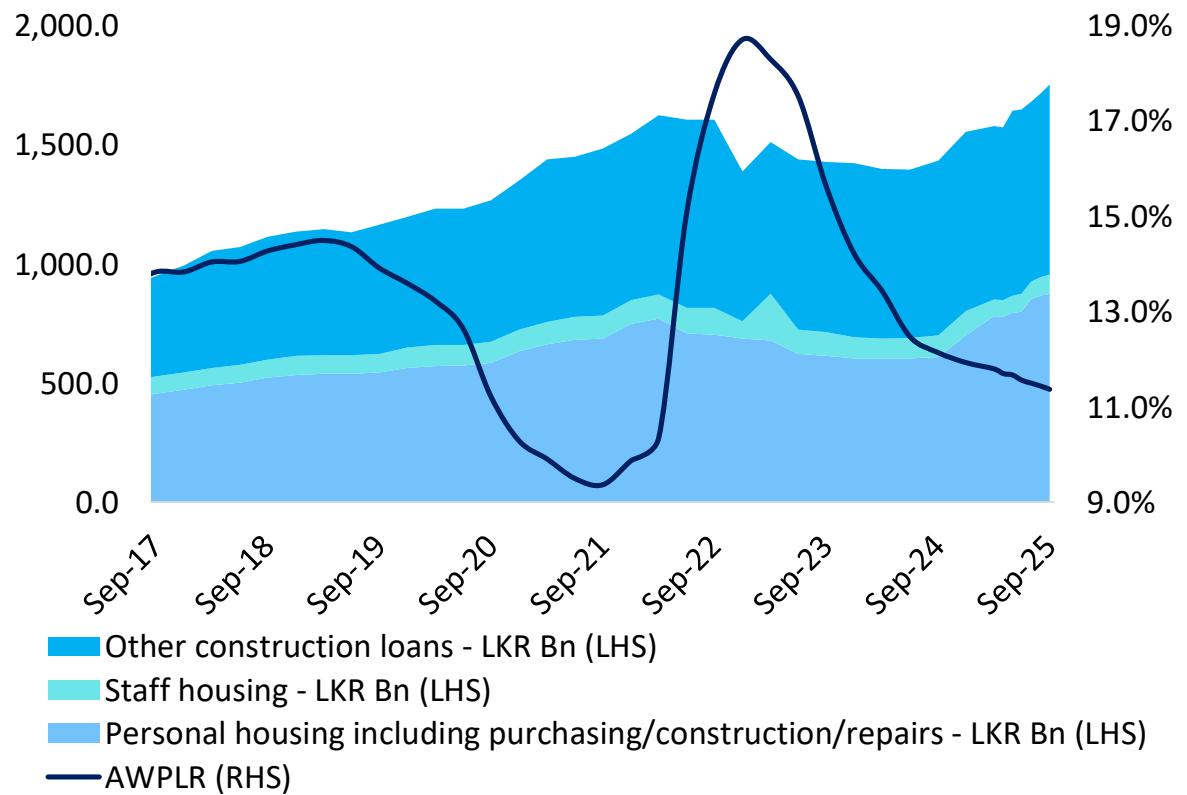
RCL's expected topline growth is supported by anticipated expansion in bathware, tile grouts and mortar, aluminum, packaging materials, and mining segments. However, while tile volumes are expected to grow, continued discounting in the tile segment may weigh on its topline performance.



The lower-interest-rate environment keeps borrowing costs down and supports construction activity especially when raw-material prices are easing as seen in the loan disbursements to the sector

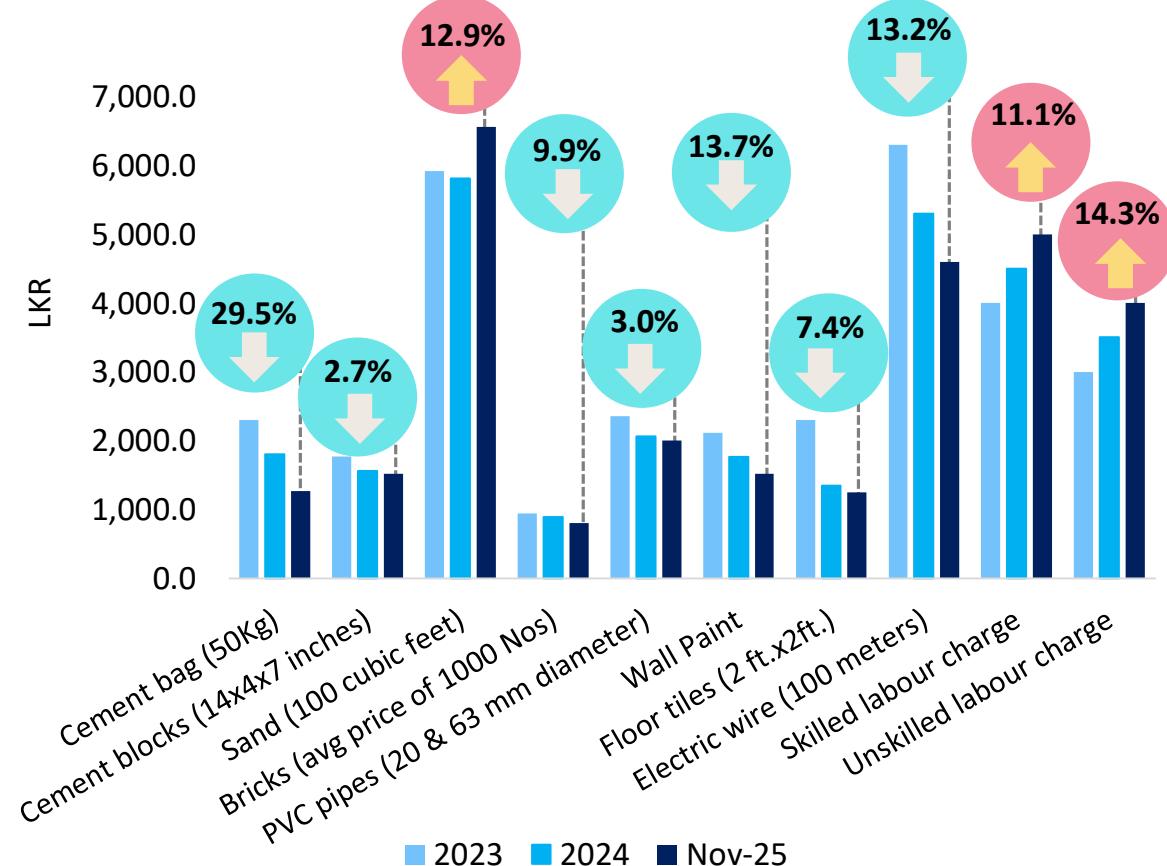
A downward adjustment of c.77bps in the AWPLR between Sep-24 and Sep-25 led to a 22.4%YoY increase in loan disbursements to the construction sector during 9M2025 compared to 9M2024. As a result, total outstanding loans to the sector reached LKR 1,757.2Bn in Sep-25, up from LKR 1,431.7Bn in Sep-24.

Historical trend of construction loan disbursements and AWPLR



Despite the increase in labour charges, construction material prices have eased due to a broadly stable exchange rate, steady global raw-material outlook, and favorable demand and supply conditions. These factors have supported stronger construction activity in the country.

Construction material and labour price changes vs 2024

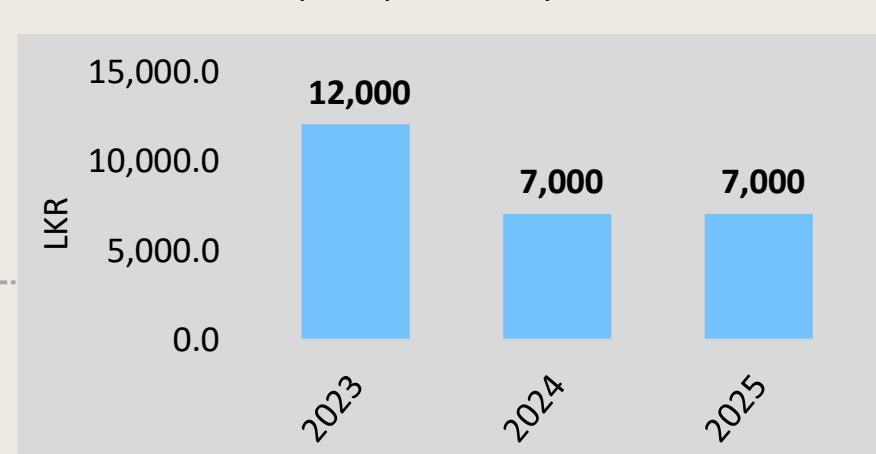


The cost per square foot of basic house of single storey construction has declined markedly by 41.7% relative to 2023, even though skilled labour wages have risen by 25.0%...

**Construction of single storey -
3 rooms basic house of 1500sqft**



Cost per sqft in each year

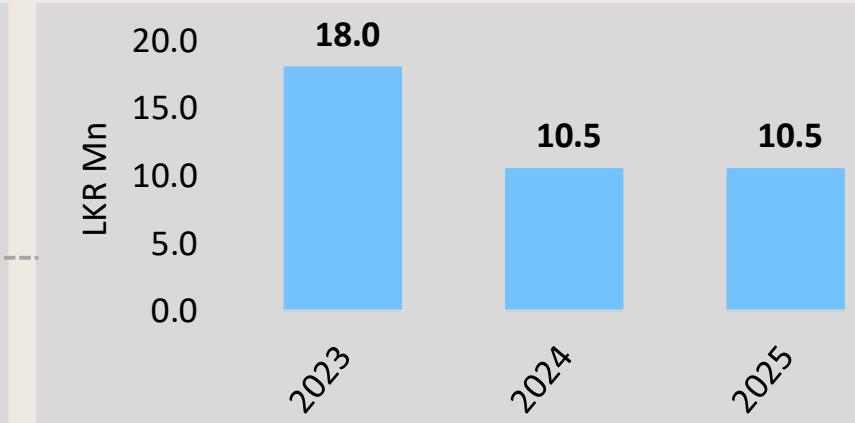


The drop in raw-material prices led to a 47.7% reduction in the cost per square foot in 2025 versus 2023. Meanwhile, skilled labour wages increased by 25.0% and unskilled labour wages by 33.3%.

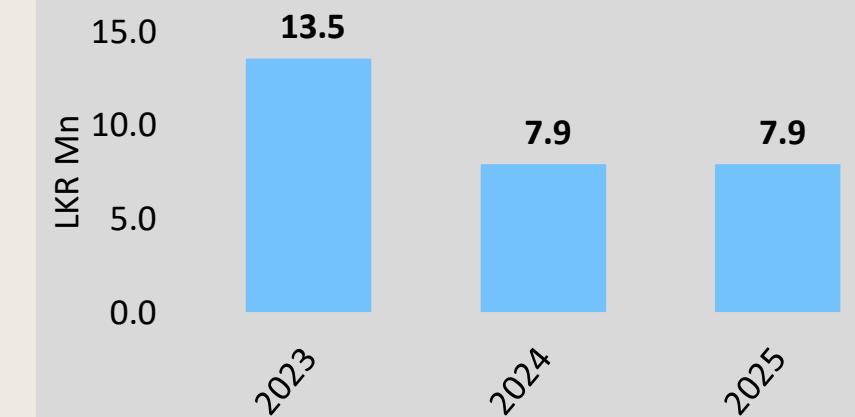


“Contractors in the market have highlighted that the shortage of skilled labor is a major issue, as those with the required skills are now demanding higher wages.,”

Total cost to build the single storey 2 room basic house



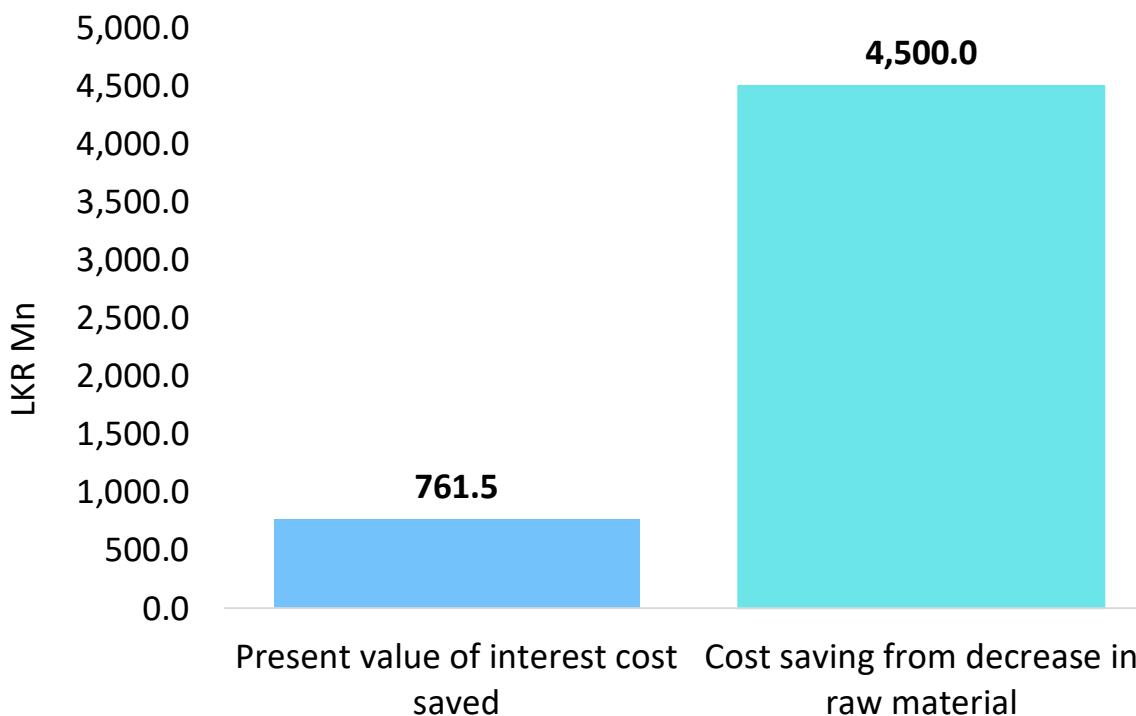
Assuming that 75.0% of the total cost of the house is funded by a 10-year loan at a maximum cap, the loan



...as the actual benefit is likely to come primarily from decline in raw-material prices compared to 2023, despite a potential increase in interest rates...

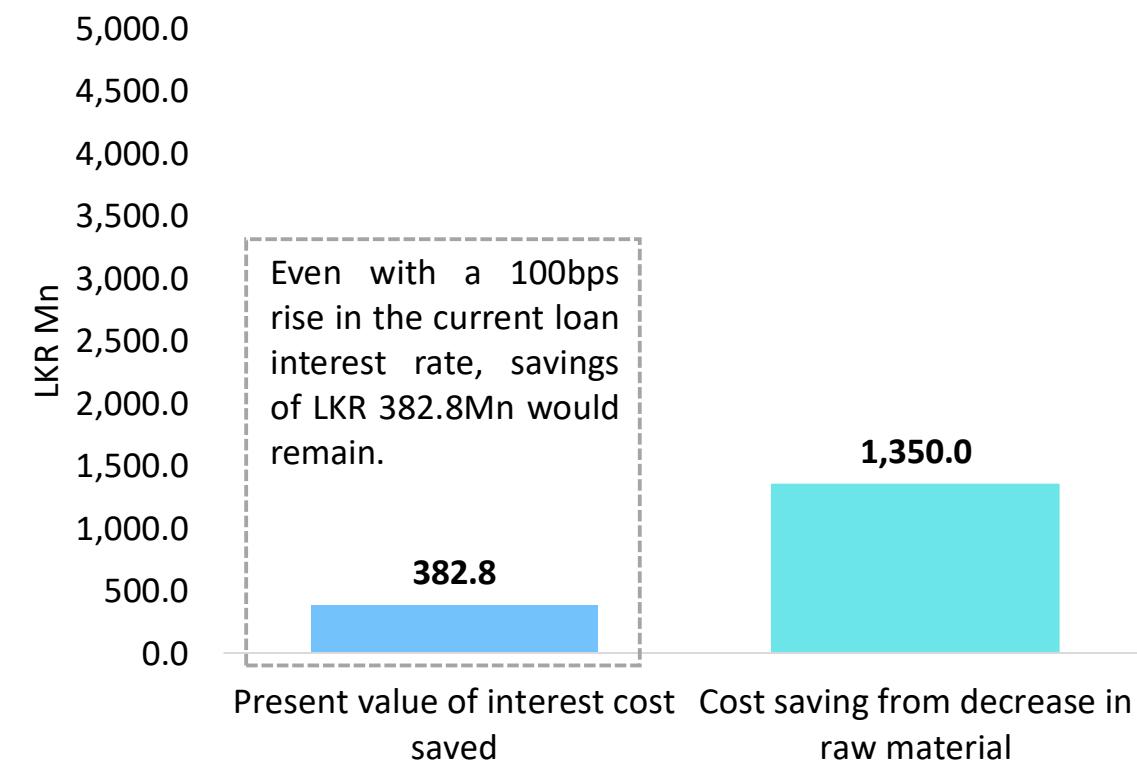
A 10-year loan of LKR 7.9Mn at an interest rate of 13.5% yields an interest cost saving of LKR 1.2Mn relative to the 2023 borrowing rate of 15.5%. Furthermore, the reduction in raw-material prices provides an additional saving of LKR 4.5Mn.

Cost saving from lower interest rate environment and decrease in raw material prices



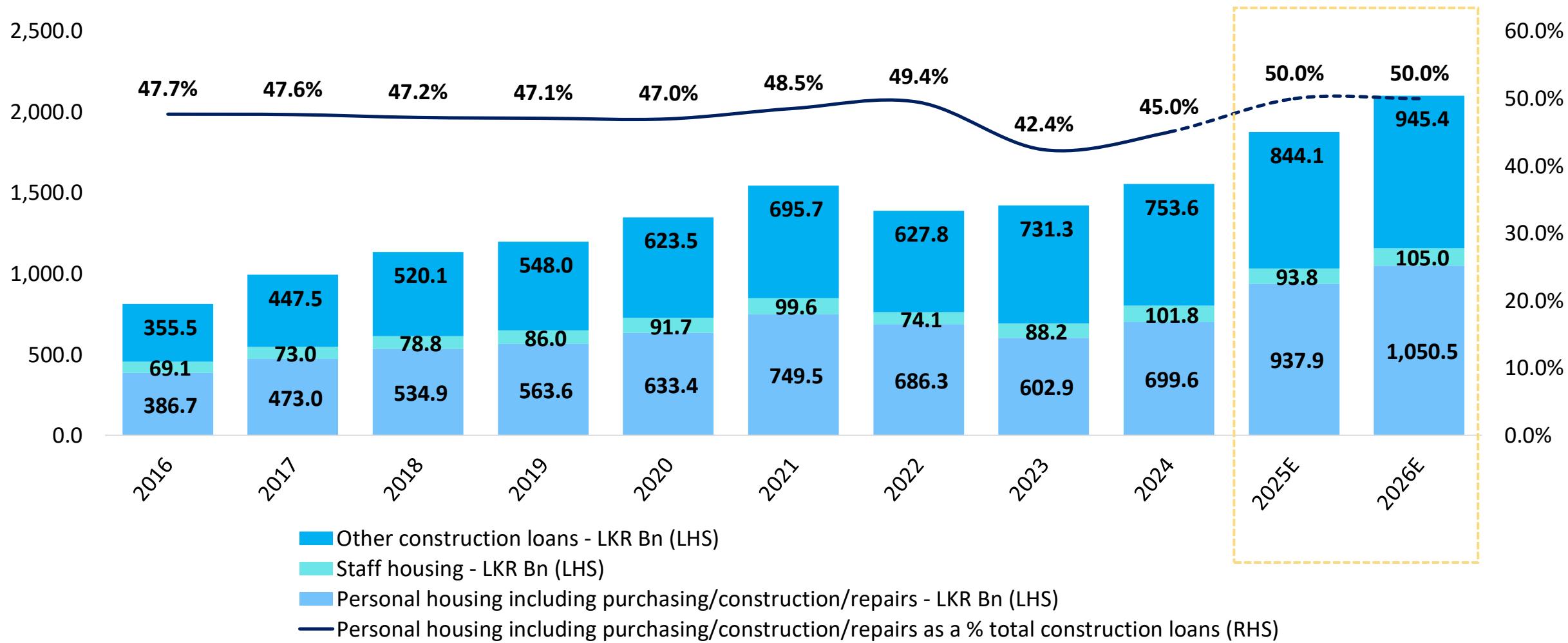
FCR expects raw material prices to rise with LKR depreciation, weather impacts, and stronger demand. Yet, even with a 50.0% increase in material costs and minimal labour cost changes, the cost per square foot would still remain below 2023 levels.

Even in the worst-case scenario; where interest rates rise by 200bps and raw material prices increase by 50.0%, there remains a cost saving of LKR 1.4Mn compared to 2023, excluding any interest cost savings



...accordingly, FCR expects loan disbursements to the construction sector to grow by 12.0%YoY in 2026E/FY27E to support the volume growth...

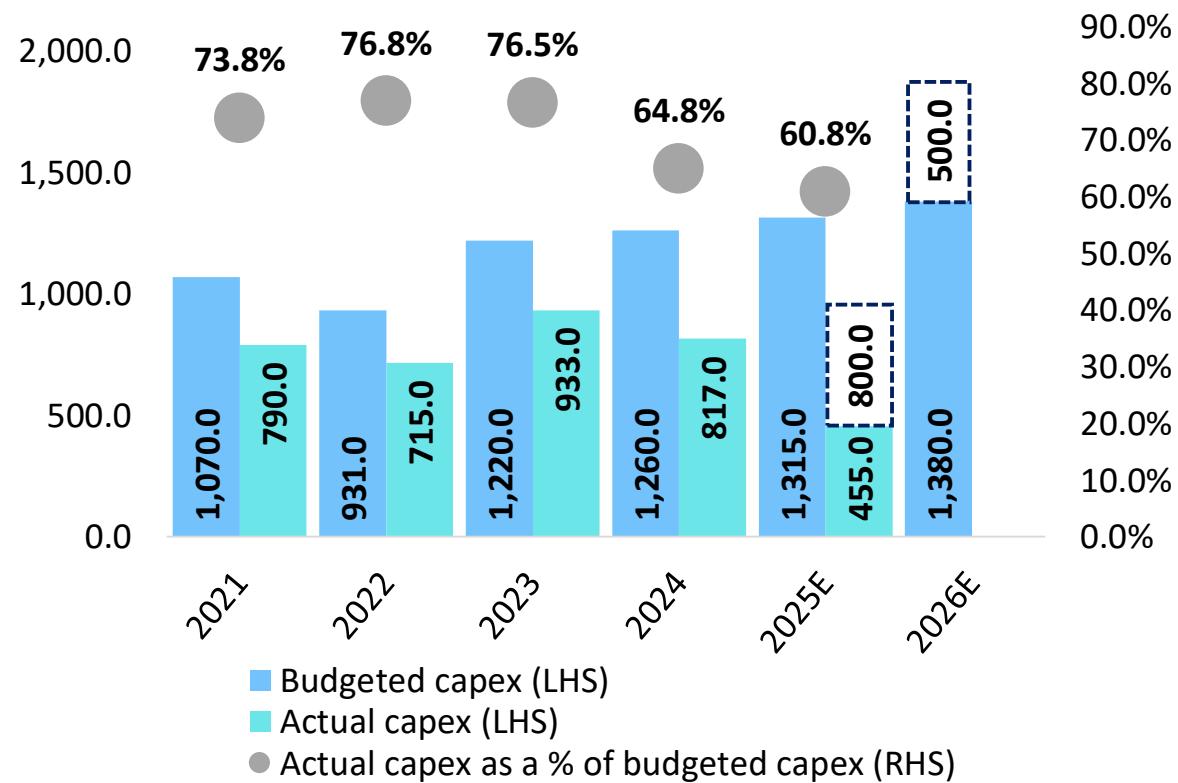
FCR expects housing loans to rise to LKR 1,050.5Bn by 2026E/FY27E, reflecting a 12.0% growth. In addition, FCR anticipates the share of housing loans within total construction lending to increase to 50.0% by 2026E/FY27E, supported by a stable raw material price outlook despite LKR depreciation and a lower interest rate environment.



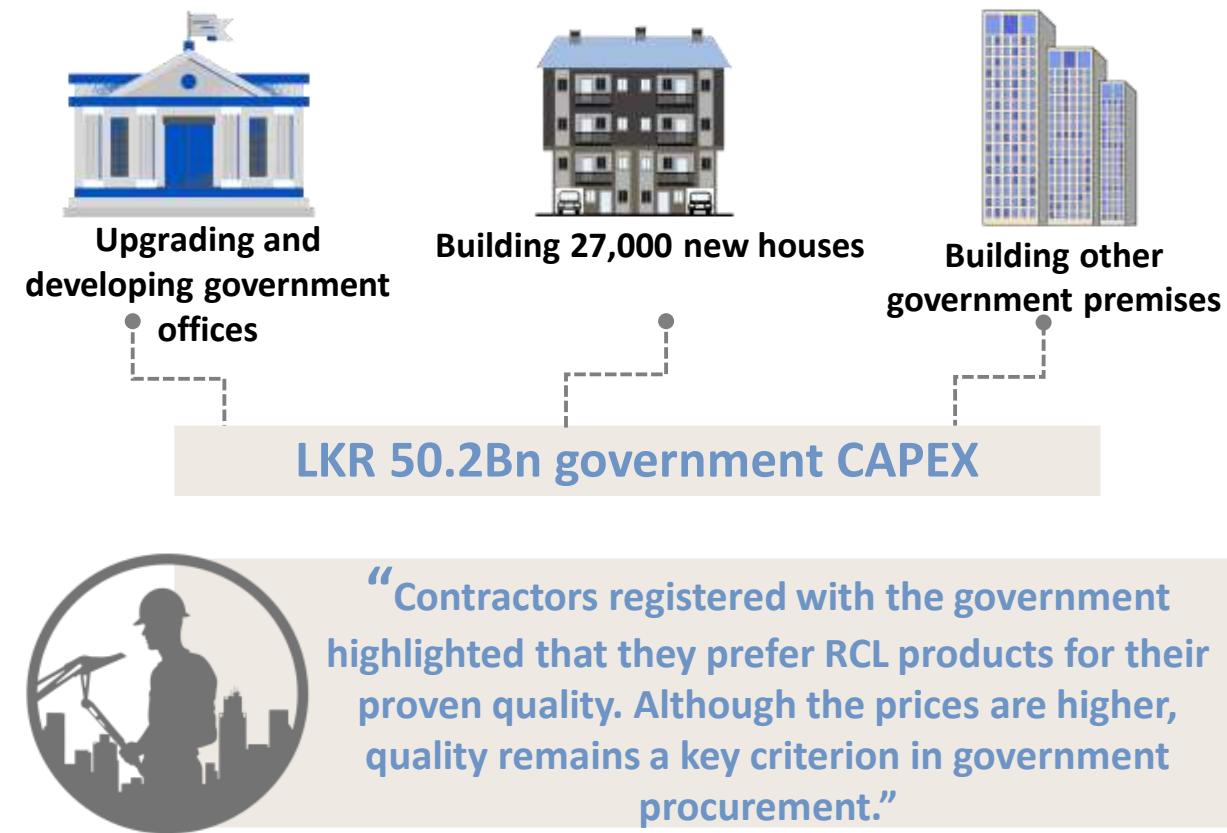
Along with c.LKR 50.2Bn government CAPEX allocated to housing and building-related projects...

Over the past several years, actual government capital expenditure has consistently fallen short of initial projections. By the end of 9M2025, only about 35% of the planned capex for 2025E had been disbursed. We expect the allocated LKR 1.4 Tn to be utilized across 2026E/ FY27E under the budget with additional LKR 500.0Bn allocated for Ditwah relief.

Actual vs. budgeted government capital expenditure (LKR Bn)



From the 2026E budget, approximately LKR 50.2Bn has been allocated to housing- and building-related projects. We expect RCL to be a prime beneficiary of this spending, given its three tile arms; RCL, LWL, and TILE together with its Aluminium and grout business, PARQ. According to the government contractors we interviewed, RCL products are preferred over others due to their superior durability and quality.

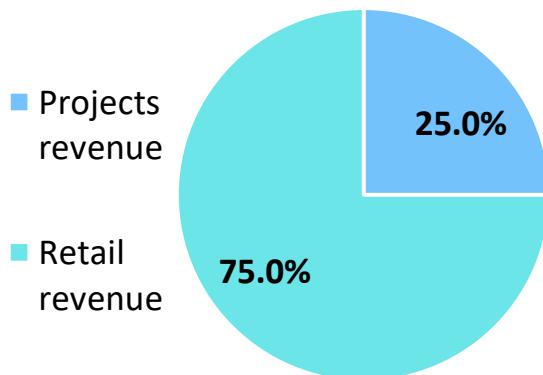


...backed by recently launched commercial projects, RCL is well positioned to capitalize on demand with the high-quality offerings

Supported by a lower interest rate environment and rapid urbanization, property developers have initiated new projects. RCL is well positioned to capture this demand, supported by its high-quality product offerings.

Recently inaugurated selected projects

Developer and projects	Number of units	Total square feet	Expected completion	Total square meters
Homelands Skyline				
Pentara residencies Thummulla	362	577,453	N/A	53,647
The bayfonte marina resort apartments & villas	284	336,718	2027	31,282
Waterdale recidencies	204	363,849	2027	33,803
Prime Lands Residencies				
The Golf - Colombo 08	64	104,043	Jun-28	9,666
One Tangalle	38	68,248	Jul-27	6,340
J'Adore - Negombo	339	371,742	Jul-28	34,536
The Seasons - Colombo 08 - 10% (Mar-2025)	44	43,505	Jul-27	4,042
MON VIE Colombo 05 -Thalakotuwa Gardens	50	65,000	Dec-29	6,039



With approximately 25.0% of its topline derived from project-related revenue, RCL is well positioned to capture opportunities from property development projects.

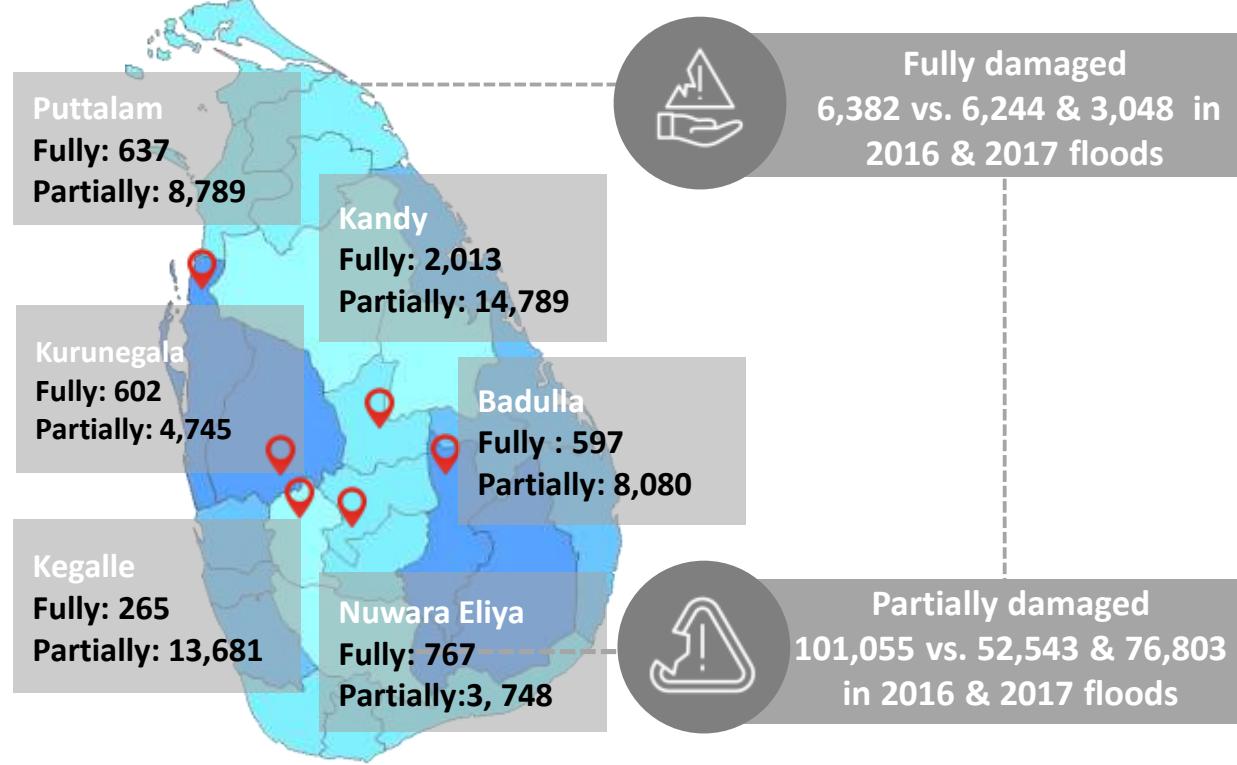


"Top level property developers emphasized that they choose RCL products for their projects because their premium quality endures, unlike lower-cost alternatives that typically degrade after few years."

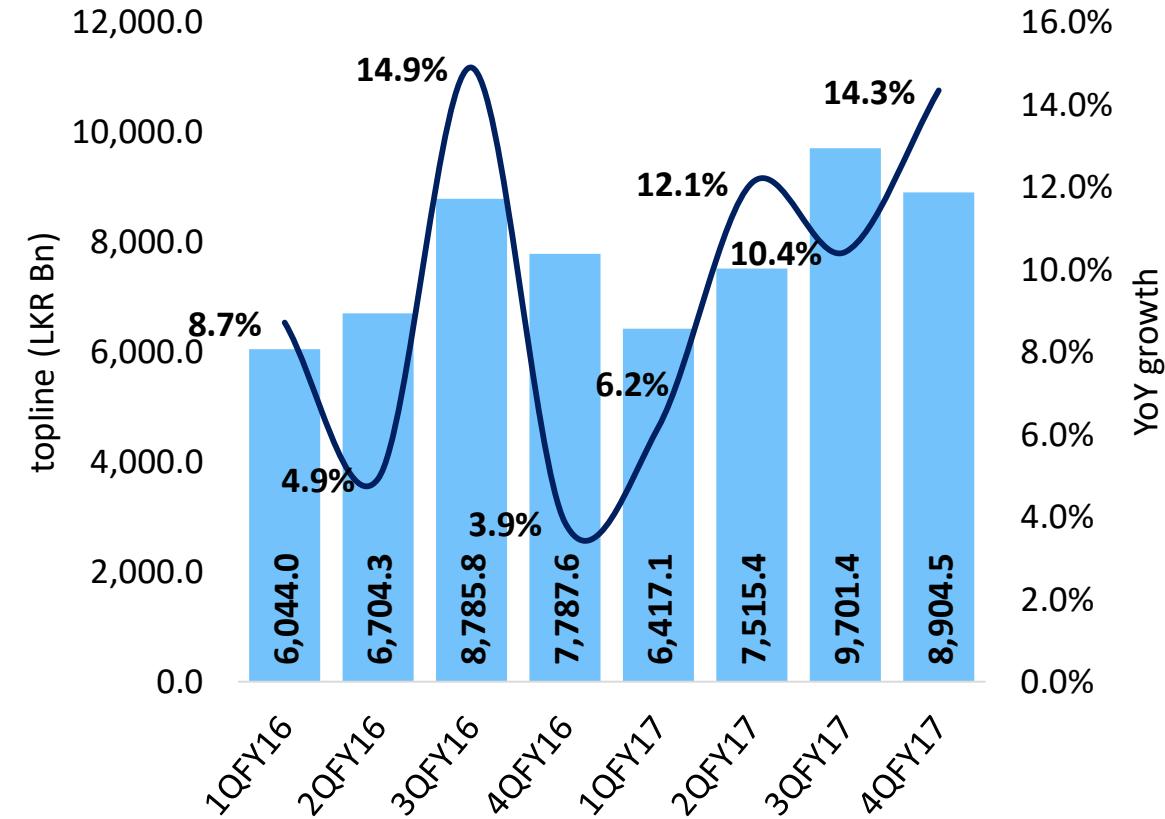
The immediate reconstruction of houses damaged by Cyclone Ditwah...

Cyclone Ditwah has caused extensive devastation across 25 districts. Overall, 107,283 houses have partial or complete damage according to the Disaster Management Center's situation report on 17th Dec-25 higher than compared to 2016 and 2017 floods. Following the May-16 and May-17 floods, RCL experienced year-on-year topline growth, and FCR expects this trend to continue into FY27E, supported by the extensive damage caused supported by government reliefs and loans.

Fully or partially house damages comparison vs. 2016 & 2017 floods



RCL's topline following May-16 and May-17 floods demonstrated YoY growth in topline



...may absorb 2.5% of RCL's tile production capacity under most probable scenario contributing nearly 2.5% of the tile segment's topline

FCR outlines three distinct scenarios for tile demand arising from Ditwah-impacted houses, covering both fully and partially damaged houses.

House tiling scenario 01 (most probable scenario)

Fully damaged houses tiling probability: **10.0%**

Partially damaged houses tiling probability: **5.0%**

House tiling scenario 02

Fully damaged houses tiling probability: **15.0%**

Partially damaged houses tiling probability: **10.0%**

House tiling scenario 03

Fully damaged houses tiling probability: **20.0%**

Partially damaged houses tiling probability: **15.0%**

Underlying assumptions: RCL market share - 45.0%, tiling area in sqm for 1600sqft house - 155sqm

Topline contribution to the tile segment: c.2.5%

Total topline to be generated

Partially damaged: LKR 93.5

Fully damaged: LKR 740.1

Total: LKR 833.6

Total capacity to absorbed

Partially damaged: 0.3%

Fully damaged: 2.2%

Total: 2.5%

Topline contribution to the tile segment: c.4.8%

Total topline to be generated

Partially damaged: LKR 140.2

Fully damaged: 1,480.2

Total: LKR 1,620.4

Total capacity to absorbed

Partially damaged: 0.4%

Fully damaged: 4.4.%

Total: 4.9%

Topline contribution to the tile segment: c.7.8%

Total topline to be generated

Partially damaged: LKR186.9

Fully damaged: LKR 2,20.3

Total: LKR 2,407.3

Total capacity to absorbed

Partially damaged: 0.6%

Fully damaged: 6.7%

Total: 7.2%

Total number of houses and sqm for houses

Partially damaged: 287, c.44,514sqm

Fully damaged: 2,274, c.352,429sqm

Total: 2,561, c.396,944sqm

Total number of houses and sqm for houses

Partially damaged: 431, c.66,772sqm

Fully damaged: 4,547, c.704,859sqm

Total: 4,978, c.771,630sqm

Total number of houses and sqm for houses

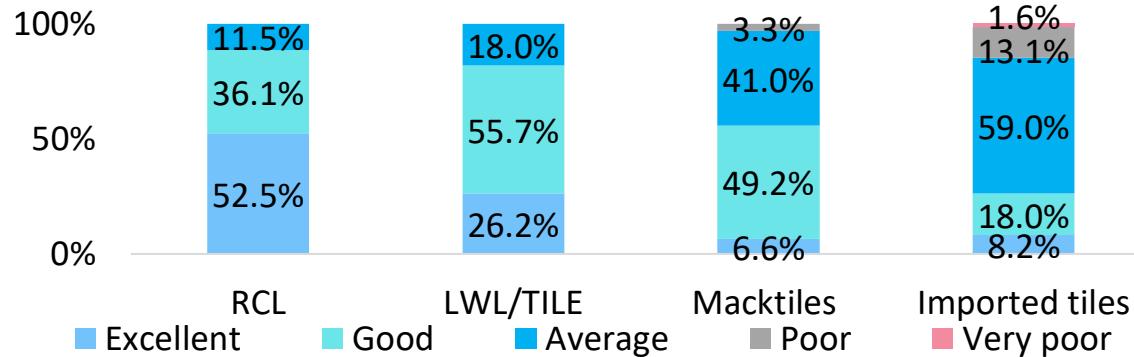
Partially damaged: 574, c.89,029sqm

Fully damaged: 6,821, c.1,057,288sqm

Total: 7,396, c.1,146,316sqm

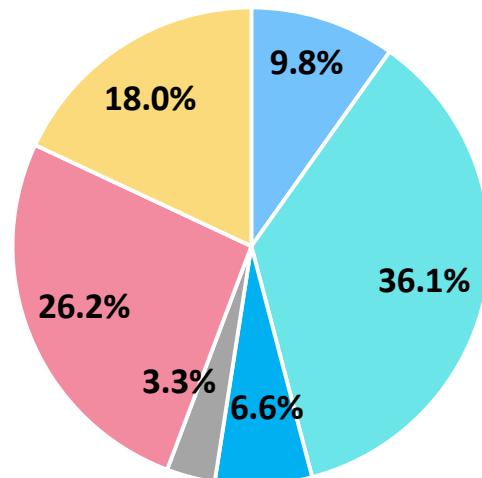
Backed by RCL's premium brand quality, even at higher price points, is expected to draw quality-conscious customers to the tile segment, supported by findings from FCR's Go-to-Market Survey...

Out of the total survey respondents, 52.5% rated RCL products as excellent, while 55.7% rated LWL/TILE products as good when compared with imported tiles...

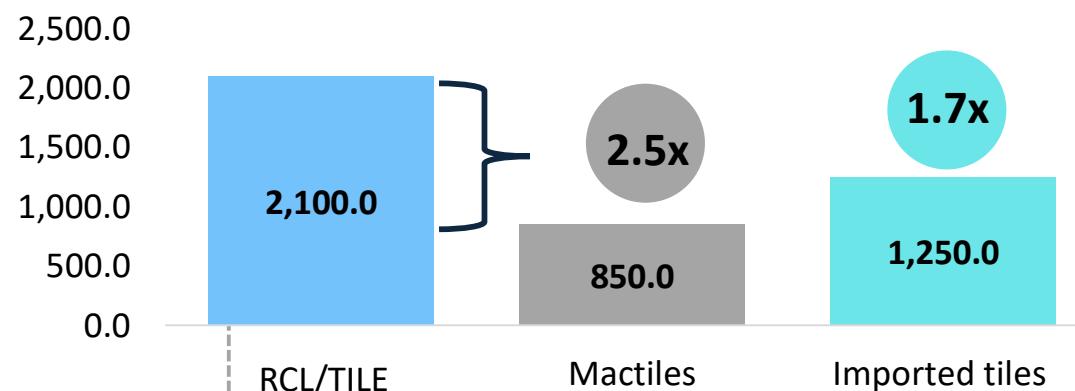


....whilst among respondents planning to construct a house within the next year, the majority prefer RCL, LWL, or tile products.

- Imported tiles
- LWL/TILE
- Macktiles
- Macktiles or imported tiles
- RCL
- RCL/LWL/TILE



The price of 2 ft x 2 ft RCL and tile products is approximately 2.5 times and 1.7 times higher, respectively, than Macktiles and imported tiles.



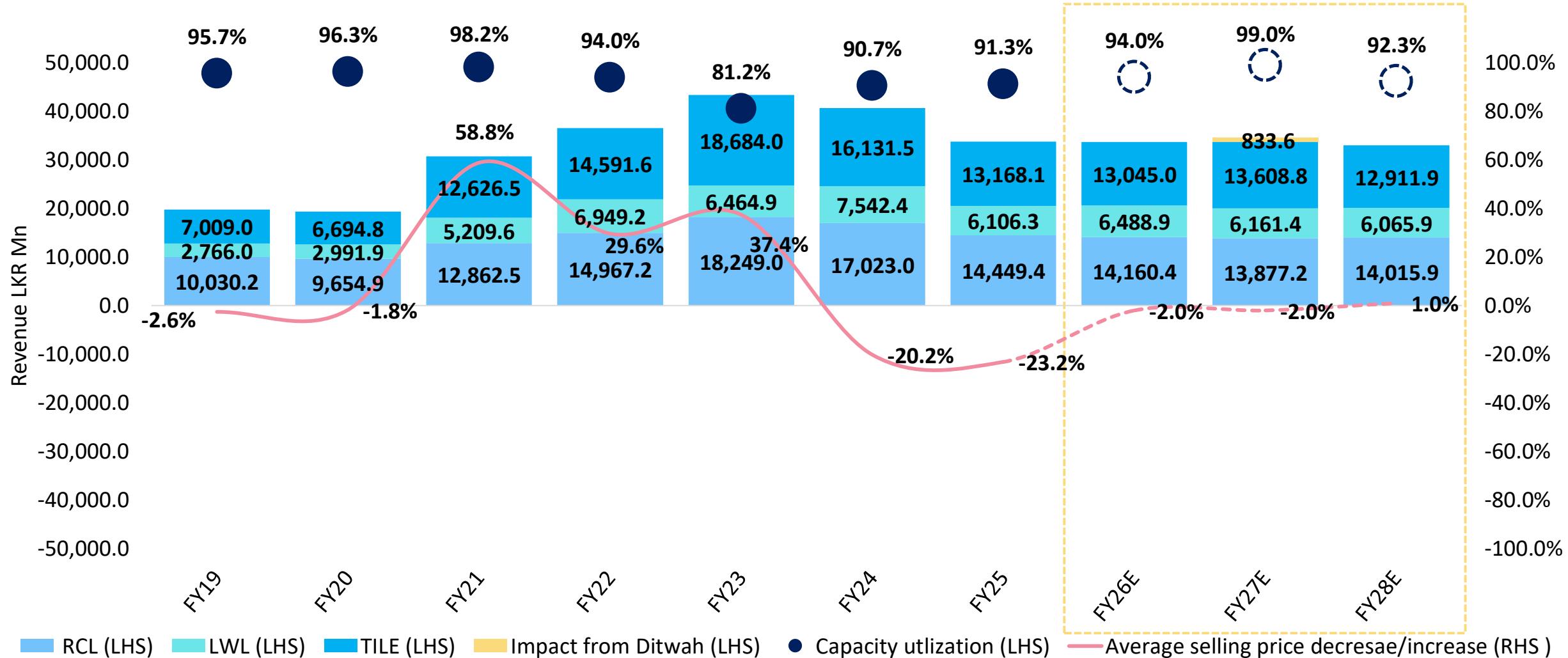
Why they maintain a premium pricing?

Offers exclusive designs developed by offshore design centers in Italy and other locations, along with premium finishes and large-format tiles that are difficult for lower-priced competitors to replicate

Tiles are associated with better durability, finish, design consistency, and compliance with quality standards

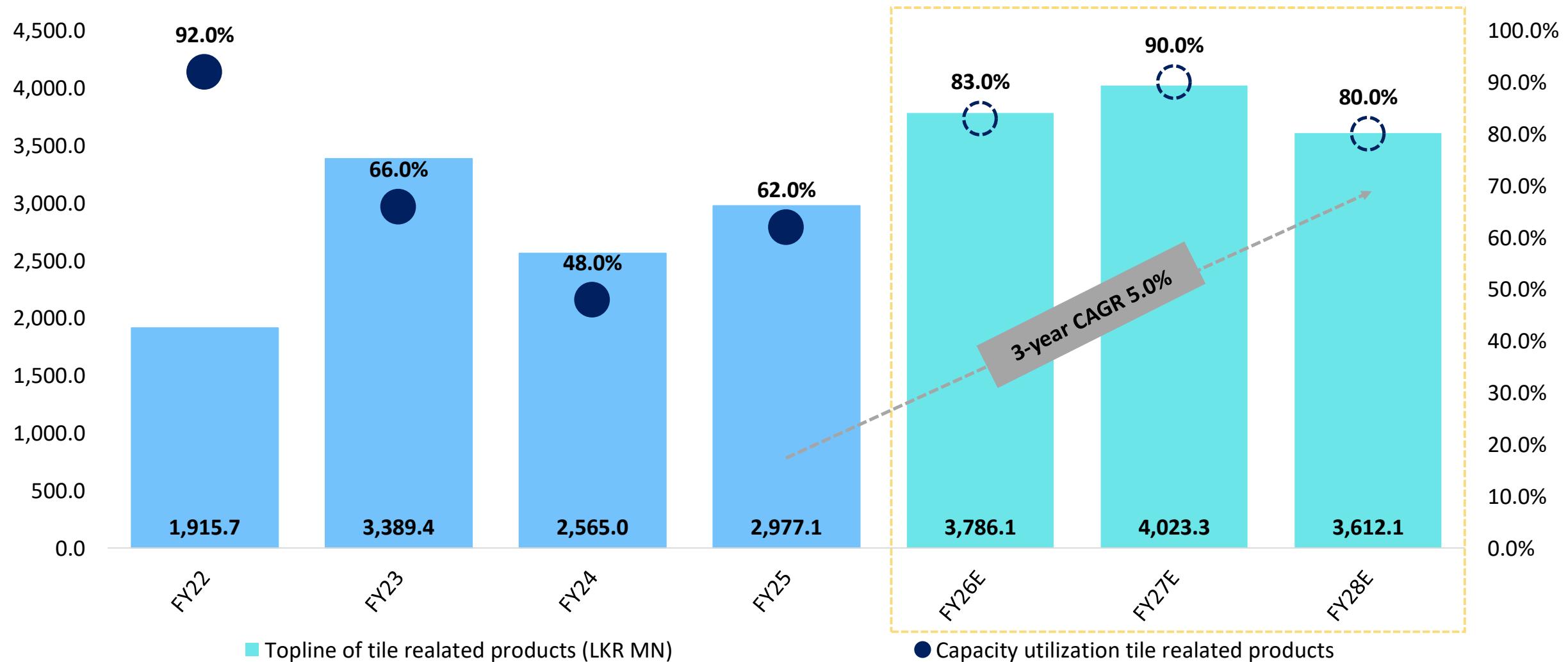
...accordingly, FCR expects RCL's tile segment's topline to grow by 2.3%YoY in FY27E on the back of 7.0% capacity utilization increase amidst -2.0% reduction in average selling price per square meter

FCR forecasts RCL's tile segment topline to reach LKR 34,481.0Mn, reflecting a 2.3%YoY growth. However, FCR expects RCL may offer discounts to retain customers amid intensifying competition from lower-priced imported tiles, which could drive prices closer to FY21 levels.



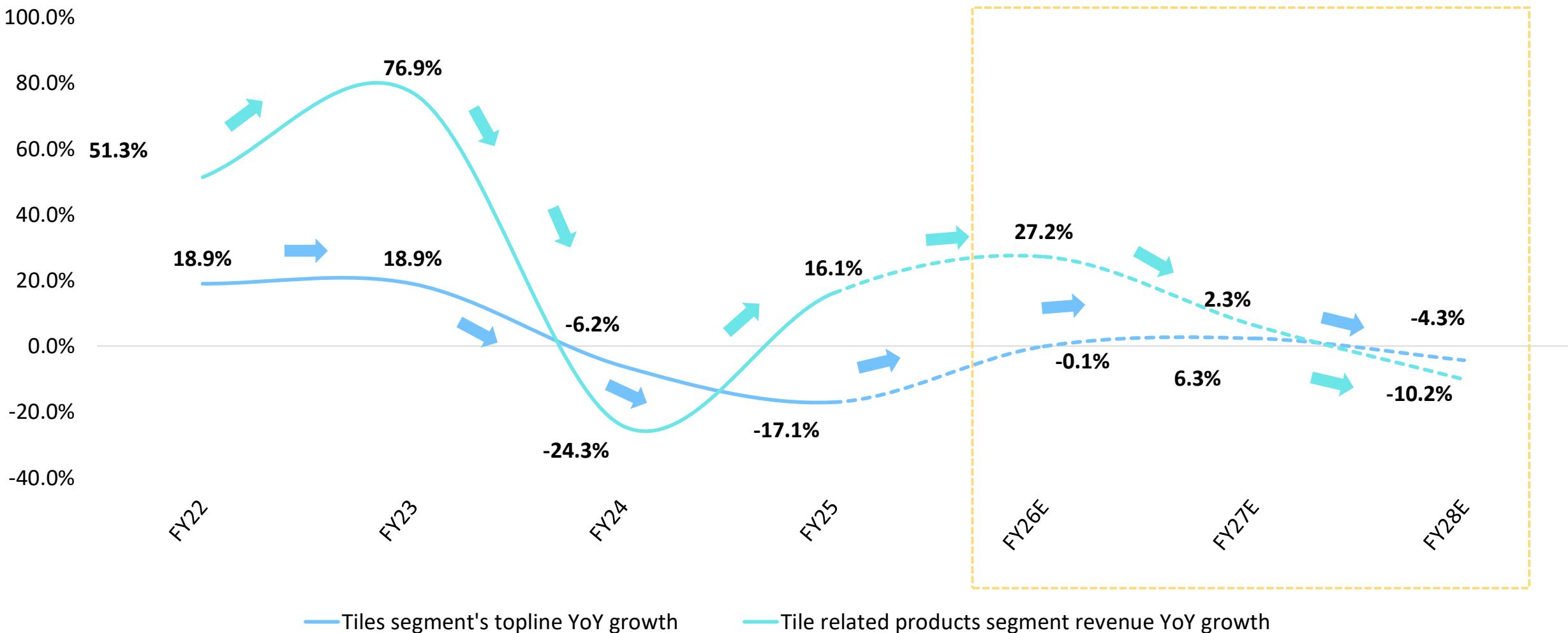
RCL's tile-related products segment is expected to benefit from construction sector uptick as FCR expects capacity utilizations to increase 90.0% respectively by FY27E with a 17.6%YoY topline growth

FCR anticipates that the construction boom may drive growth in tiling work, potentially increasing topline from tile-related products by 22.1%YoY by FY27E.



PARQ's tile-related product segment serves as a proxy for topline growth in tile sales...

YoY topline growth in tile grout and tile mortar is used as a proxy for overall tile topline growth, as FCR expects this trend to continue

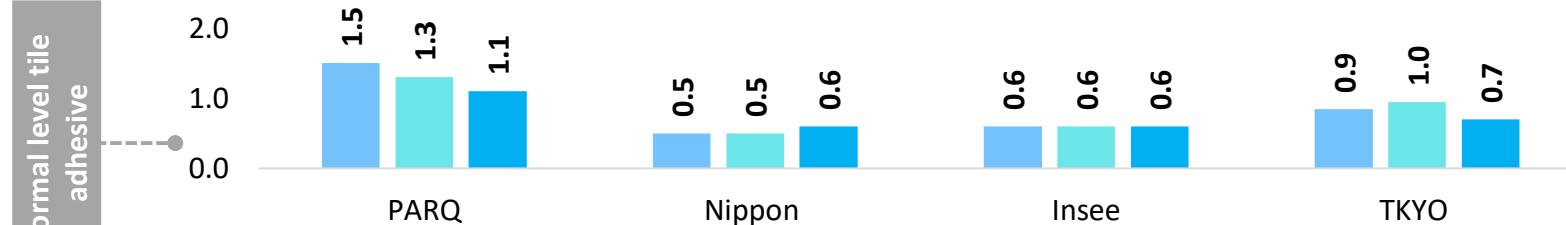


...driven by superior tensile adhesion strength relative to peers, PARQ's market leadership is reinforced by its interconnected tile related product portfolio, which serves as a key USP in attracting tiling clients...

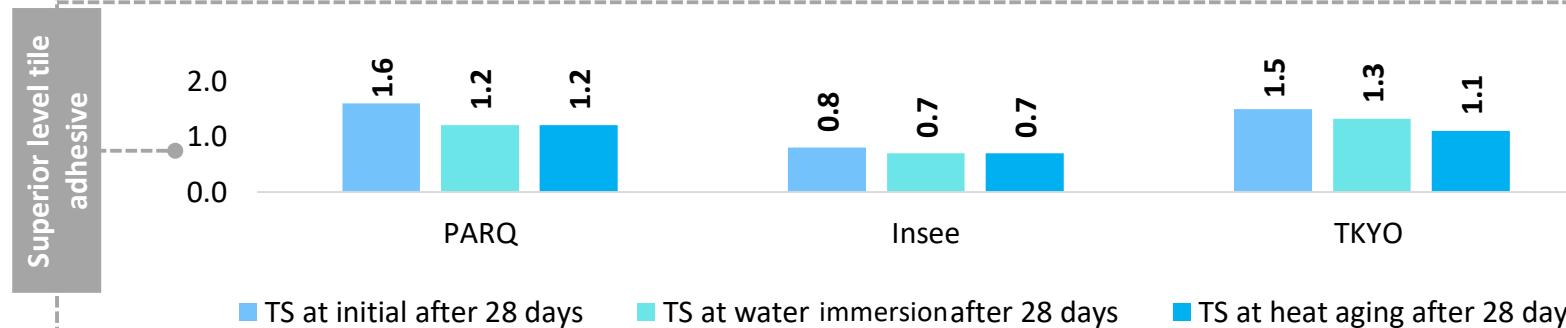


FOR THE PERFECT FINISH

A diversified portfolio with superior quality...

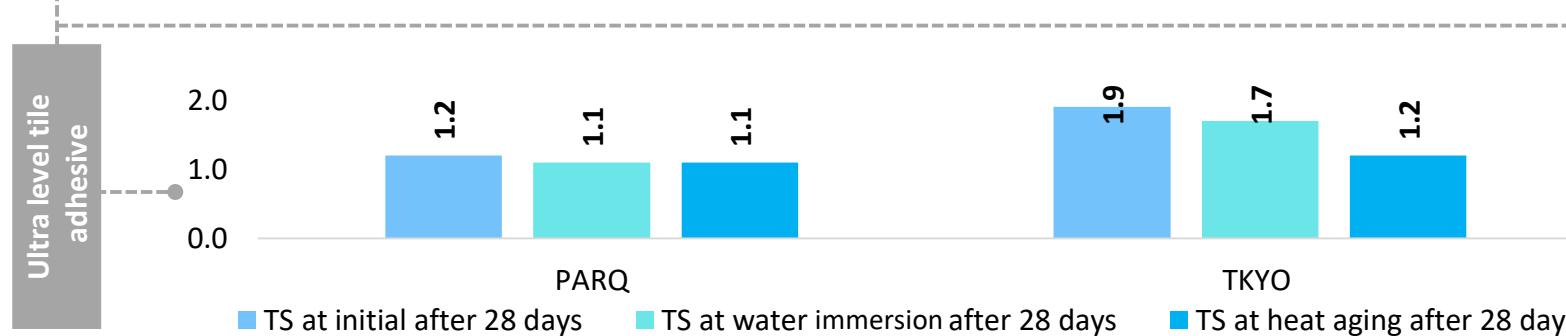


■ TS at initial after 28 days ■ TS at water immersion after 28 days ■ TS at heat aging after 28 days



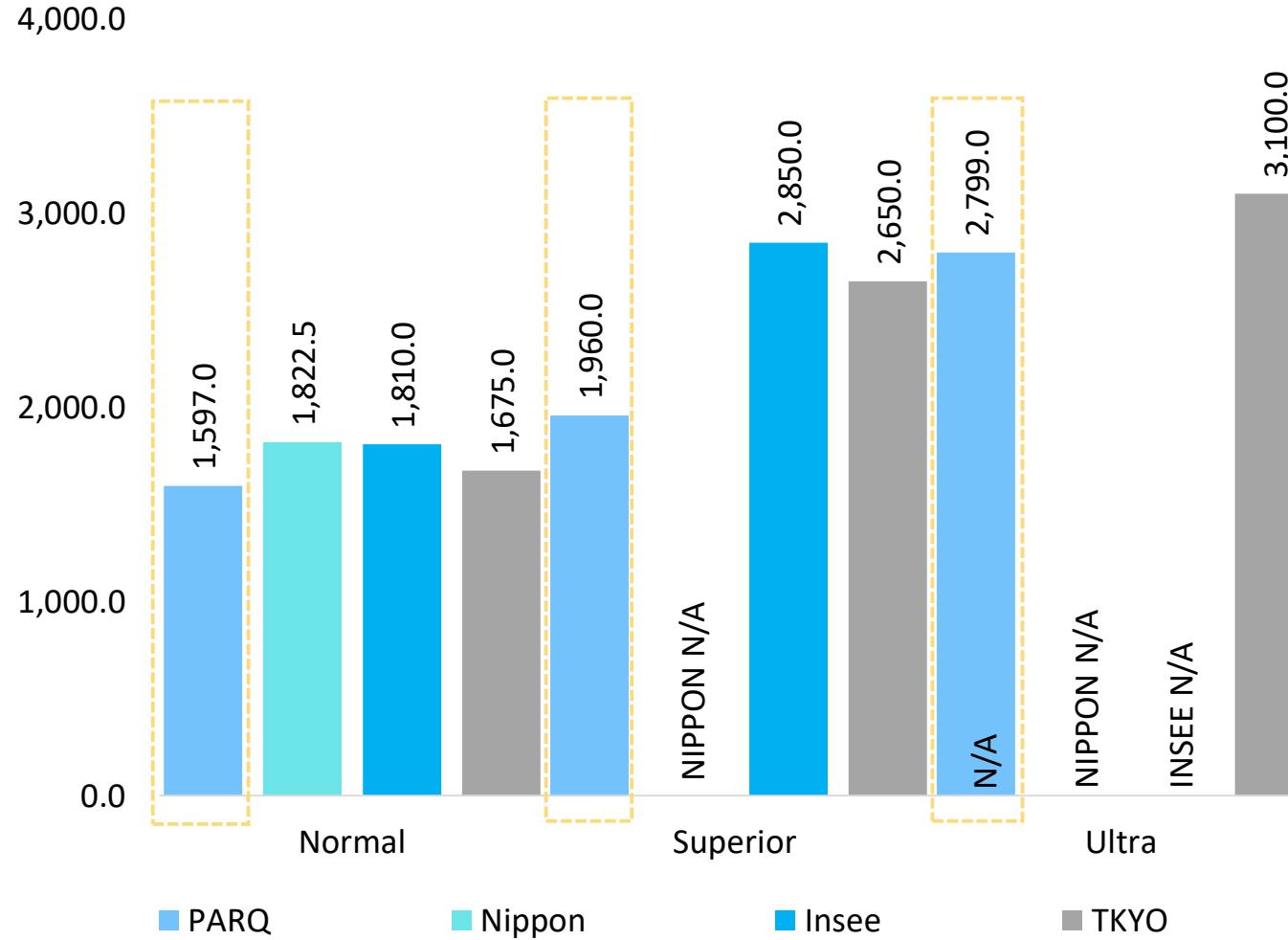
■ TS at initial after 28 days ■ TS at water immersion after 28 days ■ TS at heat aging after 28 days

Manufactured under ISO 9001:2015 standards, PARQ tile adhesive is Sri Lanka's only SLS-certified cementitious tile adhesive. With superior tensile adhesion strength, the measure of force required to pull bonded materials apart PARQ outperforms competing brands.



■ TS at initial after 28 days ■ TS at water immersion after 28 days ■ TS at heat aging after 28 days

...as tile-related product segments offer higher-quality products with product diversification at more competitive prices than its competitors...



...superior quality products for cheaper prices

Relative to other major brands, PARQ remains competitively priced while delivering superior tensile adhesion strength, outperforming peers and offering products across multiple quality segments.

FCR believes this could help PARQ retain a 35.0% market share in the tile adhesive segment.

...supported by the superior quality of tile adhesive compared to cement mortar

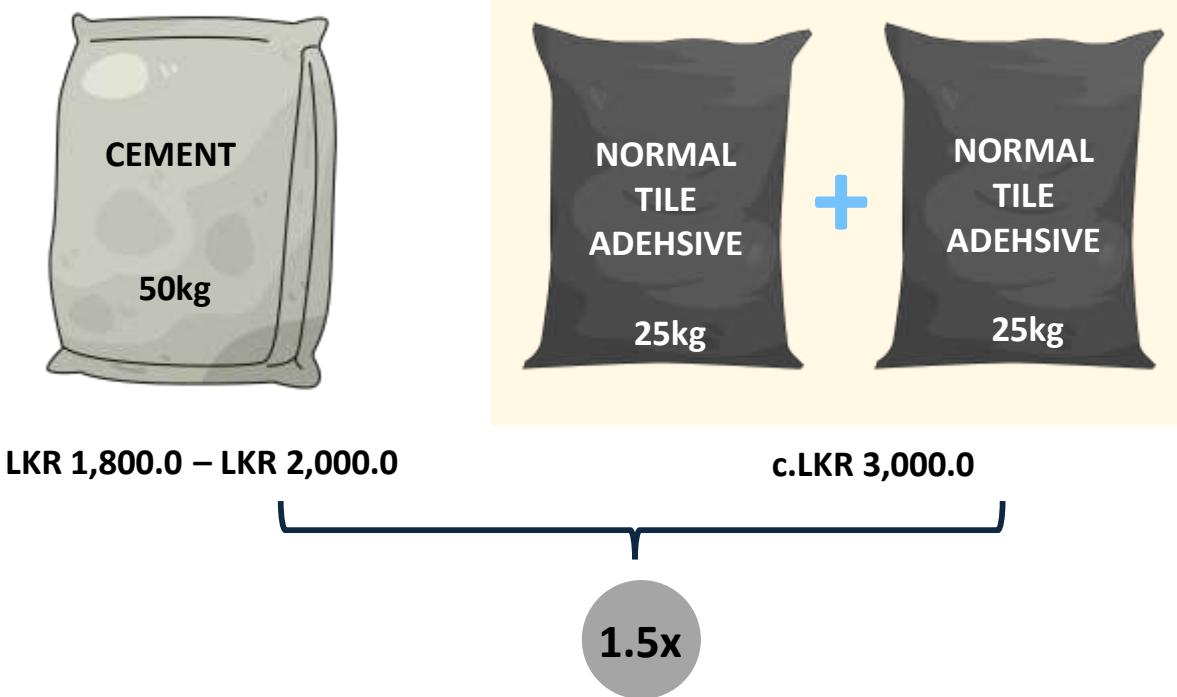
Tile adhesives provide higher quality than cement mortar with respect to strength, flexibility, resistance, and drying time...

...however, despite its superior quality, the price of normal tile adhesive being 1.5x higher than cement mortar, may constrain consumption.

Comparison between cement mortar and tile adhesive

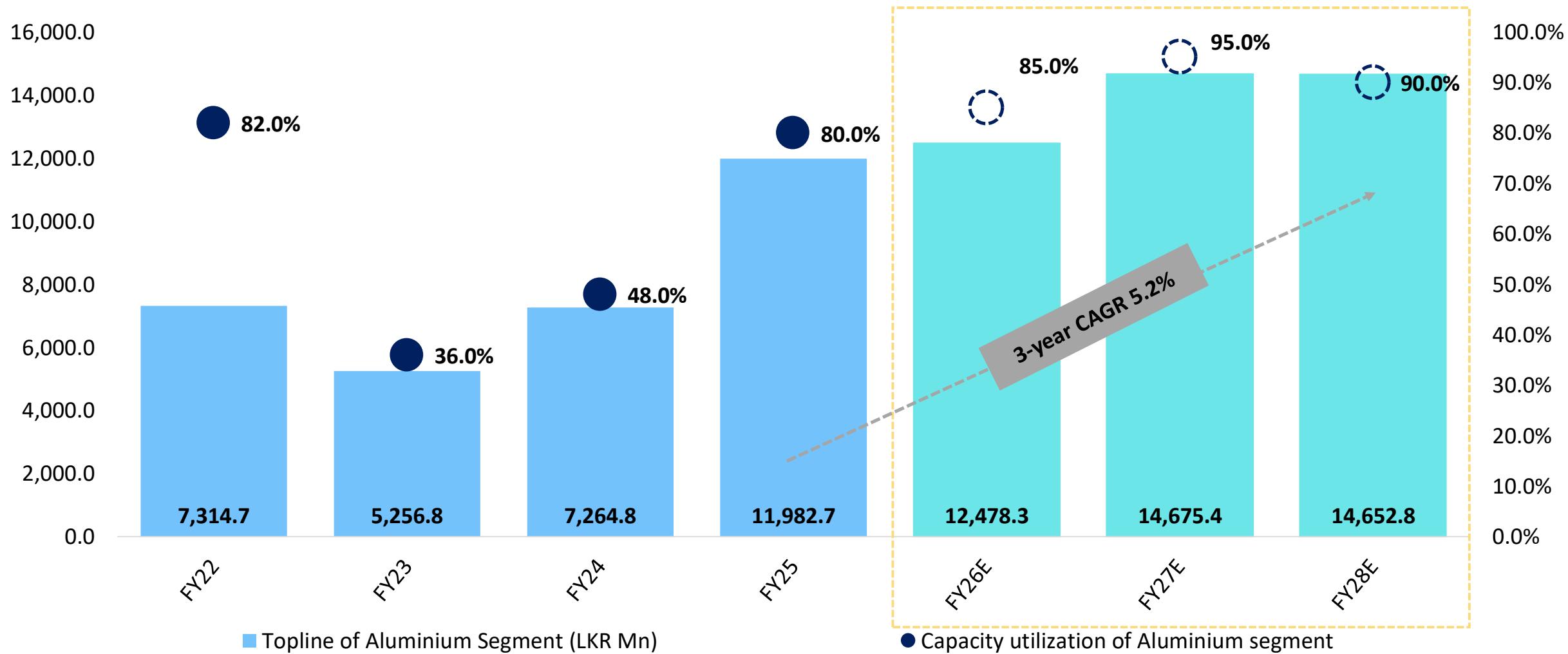
Feature	Cement mortar	Tile adhesive
Bonding strength	Medium to weak; prone to failure over time	High; strong and long-lasting bond
Flexibility	Low; rigid and prone to cracking	High; absorbs movement and stress
Water resistance	Poor	Excellent; often inherently water-resistant
Application method	Messy, time-consuming, and labour-intensive	Quick, clean, and easy; ready-to-use
Tile compatibility	Limited; unsuitable for porcelain and large tiles	Highly versatile; suitable for all tile types, especially large and heavy tiles
Drying time	Slow	Fast

Cost comparison between cement mortar and normal tile adhesive



FCR expects PARQ's Aluminium segment topline would increase with a 17.6%YoY while capacity utilization level to increase to 95.0% by FY27E driven by...

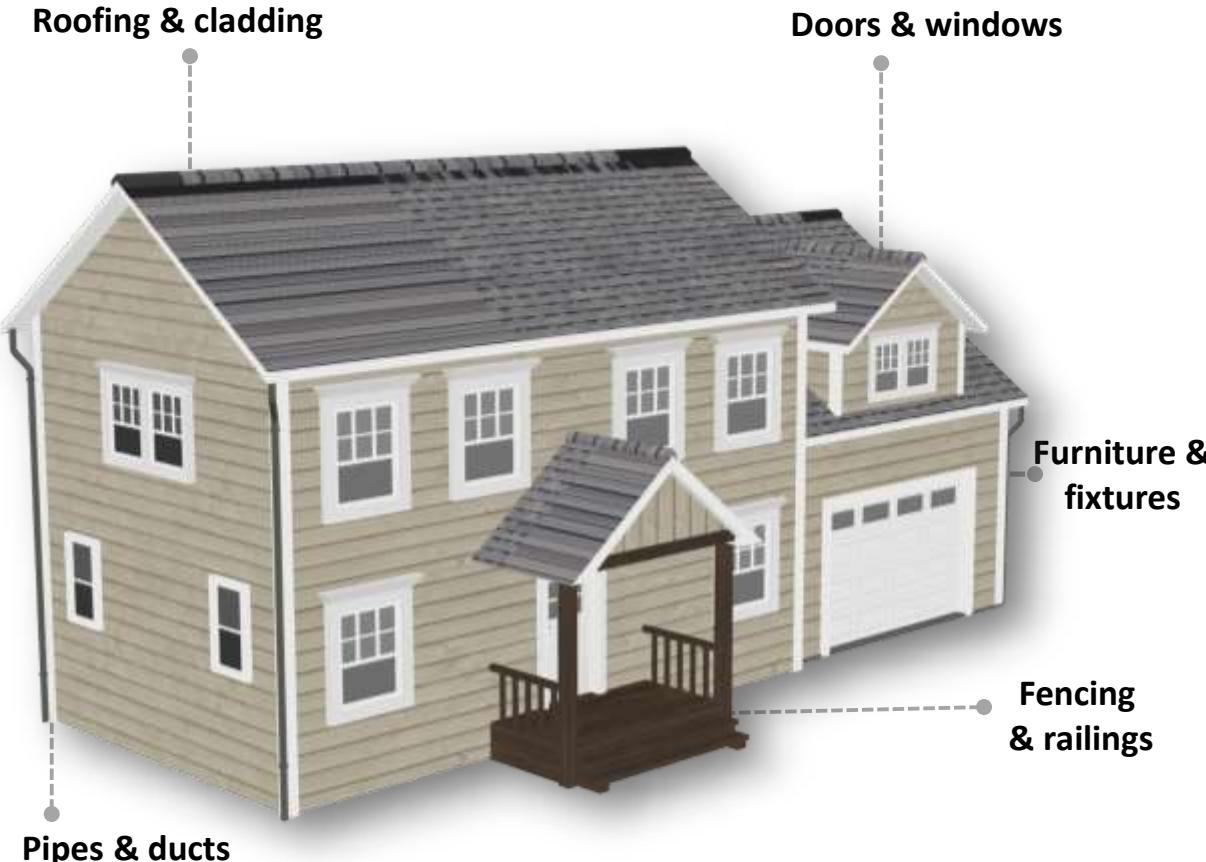
FCR expects RCL's Aluminum segment to grow at a 3-year CAGR of 5.2%, driven by its product portfolio, which is well-positioned to capitalize on industry tailwinds.



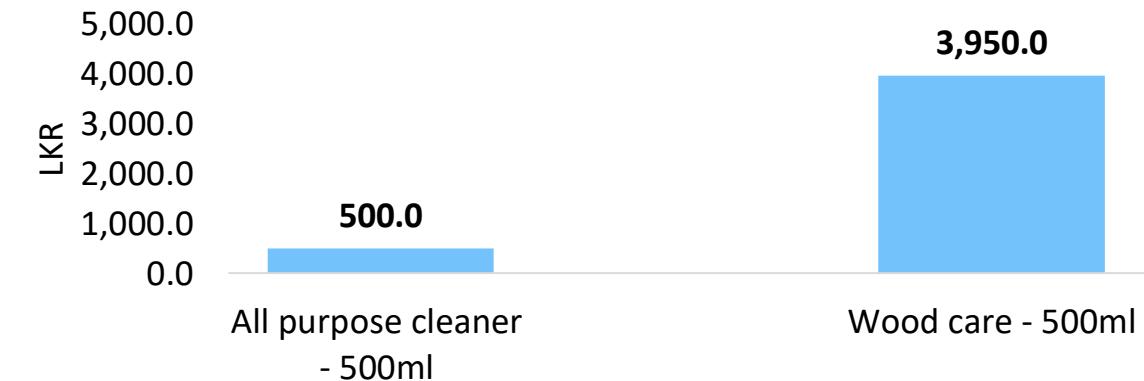
...the versatility of Aluminium in residential construction, its lower maintenance requirements compared to wood...

Aluminums usage for residential have increased due to its qualities and versatility. The low maintenance costs and durability of the aluminium products continue to appeal to customers.

Different usage of Aluminum for residential construction



Cost comparison between wood care and all-purpose care



Comparison between wood and Aluminium

Feature	Wood	Aluminium
Strength	Strong but can rot	Very strong, lasts long
Durability	Needs care	Low maintenance
Uniformity	Natural, varies	Consistent
Look	Warm, classic	Modern, sleek
Weather	Can warp, rot	Weather & fireproof
Eco	Renewable	Recyclable

...and the increasing focus on green building practices, while First Capital Research's Go-to-Market findings indicate that c.35.0% of respondents prefer Aluminum products for their future homes...

Green building practices have driven increased adoption of Aluminium.



Aluminium is integral to modern buildings from structural elements to facades and fittings while playing a growing role in the global shift toward a low-carbon, net-zero economy.



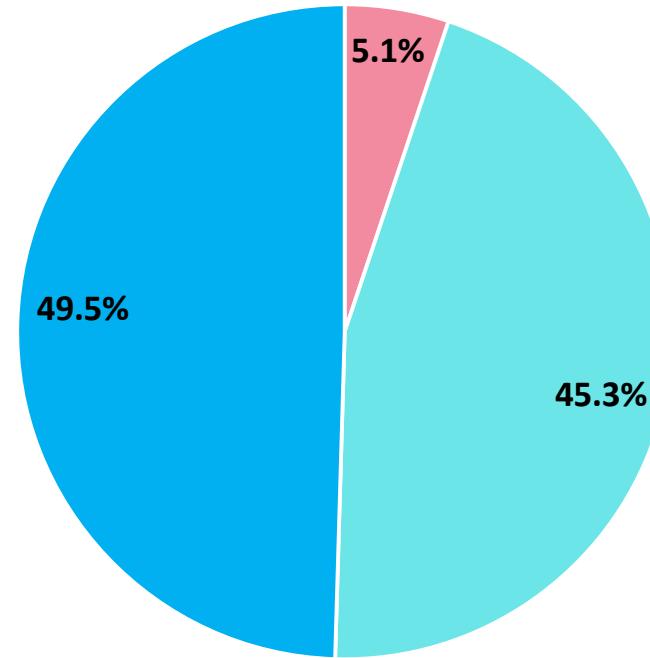
Its use in energy-efficient doors, windows, and solar panel frames underscores Aluminium's importance in improving building performance and supporting renewable energy adoption.



Aluminium's design flexibility, long lifespan, and near-infinite recyclability make it a critical material for sustainable, future-ready construction worldwide.

According to our Go-to-Market survey, 5.1% of respondents prefer Aluminium for their houses, while 49.5% are open to using either wood or Aluminium, indicating strong underlying demand for Aluminium products.

First Capital Research Go to Market survey findings



■ Aluminium

■ Wood

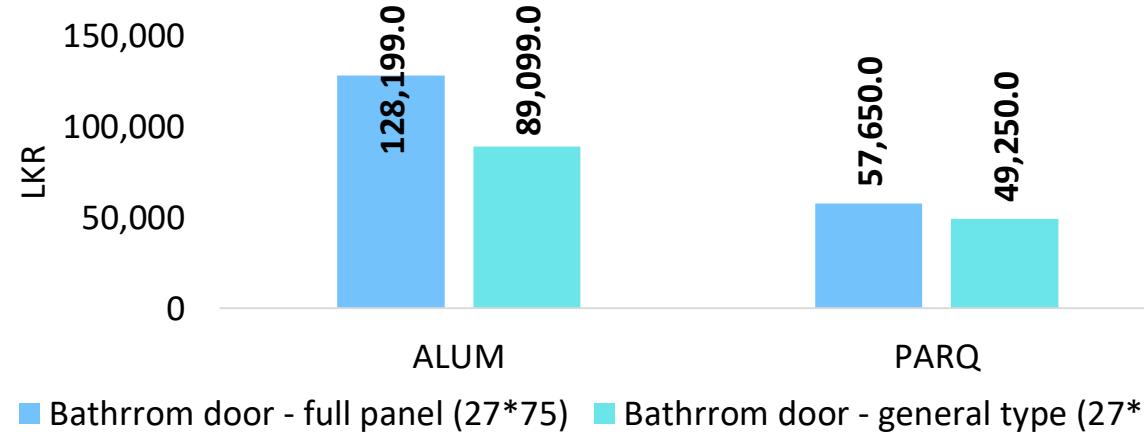
■ Both Aluminium and wood

FCR identifies PARQ's competitive advantage as its lower price points relative to peers, enabling the company to primarily serve the retail segment. In contrast, ALUM's strengths lie in its higher pricing, superior revenue per MT, and the lowest overhead-to-revenue ratio, indicating a differentiated positioning supported by strong operational efficiency. PARQ's emphasis on cost competitiveness and volume-driven sales aligns with a classic cost leadership strategy.

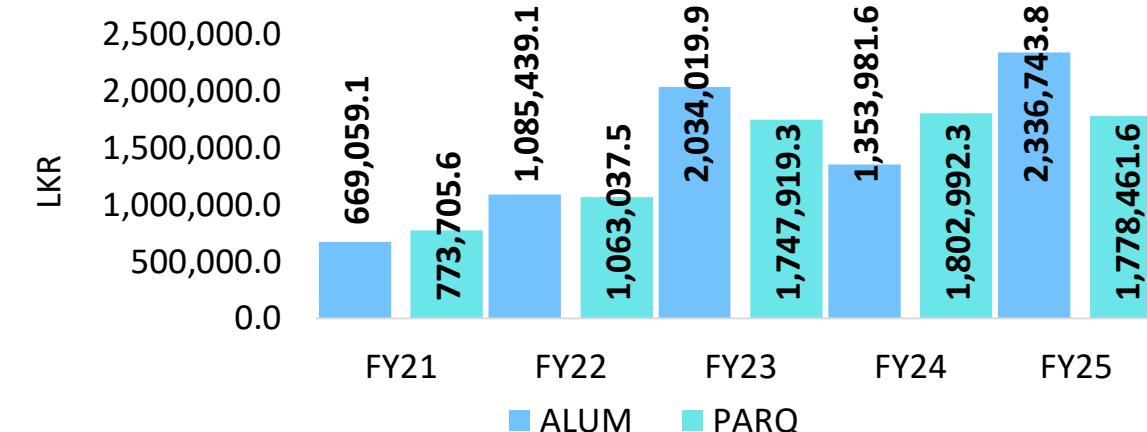
		Competitive advantage	
		Low cost	Differentiation
Scope	Total market	COST LEADERSHIP  <input type="checkbox"/> Lower price points/ revenue per MT is lower <input type="checkbox"/> Lower overhead cost base/ overhead cost to revenue ratio is less <input type="checkbox"/> Targets broader or price-sensitive segments like retail	DIFFERENTIATION  <input type="checkbox"/> Higher price points/ revenue per MT is higher <input type="checkbox"/> Lower overhead cost base/ overhead cost to revenue ratio is less <input type="checkbox"/> Project segment with higher prices
	Niche market	COST FOCUS	
		DIFFERENTIATION FOCUS	

...as evident by lower revenue per MT and a more streamlined overhead cost structure...

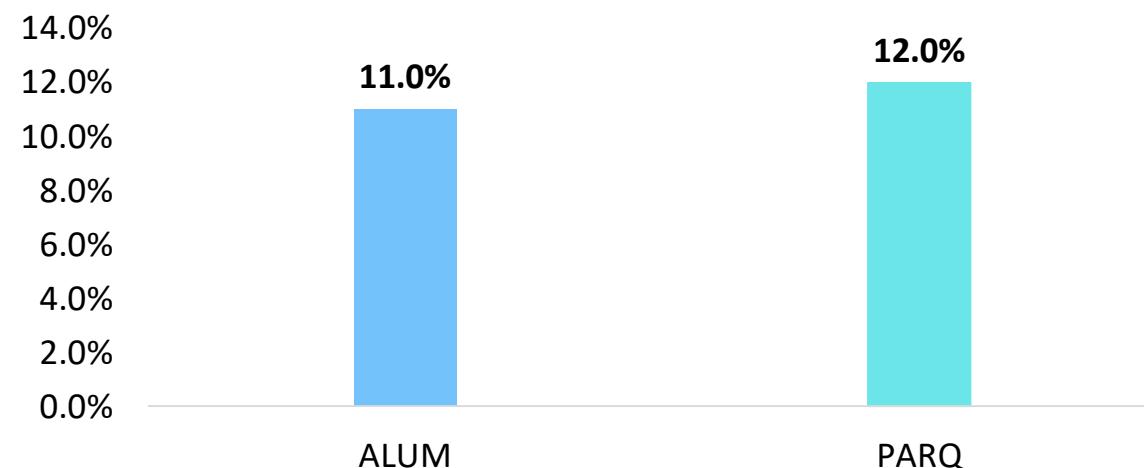
Market data clearly shows that PARQ operates at lower price points compared to its nearest major competitor, ALUM...



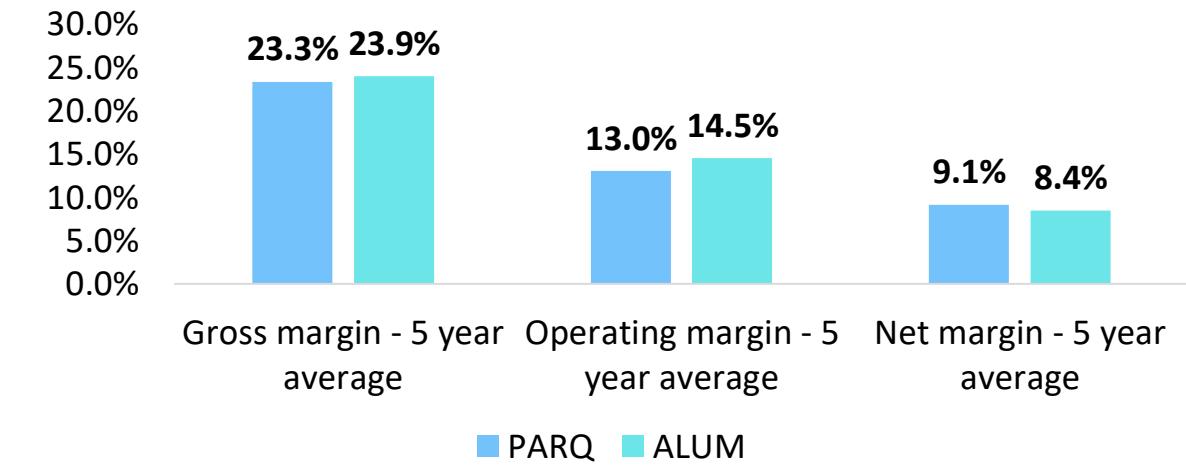
...as evidenced by its lowest revenue per MT.



As illustrated in the chart below, the five-year average overhead cost-to-revenue ratio is comparable for both PARQ and ALUM...



...with PARQ's margins broadly in line with ALUM's margins.

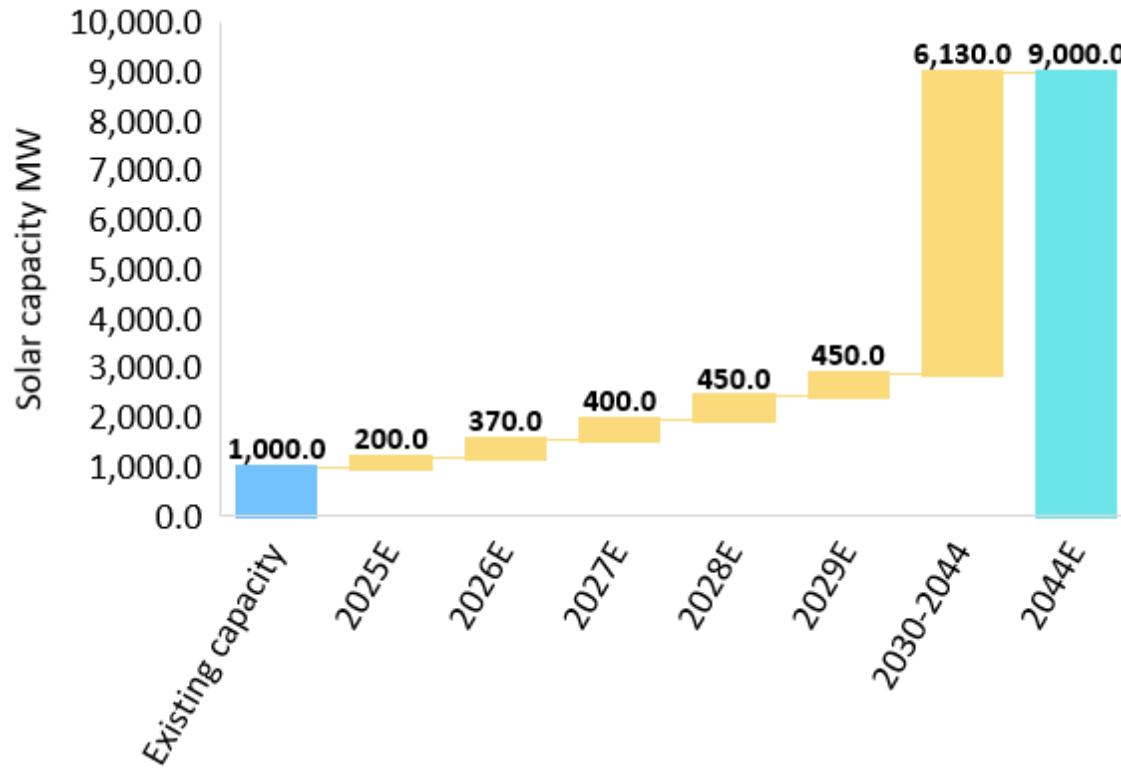


...while PARQ benefits from rising solar demand, a segment actively served by the company

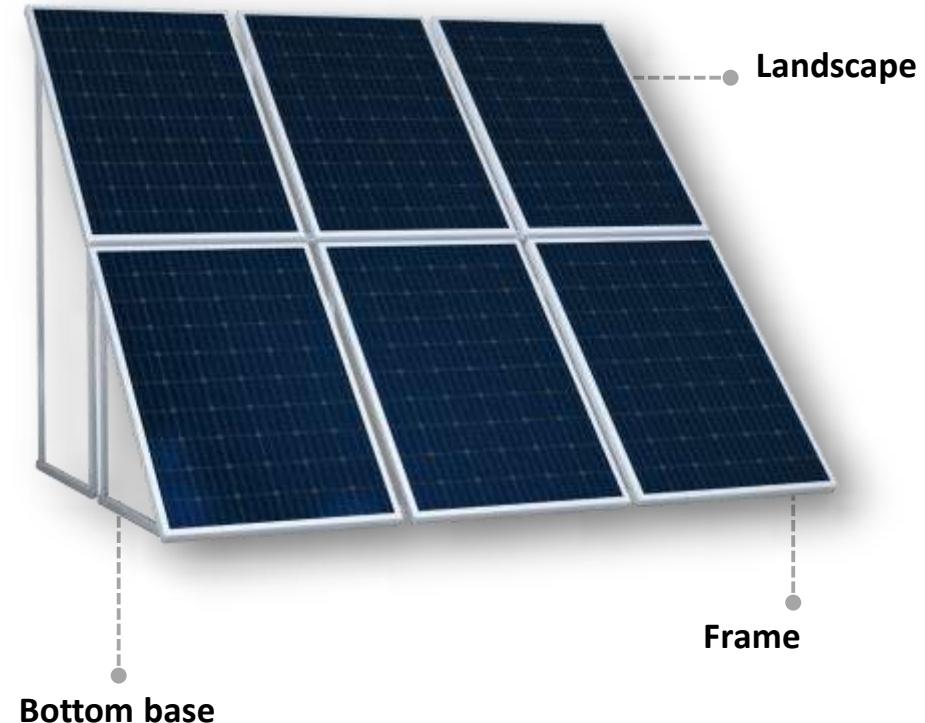
CEB plans to expand solar capacity from 1,000 MW to nearly 9,000 MW by 2044E in parallel with its long-term generation expansion plan.

PARQ is well positioned to capture this demand, as approximately 8.0%–15.0% of solar panel materials are made of aluminum.

Solar capacity expansion by CEB



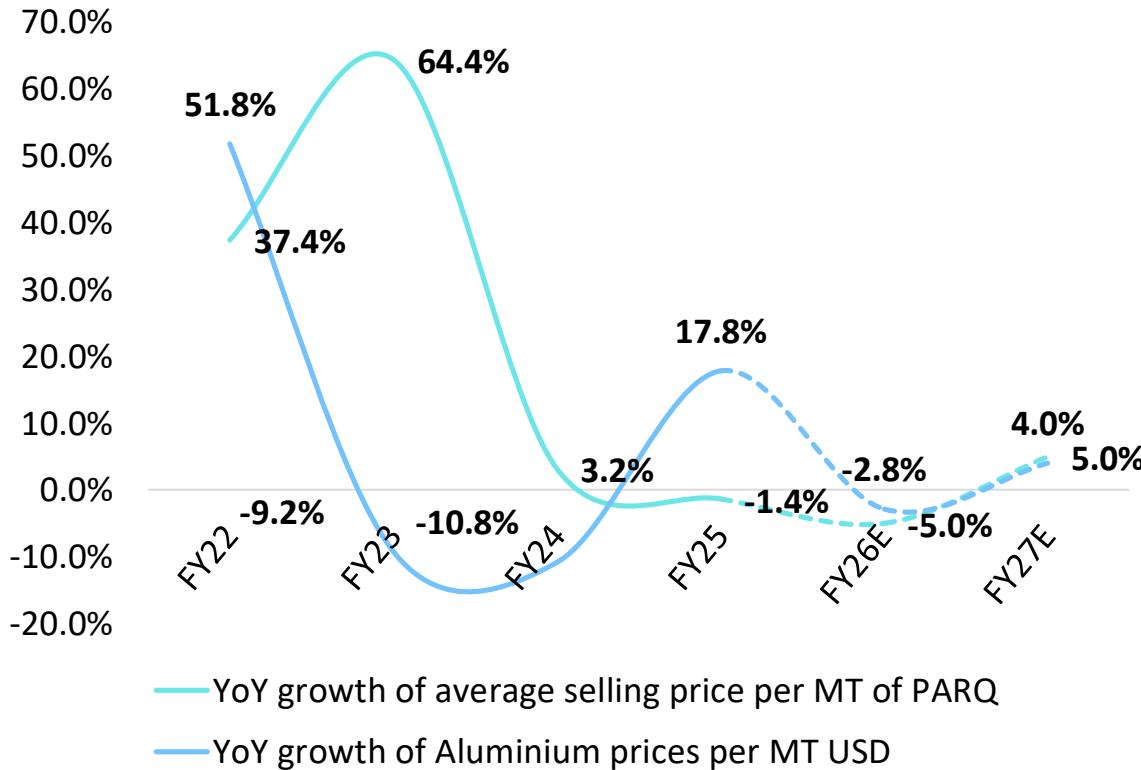
Aluminum parts in solar panel



In the short to medium term, price increases for aluminum products are likely to be minimal due to stable global Aluminum and Alumina prices according to the World Bank

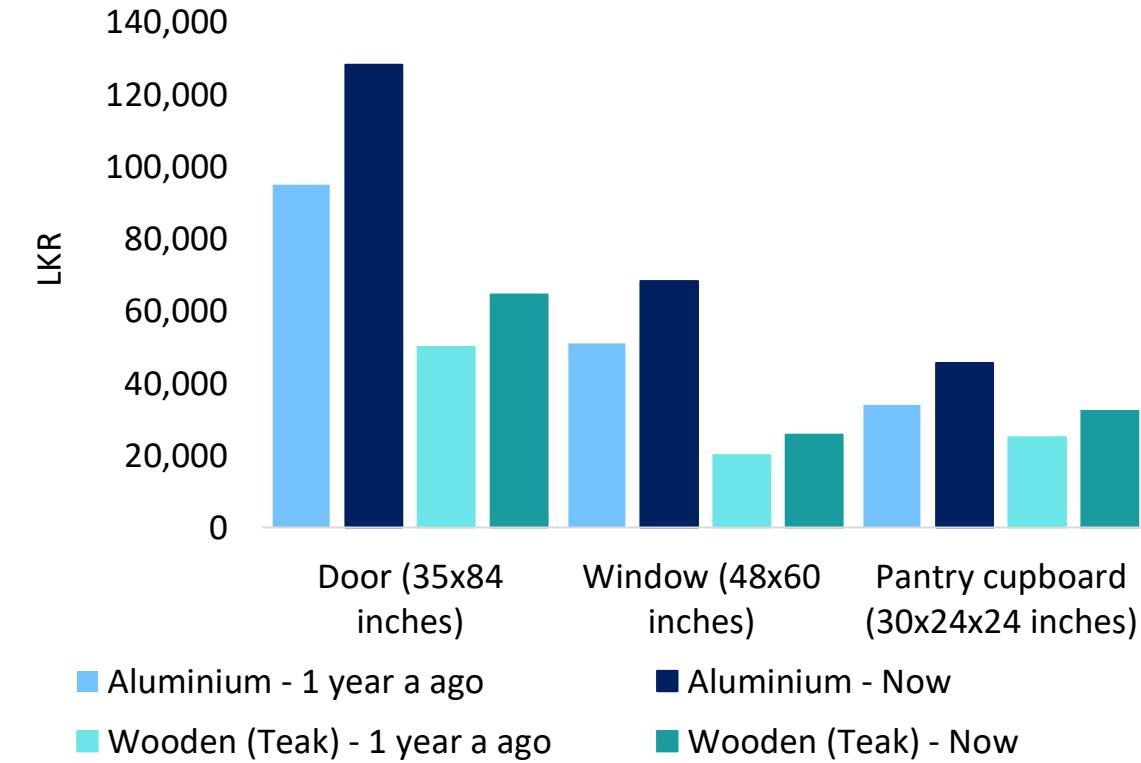
PARQ's average selling price per MT has historically been closely linked to global aluminum prices. Going forward, we expect only a 5.0% increase in the average selling price per MT, broadly in line with the World Bank's forecast of a 4.0% rise.

PARQ's and World Bank's Aluminium price per MT forecast



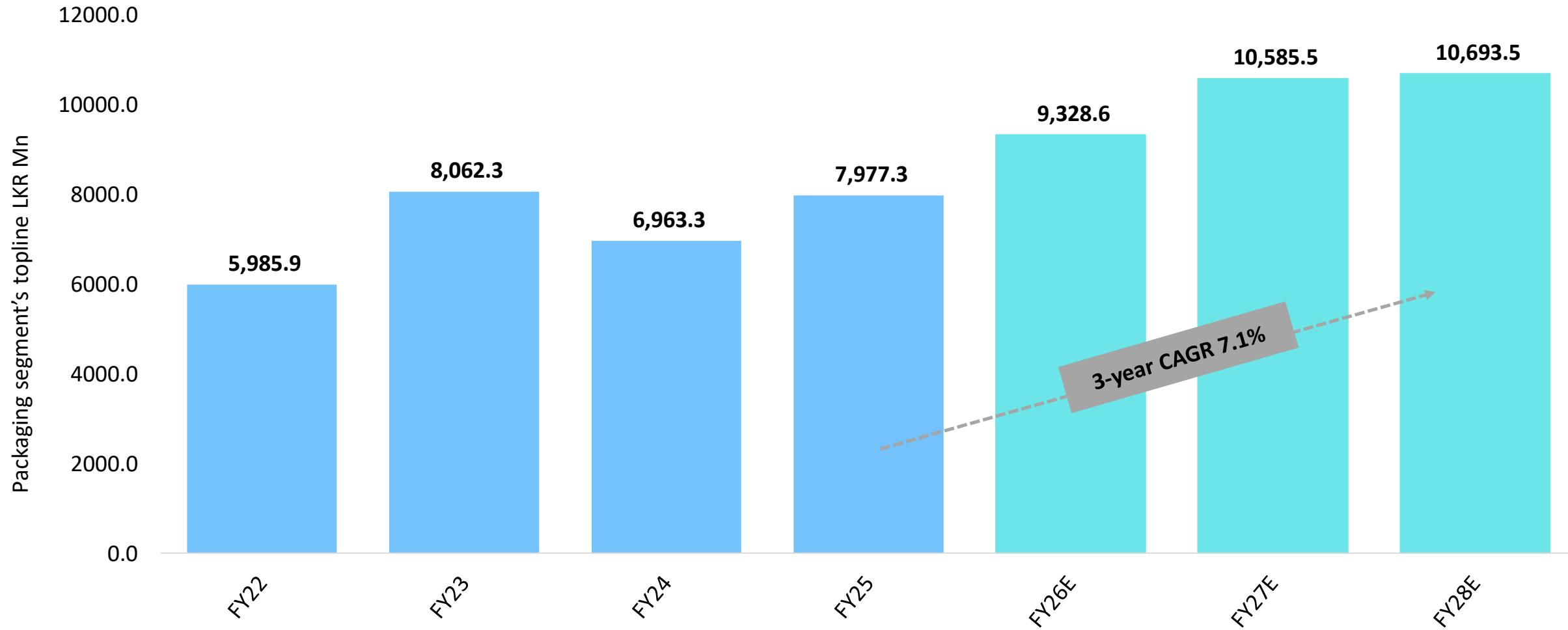
Currently, aluminum product prices are higher than those of wood. However, looking ahead, aluminum prices are not expected to deviate significantly in real terms after adjusting for inflation, as demand is likely to be driven mainly by residential projects.

Price comparison between wood and Aluminum products



The topline of the RCL's packaging arm's is projected to increase by 13.5%YoY in FY27E, supported by rising consumer sector spending driven by...

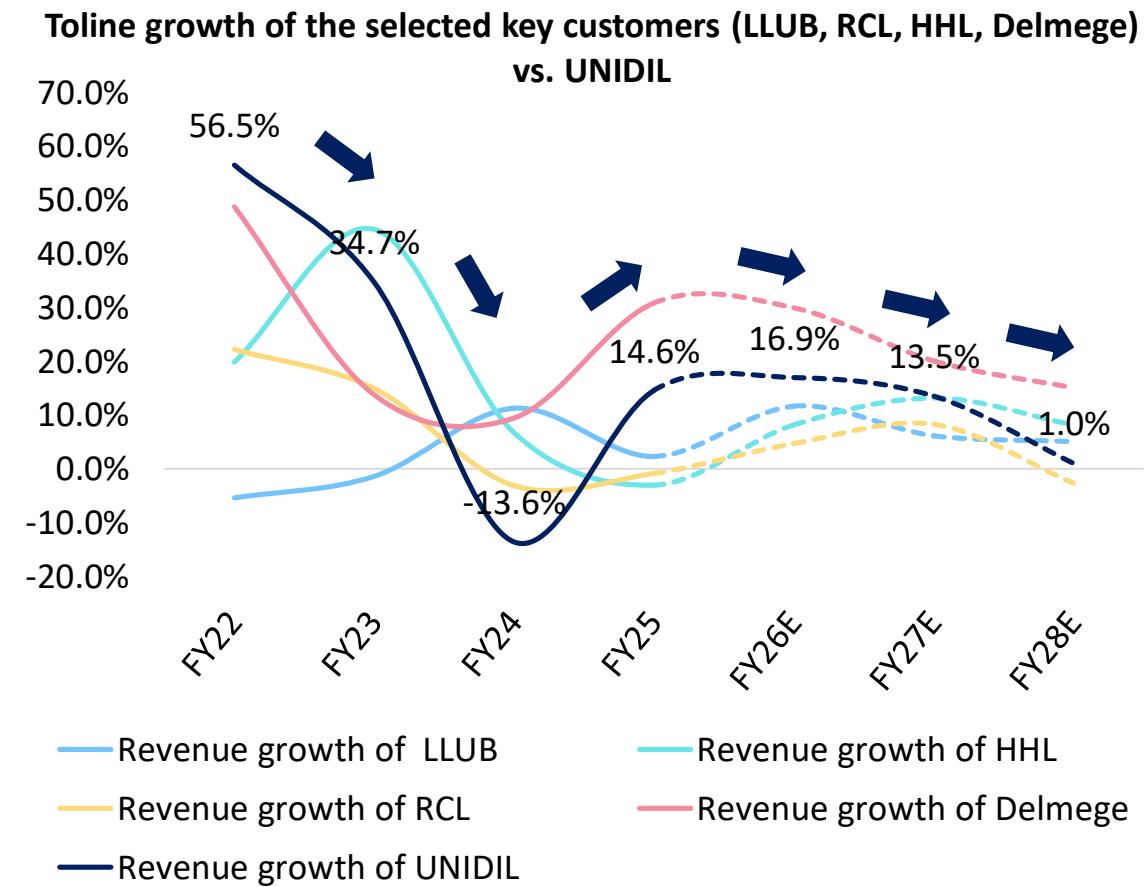
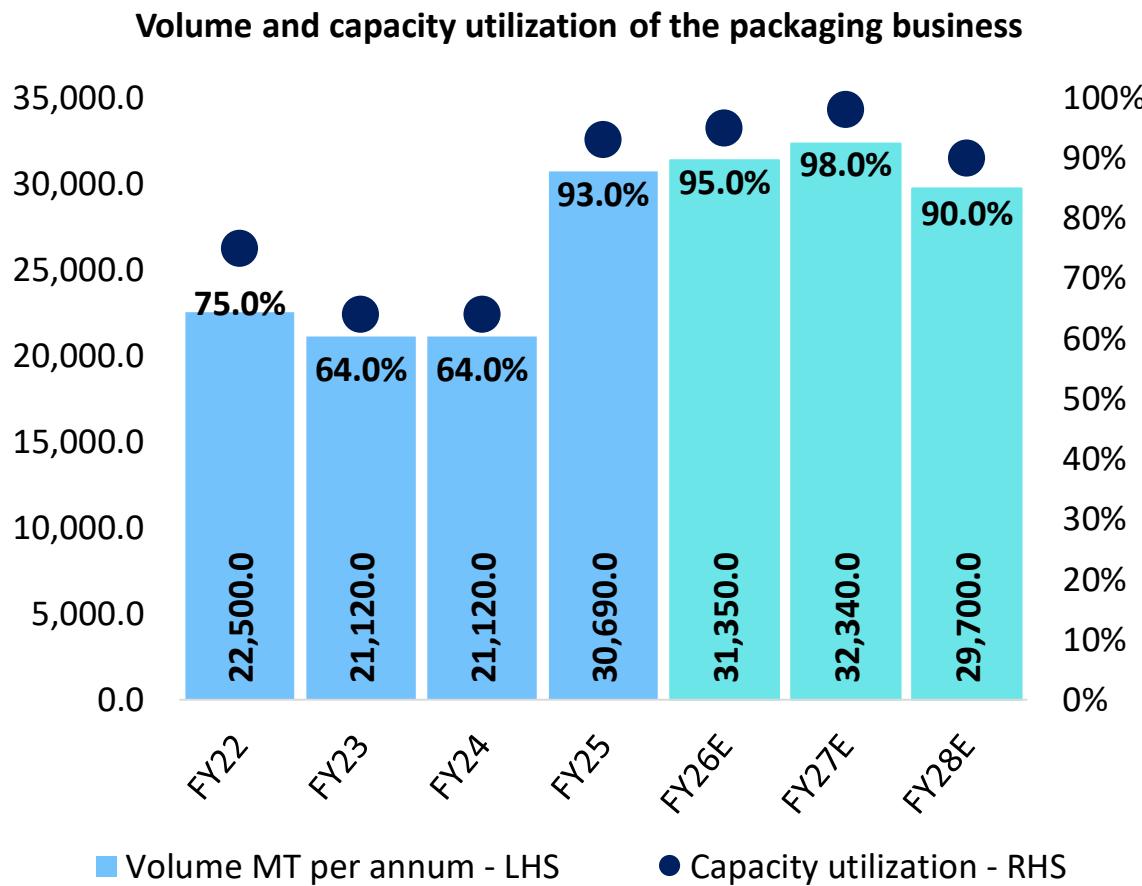
FCR expects RCL's packaging segment to deliver steady growth, with revenue compounding at a 7.1% 3-year CAGR and accelerating to 13.5%YoY by FY27E, supported by rising consumer spending.



...UNIDIL, RCL's packaging business, is projected to deliver 3.2%YoY volume growth by FY27E, supported by revenue growth across its key customers as....

FCR expects Unidil's packaging arm to record a 3.2% year-on-year growth, reaching a capacity utilization level of 98.0%...

...supported by rising consumption, as Unidil's key customers, including HHL, LLUB, RCL, Delmege, Unilever, and Nestlé, are expected to record volume growth.

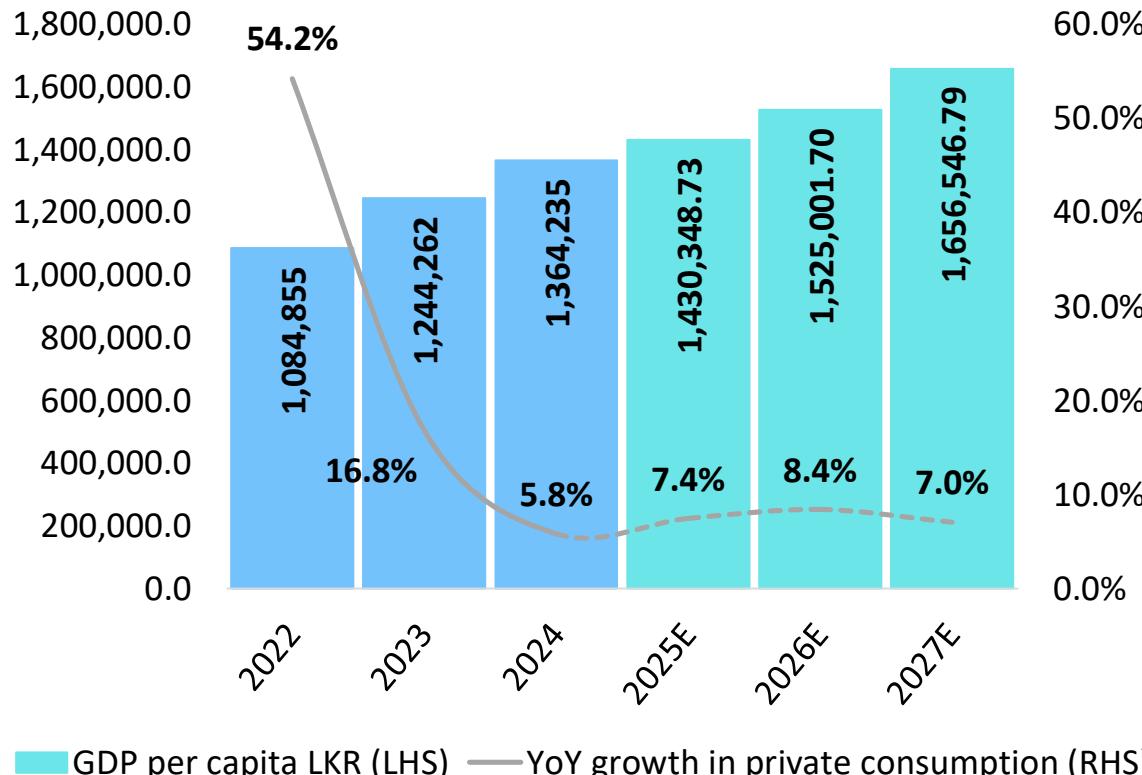


...consumption is rising on the back of increased economic activity, supported by salary hikes and a stable inflation environment...

Per capita income is expected to rise 6.6% by 2026E, supported by 3.0%–4.0% GDP growth and fueled by a 7.0%–8.0% increase in private sector consumption. The increasing consumption may support by...

...the second phase of government sector salary increases, occurring alongside rising economic activity amidst higher inflation levels.

GDP per capita and YoY growth in private consumption



Salary hikes and Inflation level

Inflation target 2026E: 4.0% to 5.0%

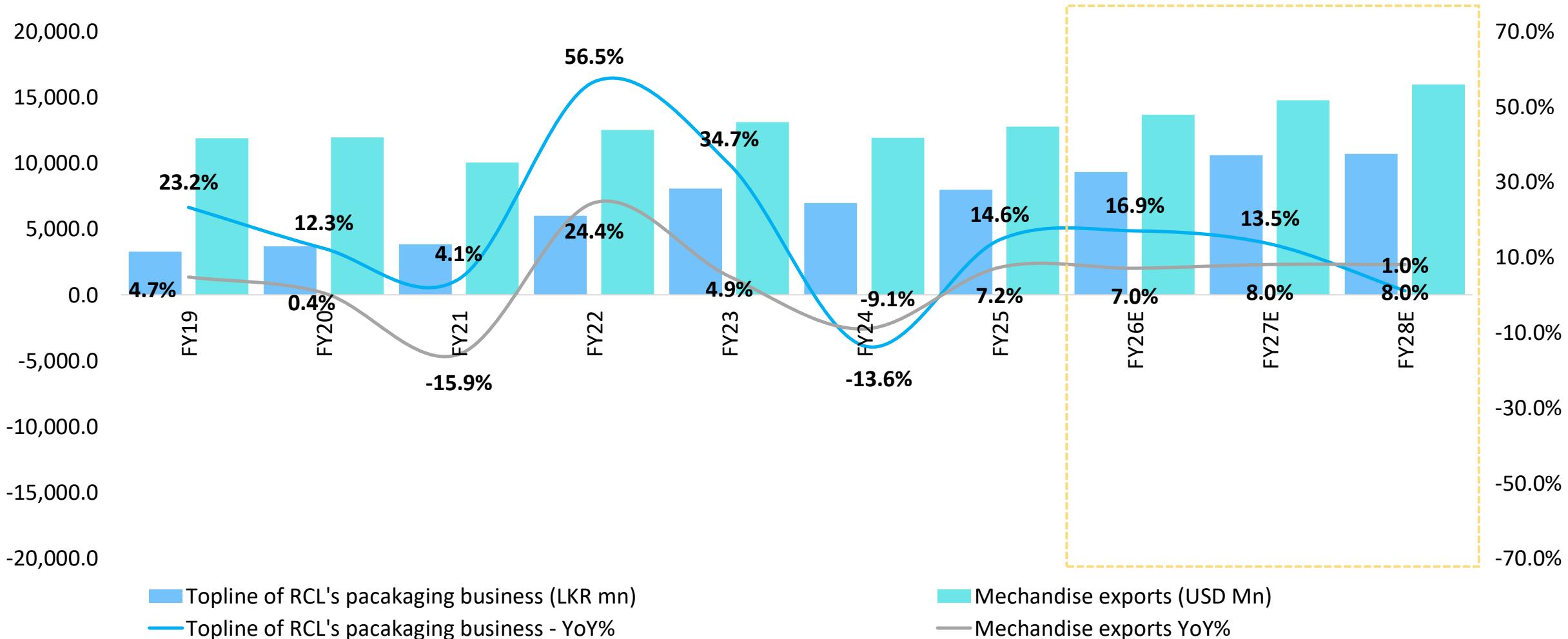
Monthly net salary increase	From Apr-25	From Jan-26	From Jan-27
Rs. 8, 250	5, 975	7, 113	8, 250
Rs. 10, 000	6, 500	8, 250	10, 000
Rs. 15, 000	8, 000	11, 500	15, 000
Rs. 25, 000	11, 000	18, 000	25, 000
Rs. 40, 000	15, 500	27, 750	40, 000
Rs. 50, 000	18, 500	34, 250	50, 000

Second phase of salary increase will be starting from Jan-2026

An allocation of LKR 110.0Bn has been set aside for the salary increase in 2026E.

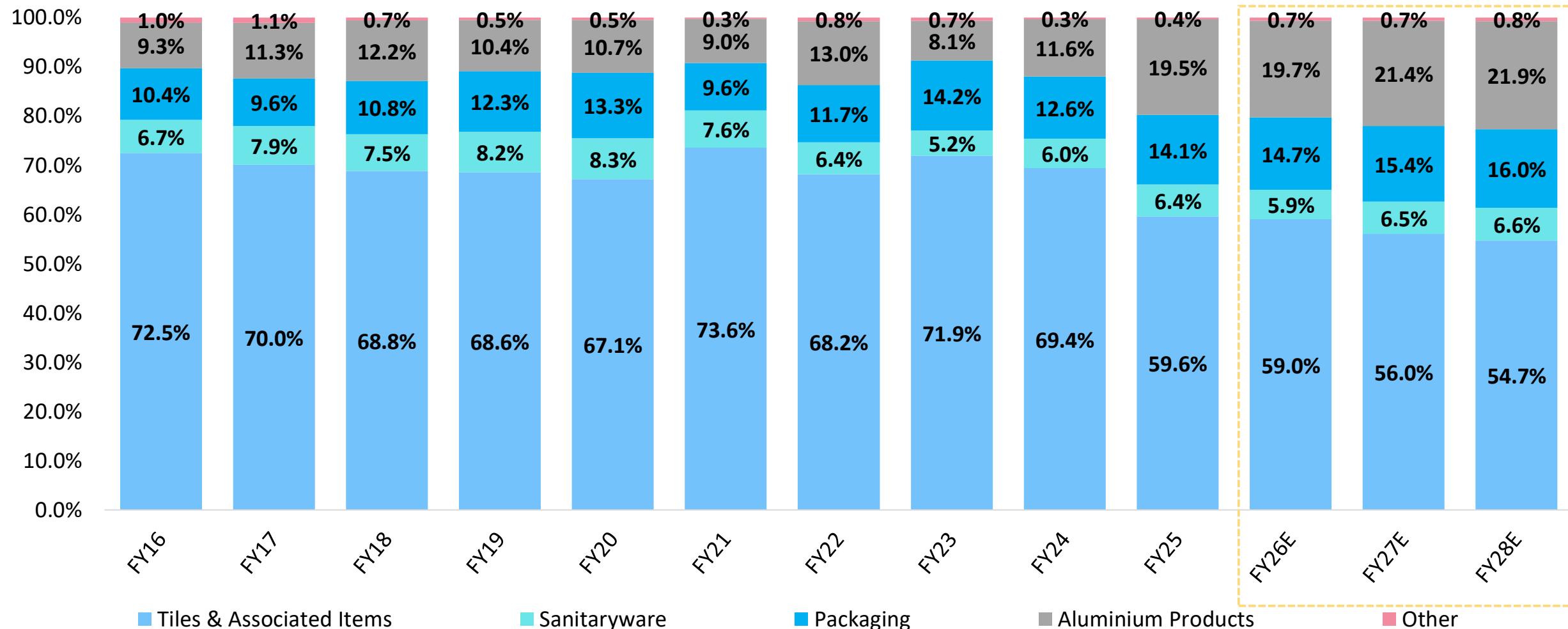
...supported by an increase in merchandise exports

Historically, RCL's packaging arm has shown a strong correlation with merchandise export growth, as Sri Lanka's exports are largely value-added products that require corrugated packaging; therefore, an expected pickup in global growth and exports is likely to support Unidil's topline.



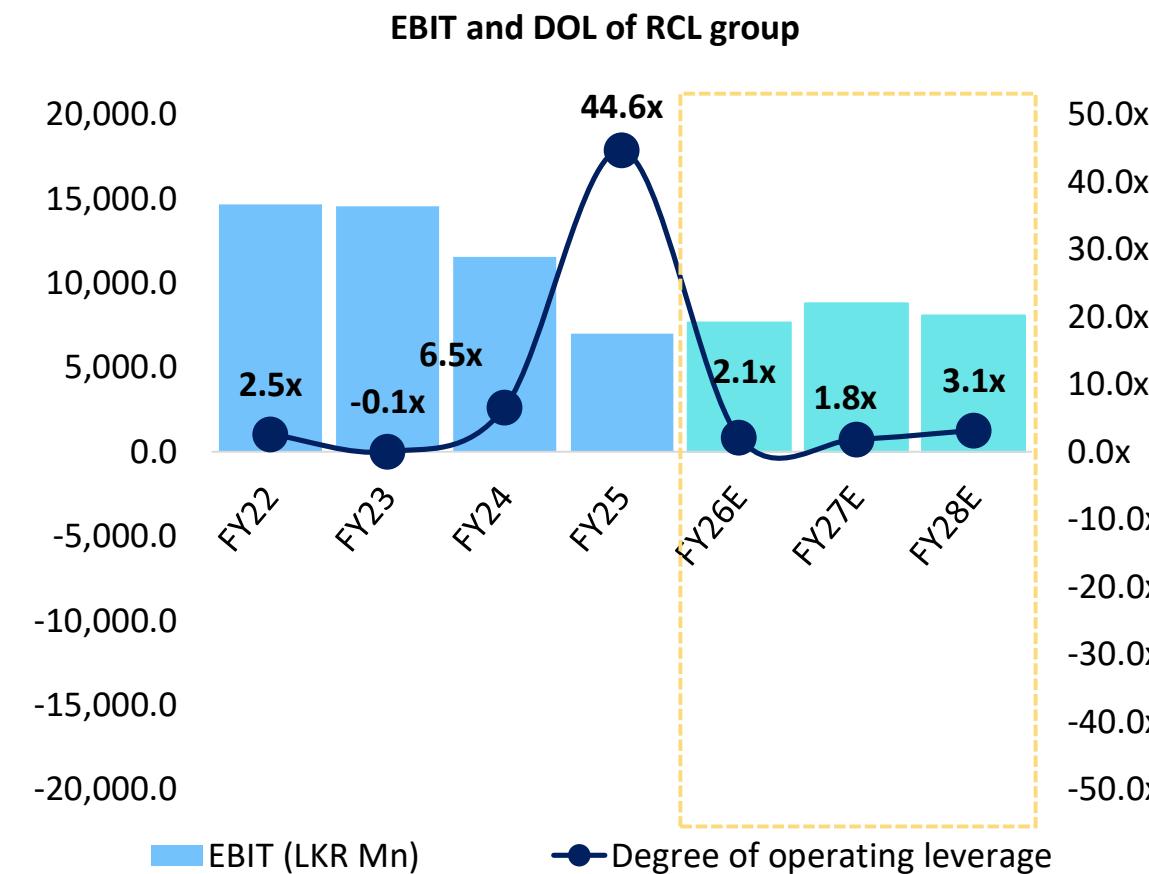
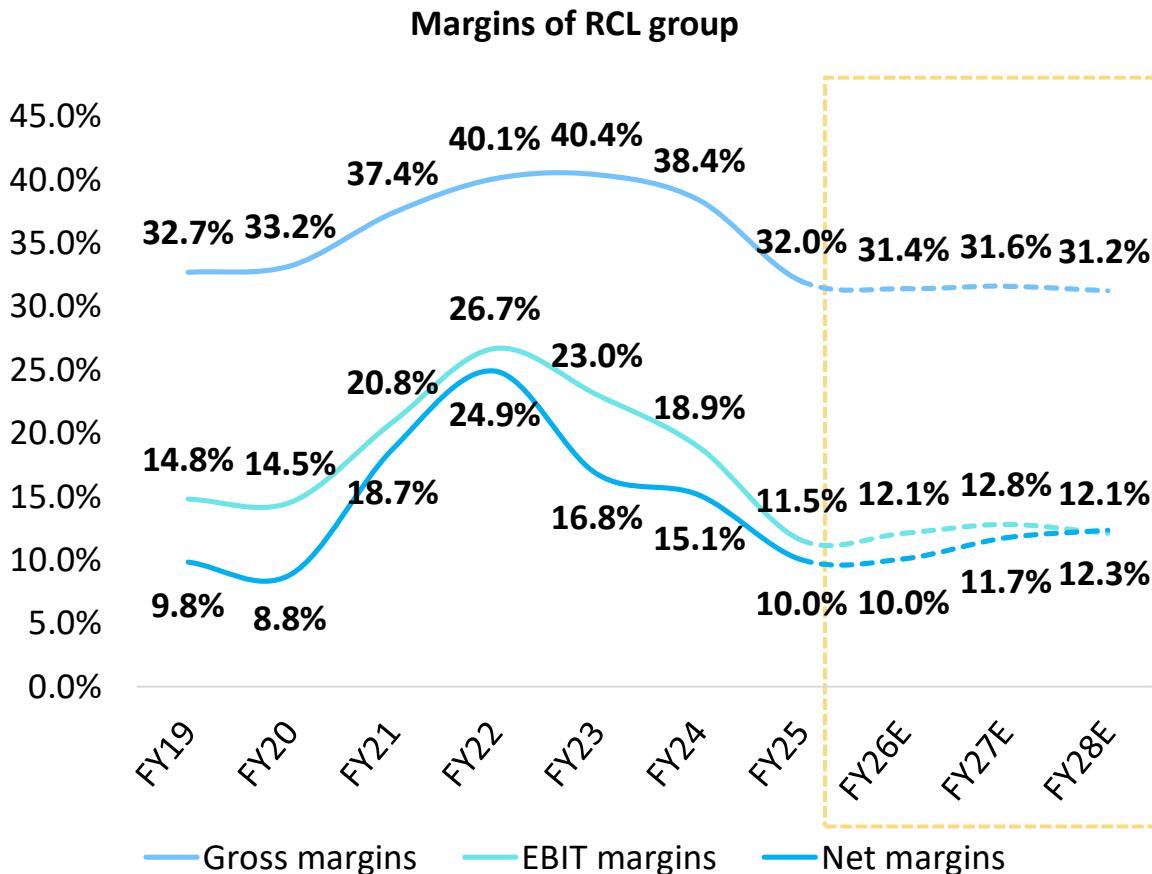
Moving ahead, FCR expects the Aluminium and packaging businesses to secure a increased share of RCL's topline as capacity utilization levels increase

FCR expects that by FY27E, Aluminium products will account for nearly 21.0% of revenue, while the packaging segment is projected to contribute approximately 15.0%. Meanwhile, tile and related products are expected to maintain a revenue share exceeding 50.0%.



FCR expects that rising volumes could reduce the fixed cost per unit, as RCL benefits from greater operating leverage supported by...

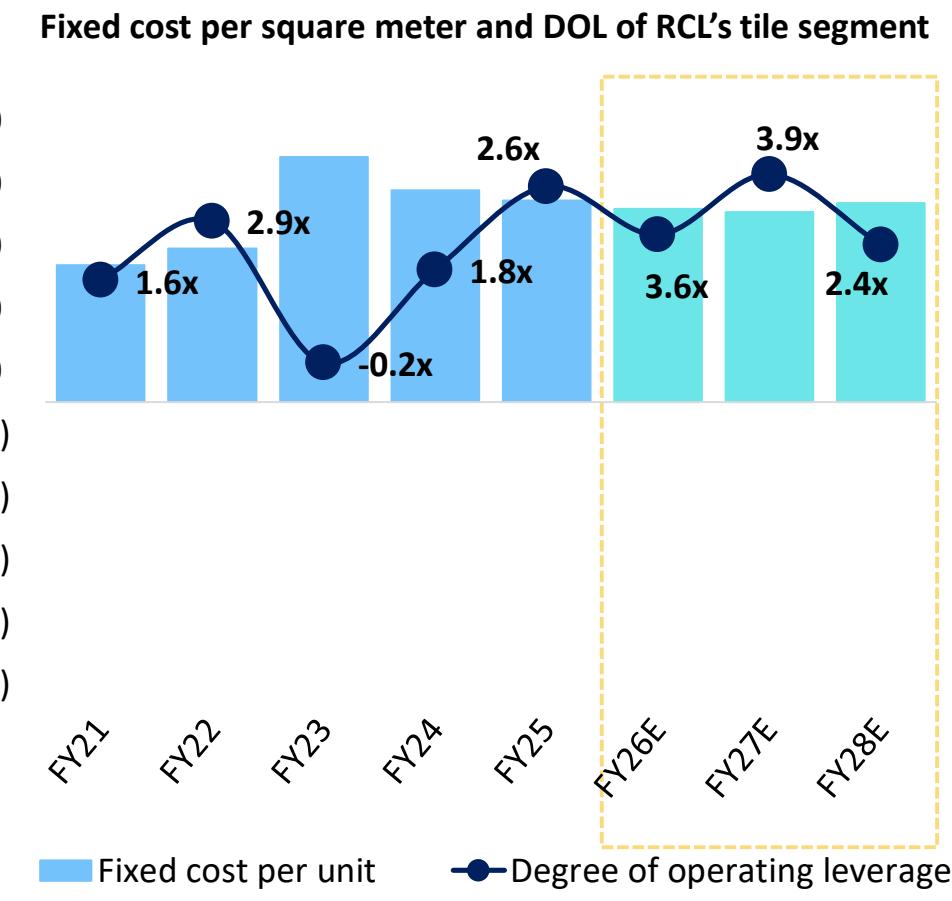
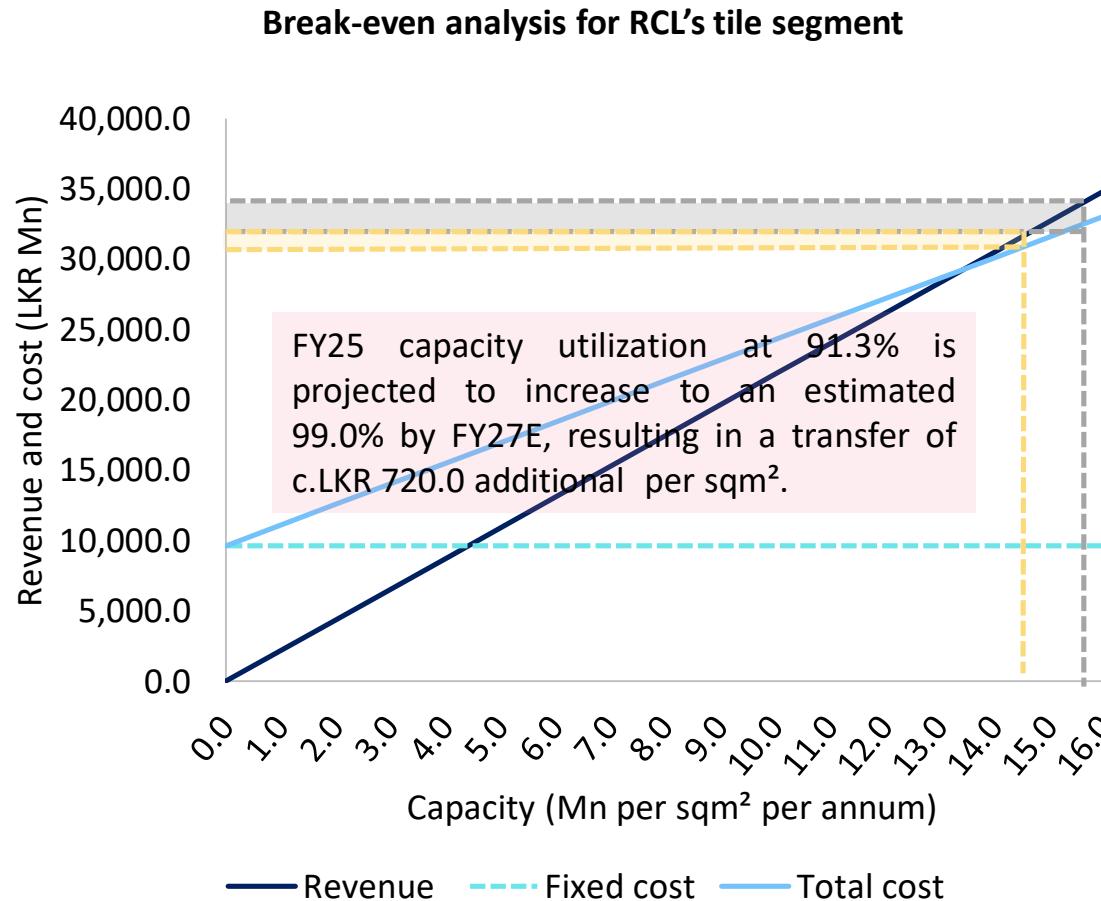
FCR expects RCL's group-level gross, EBIT, and net margins to improve, driven by higher volume growth across the tile, bathware, and Aluminium segments. The volume growth is expected to enhance operating leverage, leading to better absorption of fixed costs and a reduction in fixed cost per unit in tile, bathware, and Aluminium segments.



...rising volumes and greater fixed cost absorption in the tile segment despite a 2.0% price reduction...

FCR expects that at a break-even capacity of 12.8 sqm per annum, approximately LKR 720.5 per sqm could be transferred to EBIT by FY27E, driven by higher fixed cost absorption. FCR believes this may enhance the overall profitability of the RCL group.

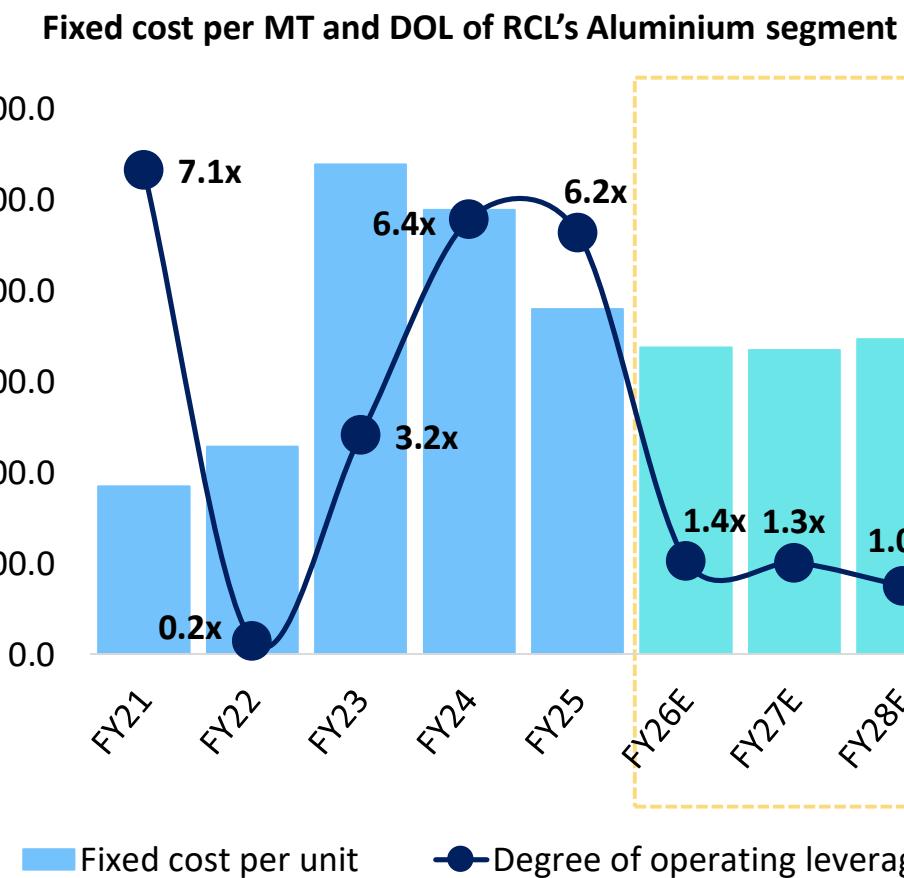
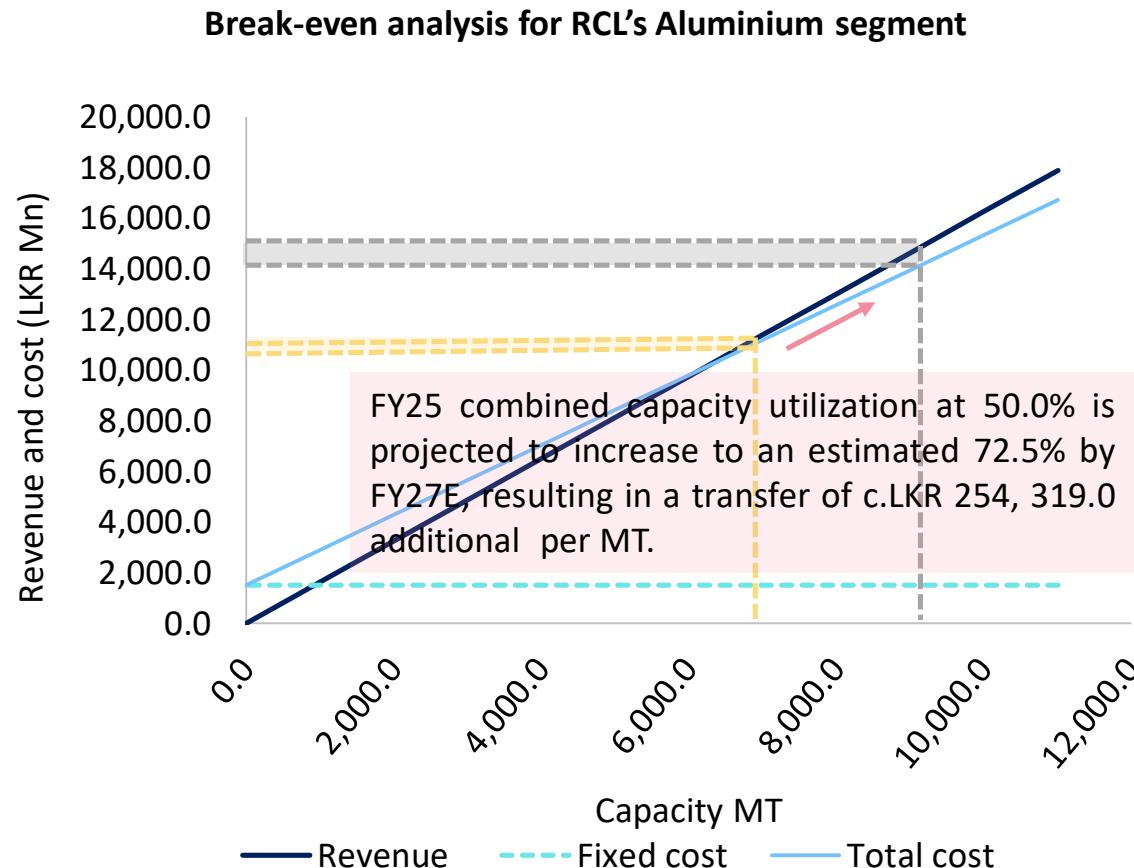
Fixed cost per sqm is expected to decline by 25.6% from FY23 to FY27E, driven by higher volumes and improved capacity utilization (FY23: 81.2% vs. FY27E: 99.0%). As the construction boom normalizes, we expect capacity utilization to moderate and stabilize in the range of 90.0%–90.2% beyond FY27E.



...coupled with volumes and greater fixed cost absorption in the Aluminium segment

FCR expects that at a break-even capacity of 6,072.7 MT per annum, approximately LKR 248, 910.7 per MT could be transferred to EBIT by FY27E, driven by higher fixed cost absorption. FCR believes this may enhance the overall profitability of the RCL group.

Fixed cost per MT is expected to decline by 37.9% from FY23 to FY27E, driven by higher volumes and improved capacity utilization (FY23: 37.0% vs. FY27E: 72.5%). As the construction boom normalizes, we expect capacity utilization to moderate and stabilize in the range of 50.0%–65.0% beyond FY27E.



***Given the difficulty in segregating Aluminium and Zinc Aluminium data, the break-even analysis includes the combined capacities of both.*



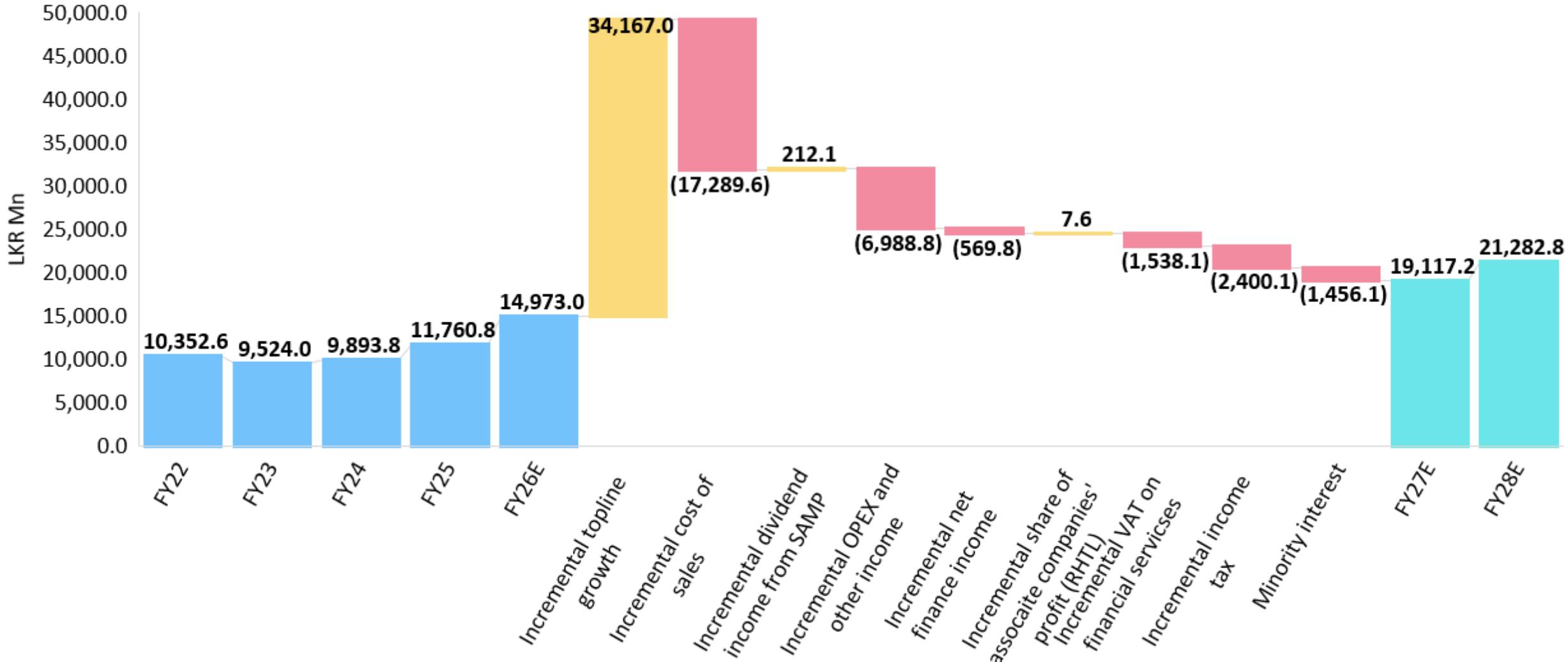
4.0

FINANCIAL ANALYSIS

FCR expects VONE's earnings to inflect sharply, delivering a 21.9% 3-year CAGR and a robust 27.7% YoY uplift in FY27E, fueled by topline growth and margin expansion at its two key subsidiaries

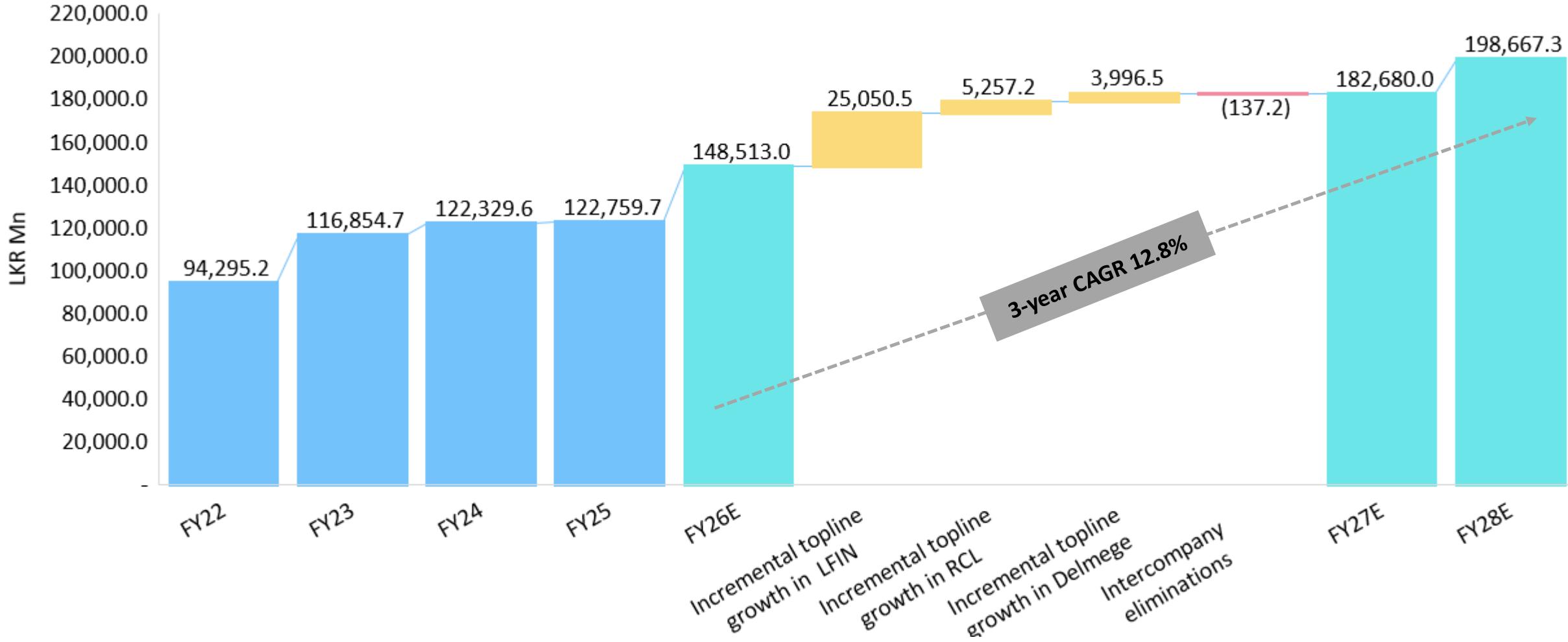
VONE's earnings attributable for equity holders to inflect sharply, delivering a 21.9% 3-year CAGR and a robust 27.7%YoY uplift in FY27E, fueled by topline growth and margin increase of its two key subsidiaries

VONE is poised for a sharp earnings uplift, with 23.0%YoY revenue growth and margin expansion of 84bps, 95bps and 54bps respectively across gross, operating, and net levels, translating into 27.7%YoY earnings growth by FY27E, anchored by LFIN and RCL.



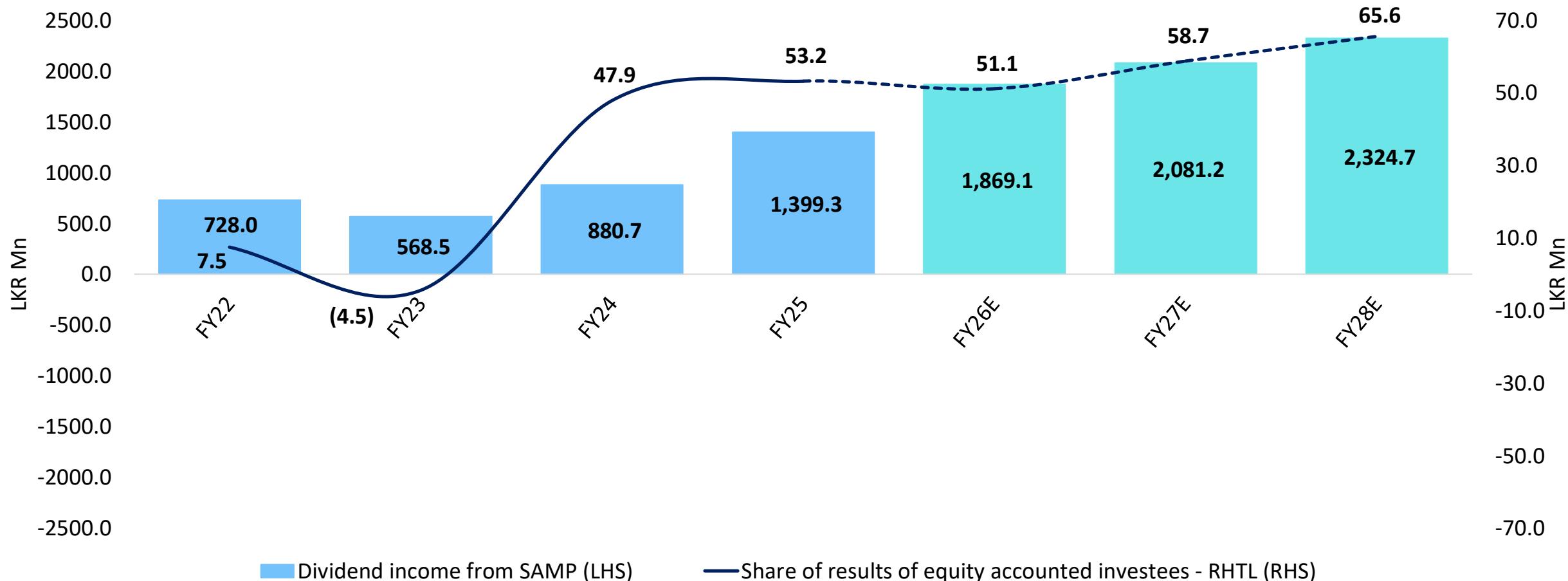
The topline growth is expected to be primarily driven by VONE's three major subsidiaries, with LFIN contributing nearly 50.0% of the group consolidated topline by FY27E

FCR expects VONE's topline to grow at a 3-year CAGR of 12.8%, with a projected 23.0%YoY growth by FY27E. As highlighted in LFIN's investment thesis, growth in its loan book may drive LFIN's topline, while the ongoing construction boom could support RCL's topline, and rising consumption may boost Delmage's revenue.



SAMP, VONE's long-term investment, is expected to generate around LKR 2.1Bn in dividend income by FY27E, growing at 11.3%YoY, while RHTL's contribution remains minimal

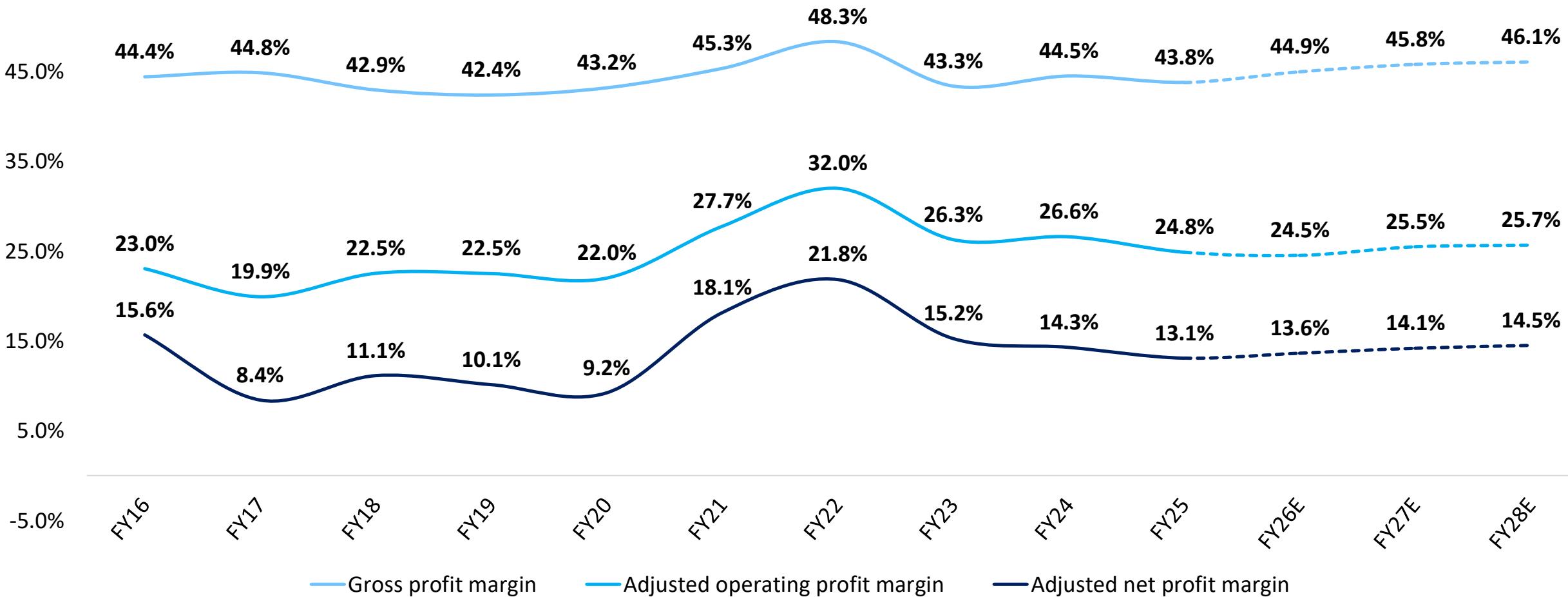
VONE recognizes its 14.95% stake in SAMP as a long-term investment, with SAMP expected to contribute approximately LKR 2.1Bn at the PBT level. In contrast, contributions from VONE's associate company, RHTL, are expected to remain minimal due to its subdued performance (refer appendix xxiv for forecasts for SAMP and RHTL).



Margin expansions across the three subsidiaries are expected to drive an improvement in VONE's overall margins, supported by volume growth across subsidiaries resulting operational efficiencies

LFIN's NIM expansion of approximately 32bps, along with RCL's gross, operating, and net margin improvements of 19bps, 73bps, and 168bps, respectively, driven by operating leverage enhancements as highlighted in the RCL investment thesis are expected to support VONE's margin expansion of 83bps, 94bps, and 52bps at the gross, operating, and net levels, respectively, by FY27E.

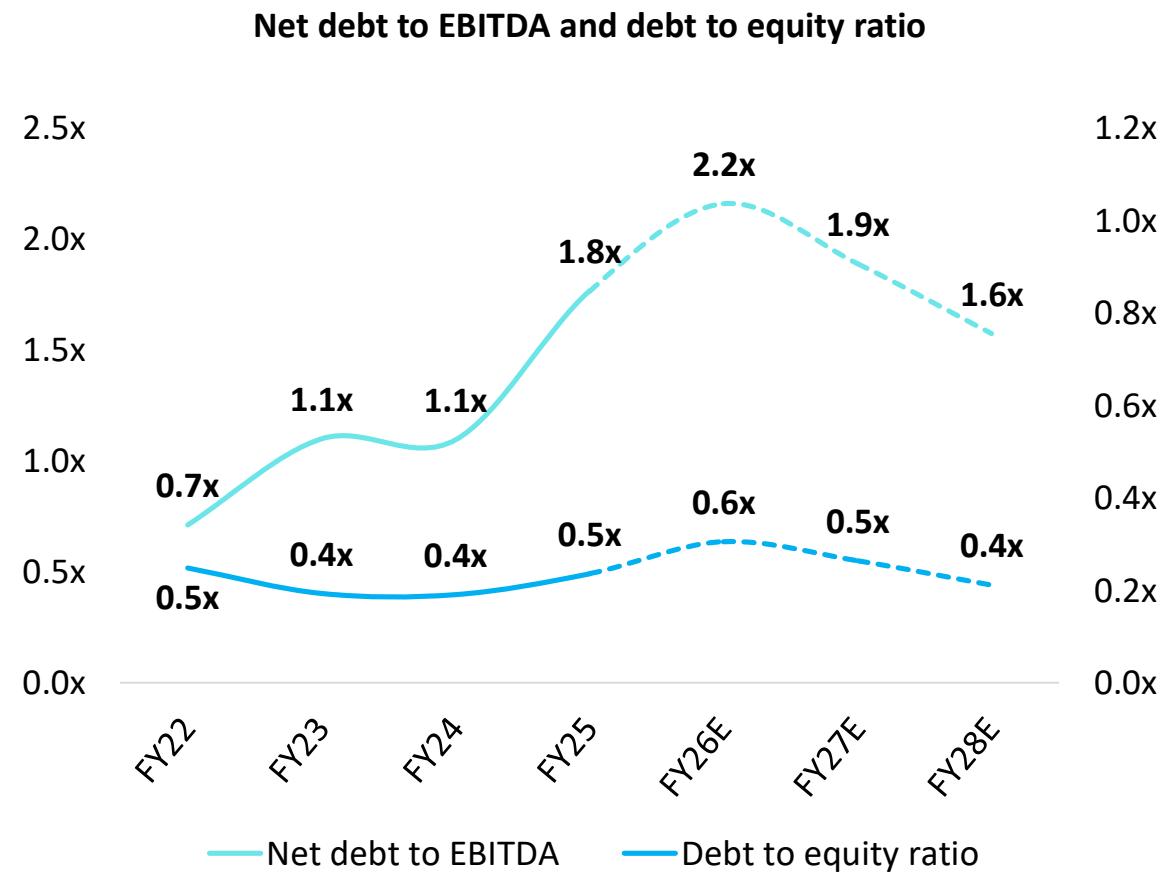
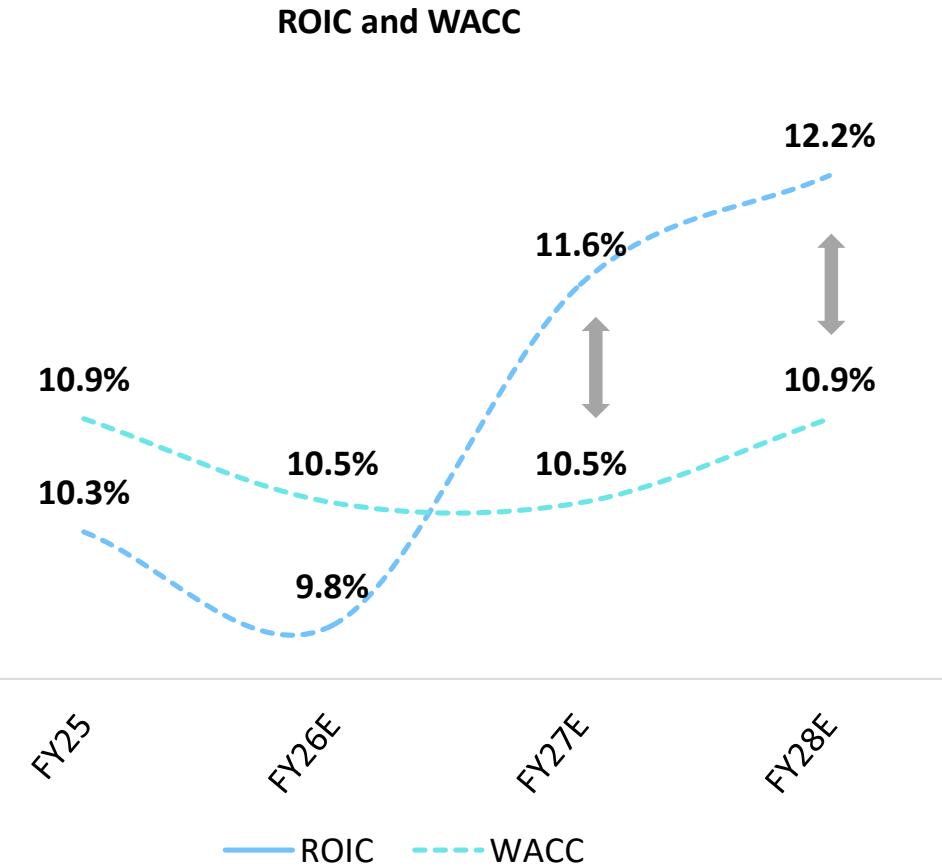
55.0%



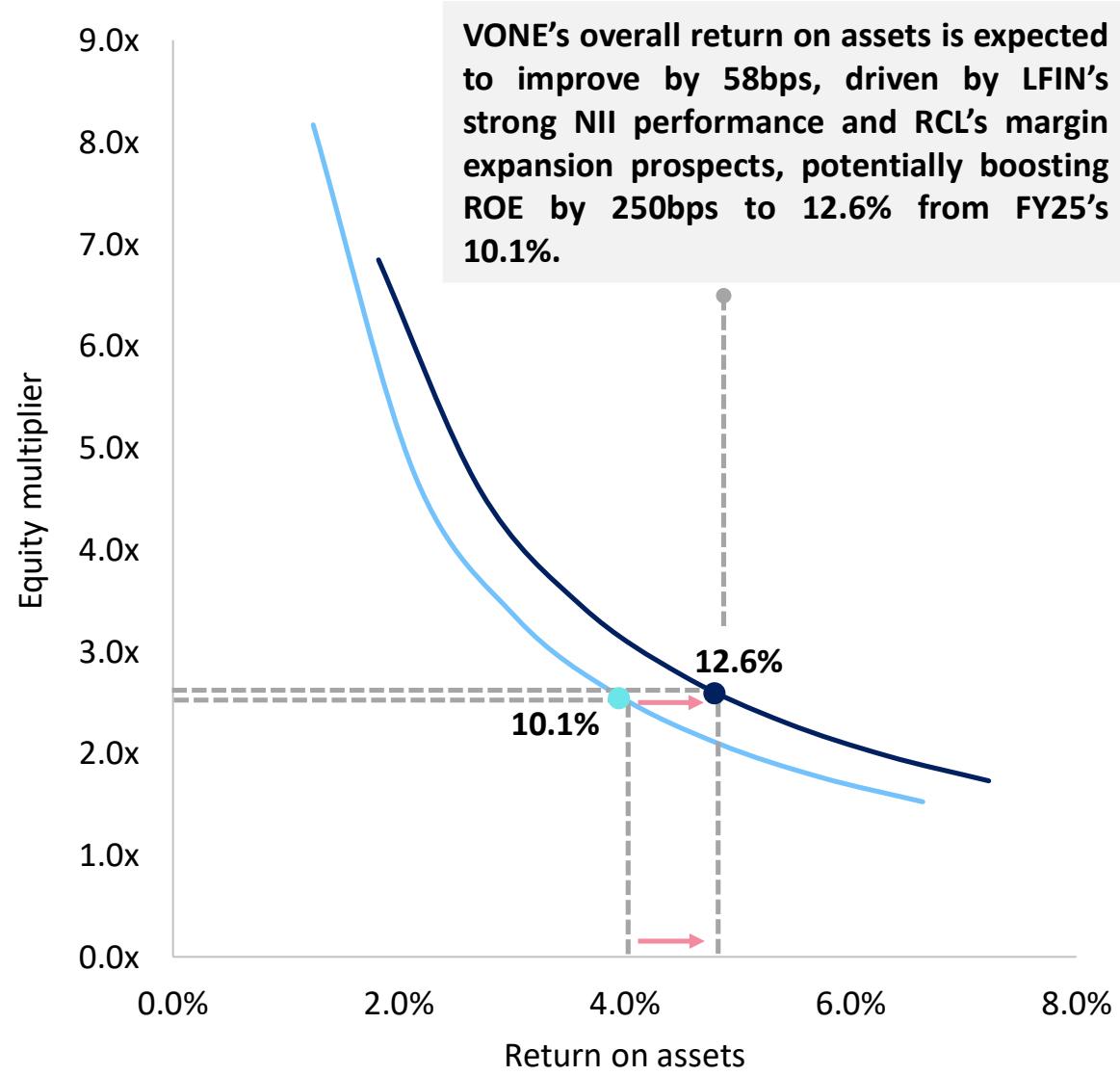
ROIC is expected to surpass WACC by both FY26E and FY27E, while leverage remains healthy and in line with historical averages during the forecasted period, underscoring VONE's return generating potential

FCR expects profits from co-operations to improve as VONE generates a return on invested capital that exceeds its cost of funding, highlighting the company's return-generating potential and investment attractiveness.

A declining debt-to-equity ratio toward historical averages supports a lower Net Debt/EBITDA, as VONE reduces balance sheet risk and remains well-positioned to service its debt through operating cash flows.



ROE is expected to gain momentum, rising by 250bps from FY25, driven by strong operational efficiencies and higher returns on investment, with LFIN and RCL delivering superior asset performance



VONE's overall profitability is expected to be primarily driven by higher net margins, alongside an enhanced equity multiplier.

VONE's ROE	FY25	FY26E	FY27E	FY28E
Net profit margin	13.1%	13.6%	14.1%	14.5%
Asset turnover	0.3x	0.3x	0.3x	0.3x
Equity multiplier	2.6x	3.0x	2.8x	2.8x
ROE	10.1%	11.3%	12.6%	12.5%

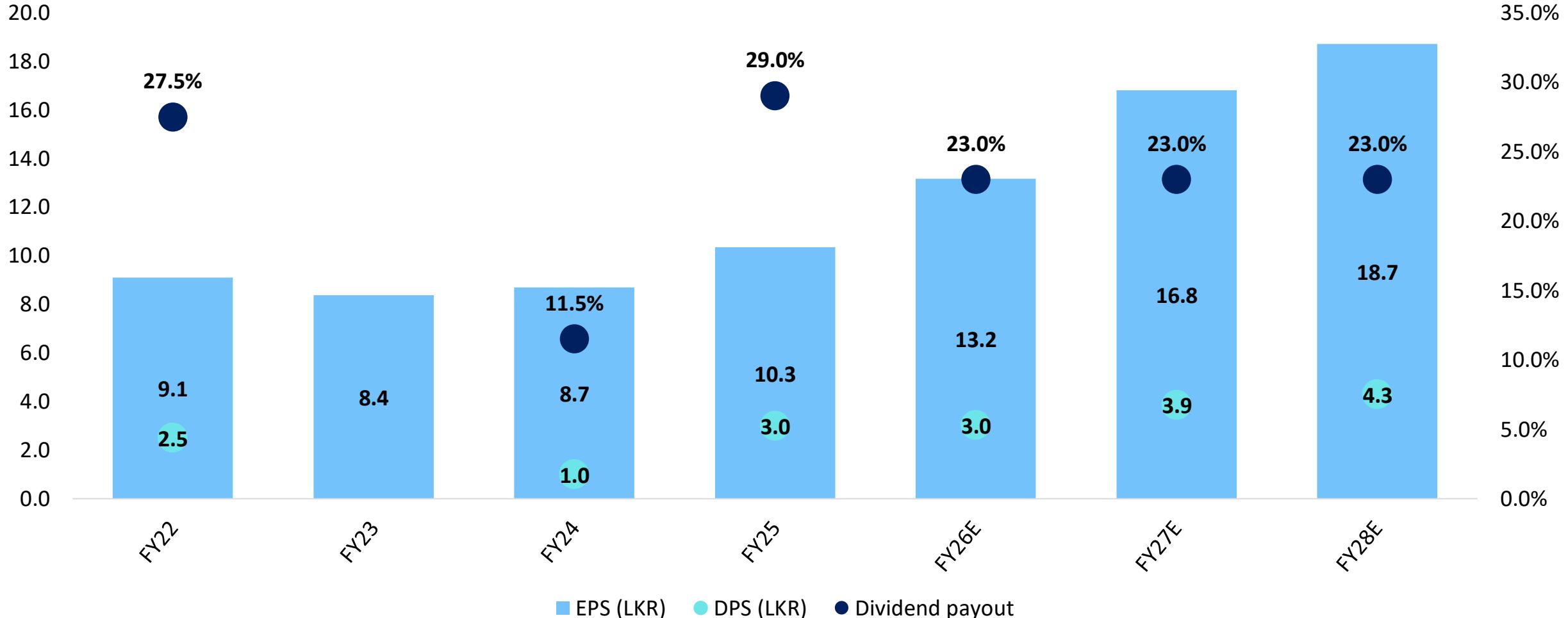
LFIN's higher equity multiplier, combined with RCL's improved return on assets driven by rising net margins, is expected to boost VONE's ROE.

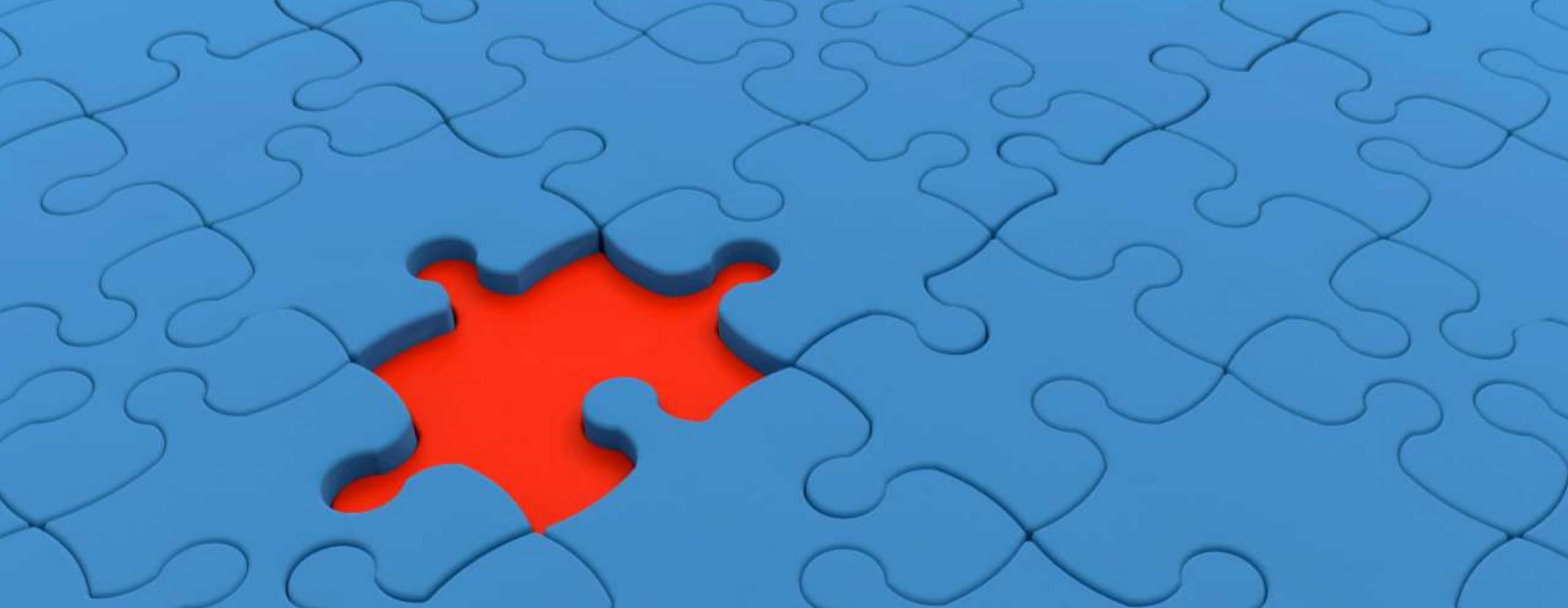
LFIN's ROE	FY25	FY26E	FY27E	FY28E
Return on assets	4.5%	3.9%	4.7%	4.6%
Equity multiplier	4.7x	5.9x	5.4x	5.2x
ROE	21.1%	23.0%	25.4%	24.2%

RCL's ROE	FY25	FY26E	FY27E	FY28E
Net profit margin	10.0%	10.0%	11.7%	12.3%
Asset turnover	0.5x	0.5x	0.6x	0.5x
Equity multiplier	1.7x	1.7x	1.6x	1.5x
ROE	10.0%	10.0%	11.7%	12.3%

FCR expects EPS to rise by 62.6% from FY25 to FY27E, driven by strong profitability, which could support a dividend payout of 23.0%

FCR expects VONE to maintain a dividend payout ratio of 23.0%, in line with its 10-year historical average.



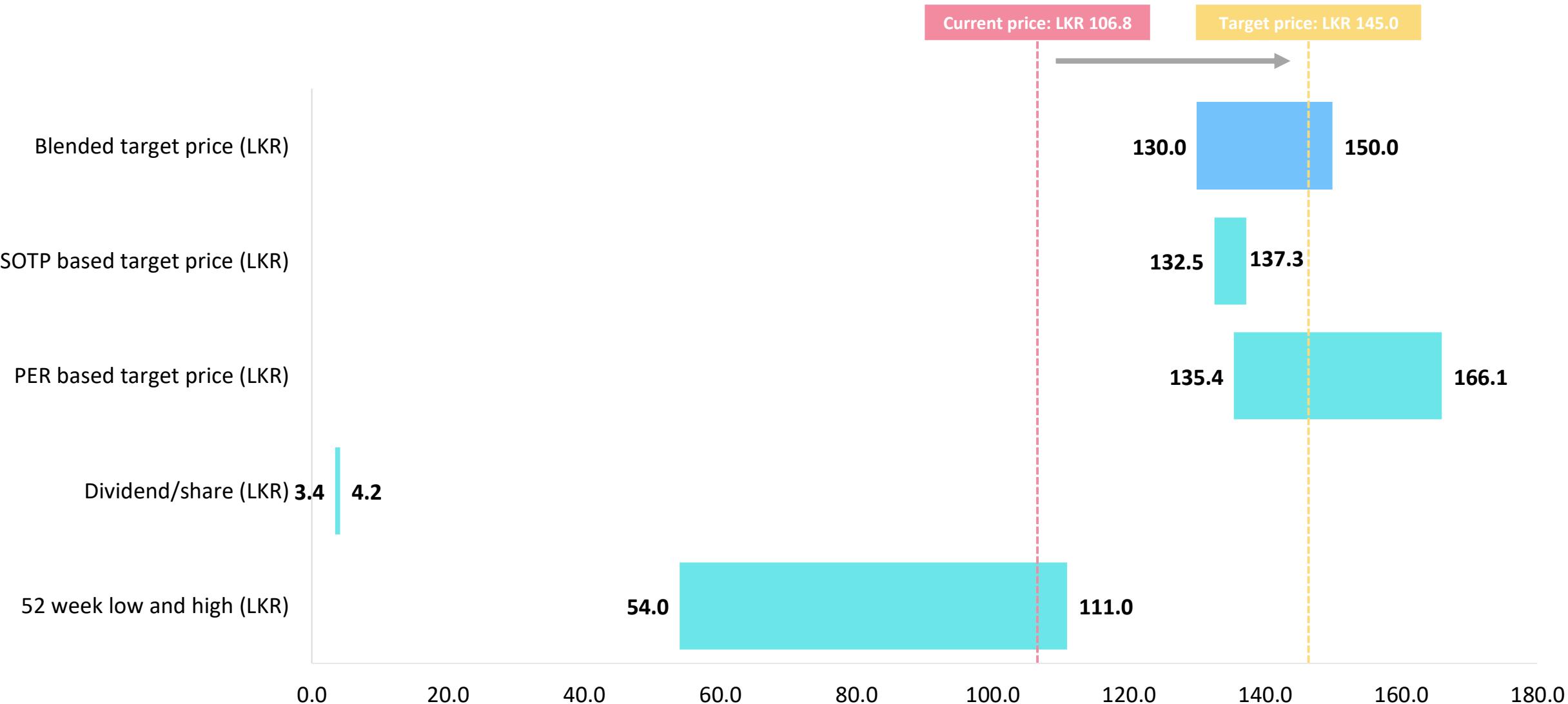


5.0

VALUATIONS

At a fair value of LKR 145.0 for FY27E VONE offers a total annualized return of 31.5%, supported by a consistent financial track record

FCR initiates the coverage on VONE with a BUY recommendation and a target price of LKR 145.0, derived using an equally weighted SOTP and PER-based valuation methodologies, implying an AER of 31.5%.



***the lower and upper bounds of the blended target price, along with SOTP and PER-based target prices, have been calculated using bear and bull case assumptions.*

A GEM IN RUBBLE: WHY “VONE” IS A BETTER OFFERING NOW?

FCR expects VONE to enter a growth phase, driven by LFIN's profitability and RCL's earnings growth, resulting in an anticipated earnings growth of 27.7%YoY. This earnings growth is expected to surpass VONE's WACC of 10.5%, supporting a projected ROIC of 11.6%. Accordingly, ROE is expected to rise to 12.6% from 10.1% by FY27E. Strong performance could trigger a multiple re-rating, with VONE potentially trading at 10.5x PER, in line with historical levels during similar earnings growth periods in FY21 and FY22. Accordingly, FCR's blended valuation implies an AER of 31.5%, with an equally weighted blended target price of LKR 145.0. On the back of strong performance, FCR views the current price, trading at a TTM PER 9.6x, as an attractive entry point for investors.



VONE IS POISED TO ENTER A GROWTH PHASE: VONE is set for a strong earnings lift, with 23.0%YoY revenue growth and margin expansion of 83bps, 94bps, and 52bps at the gross, operating, and net levels, driving 27.7% earnings growth by FY27E, supported by LFIN and RCL.

FY25 ROE:10.1% → FY27E ROE: 12.6%



ROIC TO EXCEED WACC BY FY27E: FCR expects VONE's profitability to improve as the company generates a return on invested capital above its cost of funding, underscoring its strong return potential and investment appeal. By FY27E, invested capital is expected to generate returns, with ROIC surpassing WACC.

11.6% (ROIC) > 10.5% (WACC)



A POSSIBLE PER MULTIPLE RE-RATING: YoY earnings growth of 27.7% by FY27E points to a potential multiple re-rating to 10.5x PER from the current 9.6x TTM PER.

9.6x TTM PER → 10.5x PER BY FY27E

SOTP valuation; FCR's SOTP based target price implies a 25.4% price upside with a total annualized return of 23.5% (DY 3.6%)

Company	Valuation method	Equity value in LKR Mn	Effective ownership	Equity value attributable for VONE
LFIN	Justified PBV	112,159.5	51.8%	58,042.5
RCL	DCF	73,003.7	56.0%	40,852.9
Greener water	Market value	31,000.0	100.0%	31,000.0
SAMP	NAV based valuation	207,292.6	15.0%	30,990.2
Delmege	DCF	13,236.8	57.0%	7,545.0
RHTL	PER based valuation	4,433.4	18.6%	824.2
Total equity value				169,254.8
Number of shares				1,137.9
SOTP value per share for FY27E				148.7
Discount				10.0%
SOTP value per share for FY27E after discount				133.9

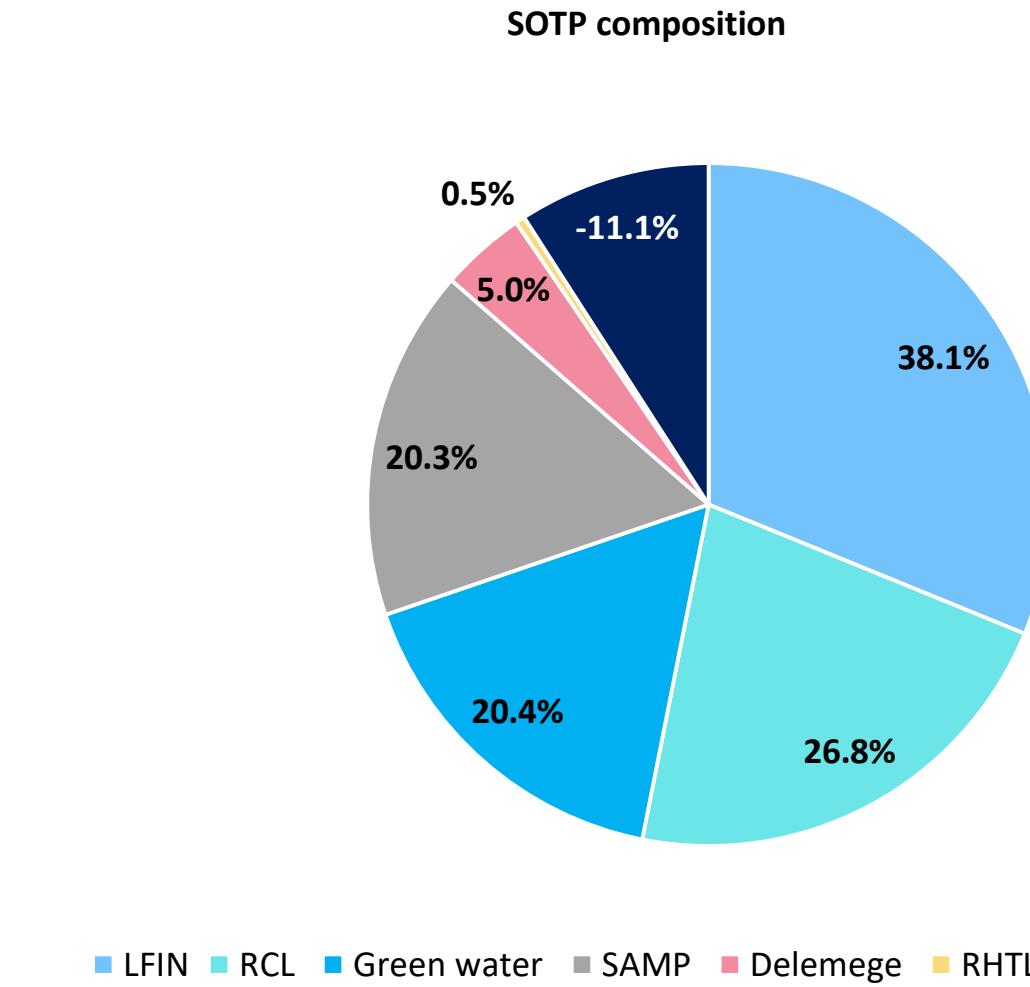
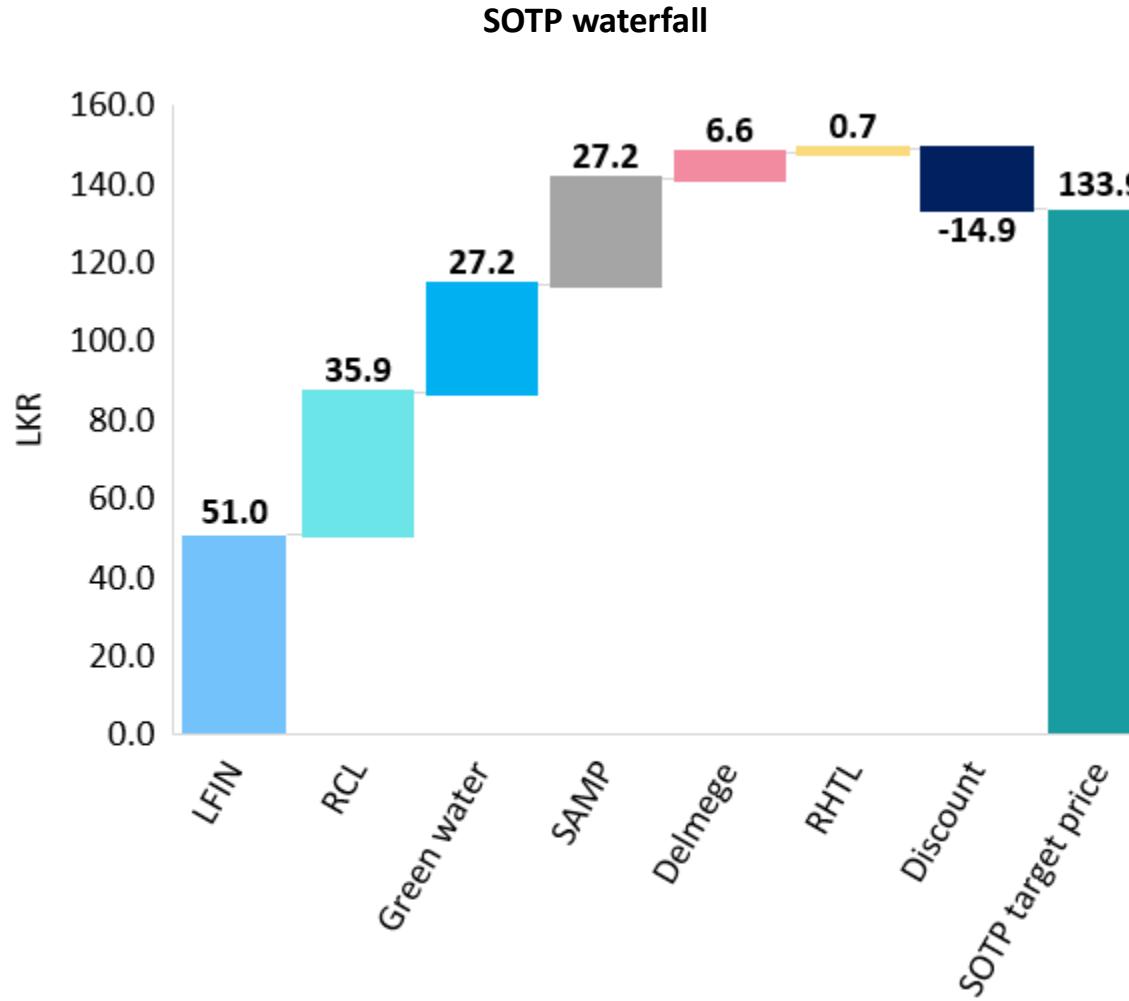
Justifications for valuation methods

Company	Valuation method	Justification
LFIN	Justified PBV	Suitable for LFIN as value is driven by balance sheet strength, ROE, and capital adequacy.
RCL	DCF	Appropriate given stable and predictable cash flows and long-term growth visibility.
Greener water	Market value	Reflects asset backing and prevailing market pricing amid limited earnings visibility.
SAMP	NAV based valuation	Value is primarily driven by balance sheet strength, and it represents a long-term investment of VONE.
Delmege	DCF	Appropriate given stable and predictable cash flows and long-term growth visibility.
RHTL	PER based valuation	Appropriate for earnings-driven valuation and peer comparison within the consumer services sector.

**please refer appendices XI, XIV, XV, XVI and XVII for detailed valuations for individual LFIN, RCL, Delmege, and SAMP and RHTL

With 64.9% of VONE's value anchored in LFIN and RCL, the group's valuation is decisively driven by the performance of these two listed entities

LFIN is expected to contribute the majority of the SOTP valuation, with RCL emerging as the second-largest contributor.

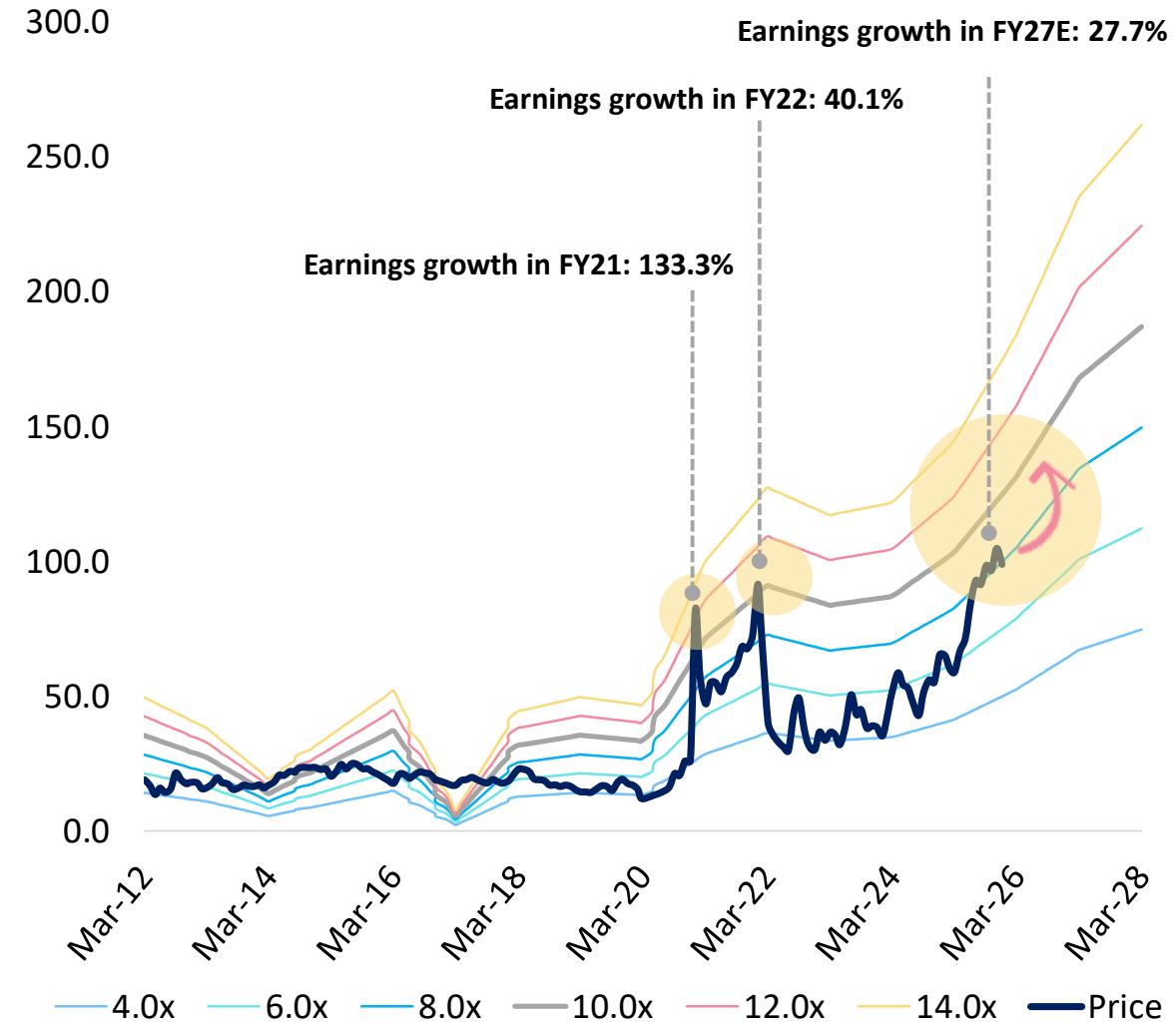


PER based valuation suggest a re-rating; FCRs PER based target price implies a 48.7% price upside with a total annualized return of 41.7% (DY 3.6%)

History suggests earnings momentum drives multiple re-rating in VONE, and with 27.7%YoY earnings growth expected, FCR sees a clear pathway for the stock to re-rate, as seen in FY21 and FY22 when earnings growth of 114.0%YoY and 27.5%YoY supported VONE to trade a 10.5x PER.

PER based Valuation	FY27E
Earnings (LKR 'Mn)	19,117
No. of Shares ('Mn)	1,138
EPS	16.8
Expected PER	10.5x
Price at 10x Earnings	176.4
Discount	10.0%
Price at 10x Earnings after Discount	158.8

- FCRs PER based target price offers a 48.7% price upside for the last close price of LKR 106.8 as of 12th Jan-26.
- This provides a total annualized return of 41.7% (DY 3.6%).



Comparison with listed conglomerates in Sri Lanka

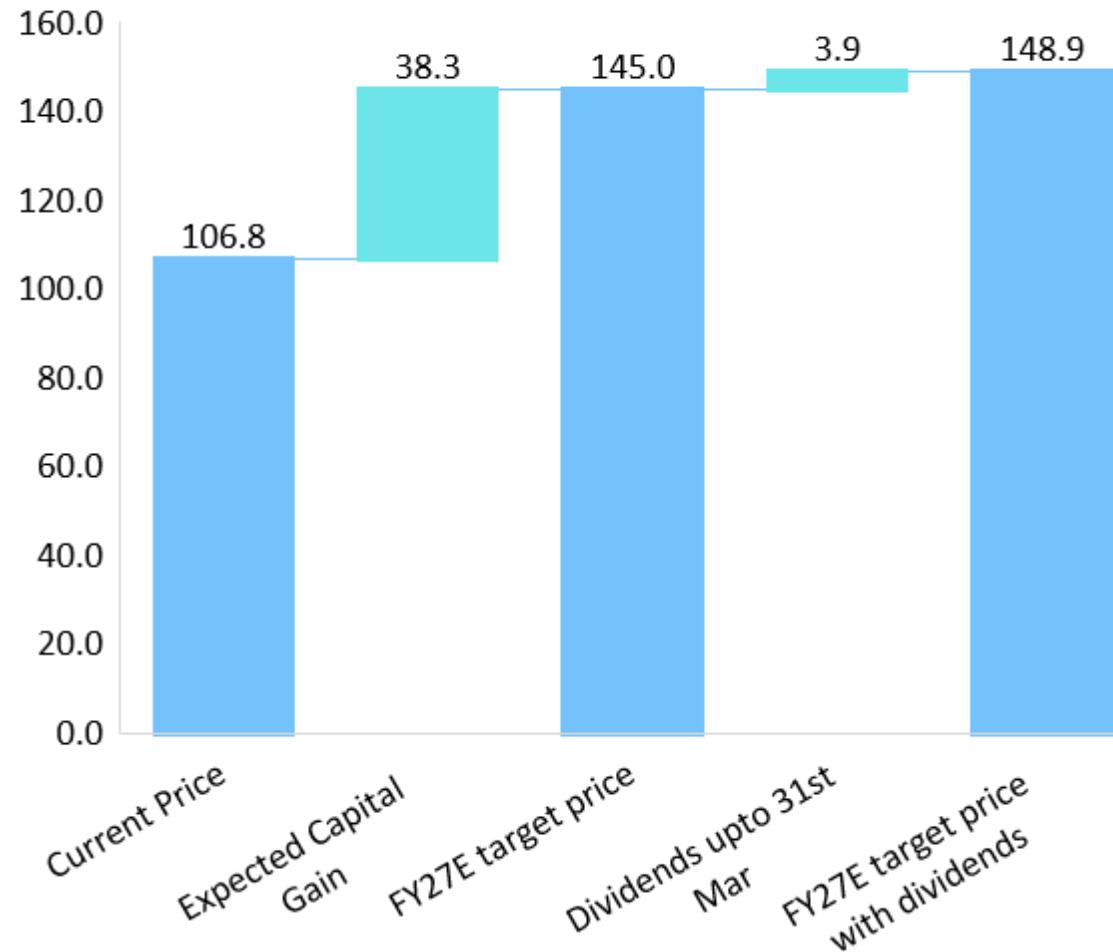
Name	Symbol	Mkt Price (LKR) 12 th Jan-26	Market Cap. (Mn)	TTM PER	TTM PBV	TTM DPS (Mar-25)	DY	ROE	Earnings (LKR Mn) TTM	NAVPS (LKR)
BROWN & COMPANY PLC	BRWN.N0000	167.3	35,561.5	N/A	0.4	0.0	0.0%	-3.9%	(3,572.6)	434.3
HAYLEYS PLC	HAYL.N0000	207.8	155,812.5	11.0	1.6	5.4	2.6%	14.4%	14,175.1	131.7
HEMAS HOLDINGS PLC	HHL.N0000	35.0	104,758.7	11.8	2.1	0.8	2.3%	17.4%	8,855.2	17.0
JOHN KEELLS HOLDINGS PLC	JKH.N0000	22.8	403,294.4	71.1	1.0	0.1	0.6%	1.4%	5,675.8	22.6
RICHARD PIERIS AND COMPANY PLC	RICH.N0000	42.3	86,082.1	23.9	3.0	0.6	1.4%	12.4%	3,598.7	14.2
AITKEN SPENCE PLC	SPEN.N0000	160.3	65,060.9	11.9	0.8	4.3	2.7%	7.1%	5,471.9	189.6
VALLIBEL ONE PLC	VONE.N0000	107.0	121,864.0	9.6	1.1	3.0	2.8%	11.1%	12,674.9	100.2
High				71.1	3.0	5.4	2.8%	17.4%		
Low				9.6	0.4	0.0	0.0%	-3.9%		
25% percentile				11.2	0.9	0.4	1.0%	4.3%		
Mean				23.2	1.4	2.0	1.8%	8.6%		
75% percentile				20.9	1.8	3.6	2.6%	13.4%		
Median				11.9	1.1	0.8	2.3%	11.1%		
Capital goods sector				21.4	1.3					
Market valuations				11.5	1.5					

UNDERVALUED SCENARIO: VONE is trading at a deeper discount than the market, capital goods sector, and listed conglomerates, with TTM PER-based median discounts of 20.0%, 123.0%, and 24.0%, respectively, indicating strong re-rating potential.

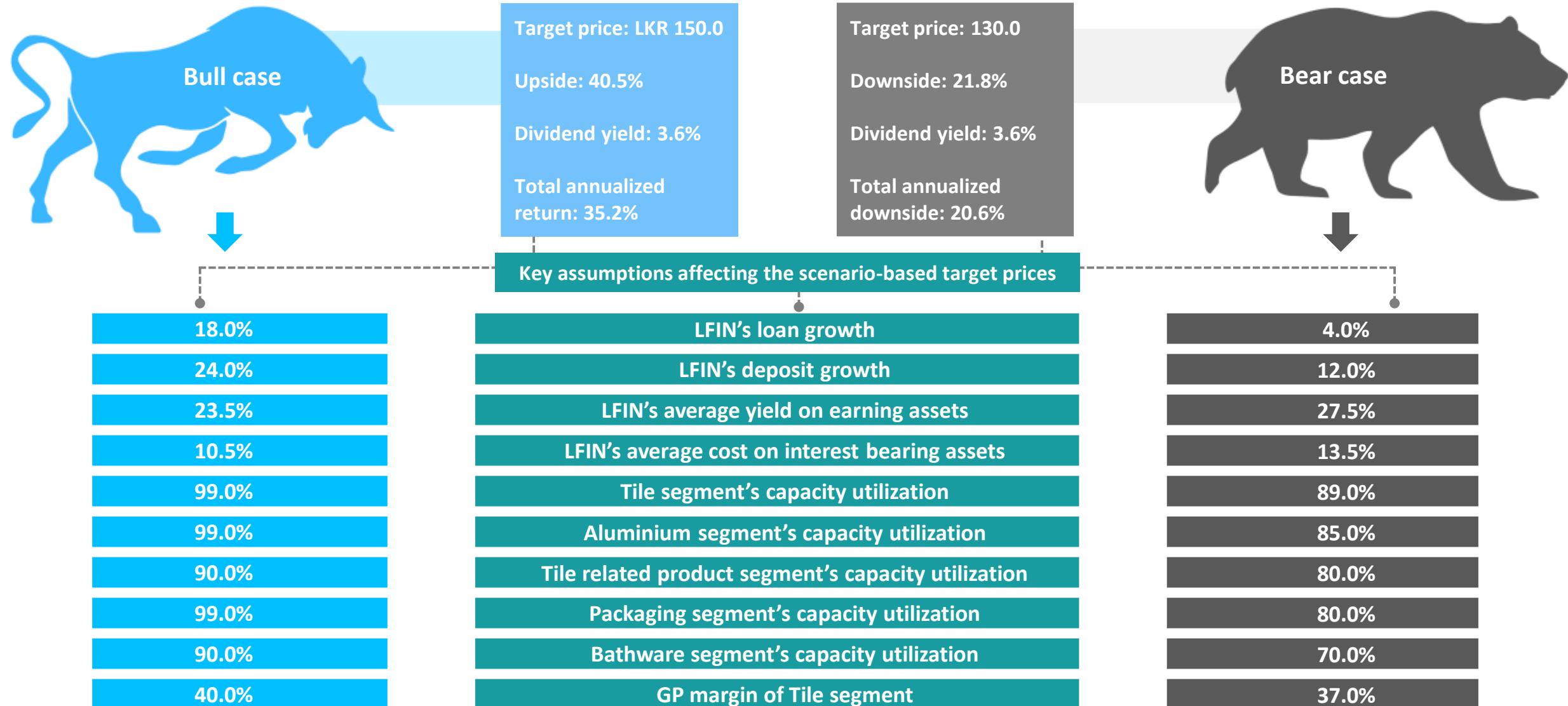
Equally weighted blended valuation

FCR's equally weighted target price offers a total annualized return of 31.5% for FY27E with a price upside of 35.8% and a dividend yield of 3.6% for the last close price of LKR 106.8 as at 12th Jan-26. Furthermore, a 10.0% discount is applied to VONE's SOTP and PER based valuations to reflect its conglomerate structure, earnings concentration in LFIN, holding company costs, and higher sensitivity to macroeconomic and sectoral risks.

Expected VONE price	FY27E
SOTP valuation-based target price	133.9
PER valuation-based target price	151.2
Equally weighted target price (50:50)	142.5
Target price after rounding off	145.0
Return	FY27E
Target price	145.0
Current price	106.8
Capital gain (LKR)	38.3
Dividends up to 31 Mar (LKR)	3.9
Capital gain %	35.8%
Dividend yield %	3.6%
Total return %	39.5%
Annualized return %	31.5%



FCR conducted a scenario analysis on VONE, projecting a price of LKR 150.0 under the Bull case and LKR 130.0 under the Bear case, based on the underlying assumptions of each variable



**Even under extreme downturn conditions, our bear case scenario still indicates price upside.

A comprehensive overview of FCR's base, bull, and bear case scenario analysis

BULL CASE	BASE CASE	BEAR CASE
<p>The bull case involves a rapid economic expansion with GDP growth continuously been above 5 years whilst consumer activity and business activity records a sharp pick up.</p> <p>Assumptions for VONE</p> <p>Revenue growth of FY27E: 24.3%YoY Bottomline growth of FY27E: 27.8%YoY Gross margin: 46.7% Operating margin: 26.2% Net margin: 14.7% EPS: LKR 18.1 per share DPS: LKR 4.2 per share</p> <p>Assumptions for LFIN</p> <p>NII growth of FY27E: 36.9%YoY Bottomline growth of FY27E: 37.2%YoY NIM: 14.0%</p> <p>Assumptions for RCL</p> <p>Revenue growth of FY27E: 8.5%YoY Bottomline growth of FY27E: 19.9%YoY Gross margin: 32.7%</p>	<p>The base case revolves around a GDP growth 4%-5% with economy progressing along the same lines amidst rising consumer demand and pick up overall economic activities.</p> <p>Assumptions for VONE</p> <p>Revenue growth of FY27E: 23.0%YoY Bottomline growth of FY27E: 27.7%YoY Gross margin: 45.8% Operating margin: 25.5% Net margin: 14.1% EPS: LKR 16.8 per share DPS: LKR 3.9% per share</p> <p>Assumptions for LFIN</p> <p>NII growth of FY27E: 32.9%YoY Bottomline growth of FY27E: 33.2%YoY NIM: 14.1%</p> <p>Assumptions for RCL</p> <p>Revenue growth of FY27E: 8.3%YoY Bottomline growth of FY27E: 26.5%YoY Gross margin: 31.6%</p>	<p>The bear case involves economic slowdown with GDP growth producing negative or flat growth amidst limited consumer drive and contraction in business activities.</p> <p>Assumptions for VONE</p> <p>Revenue growth of FY27E: 15.6%YoY Bottomline growth of FY27E: 14.9%YoY Gross margin: 44.0% Operating margin: 24.2% Net margin: 13.2% EPS: LKR 14.7 per share DPS: LKR 3.4 per share</p> <p>Assumptions for LFIN</p> <p>NII growth of FY27E: 18.9%YoY Bottomline growth of FY27E: 19.6%YoY NIM: 14.5%</p> <p>Assumptions for RCL</p> <p>Revenue growth of FY27E: -0.1%YoY Bottomline growth of FY27E: 13.2%YoY Gross margin: 30.1%</p>



6.0

APPENDICES

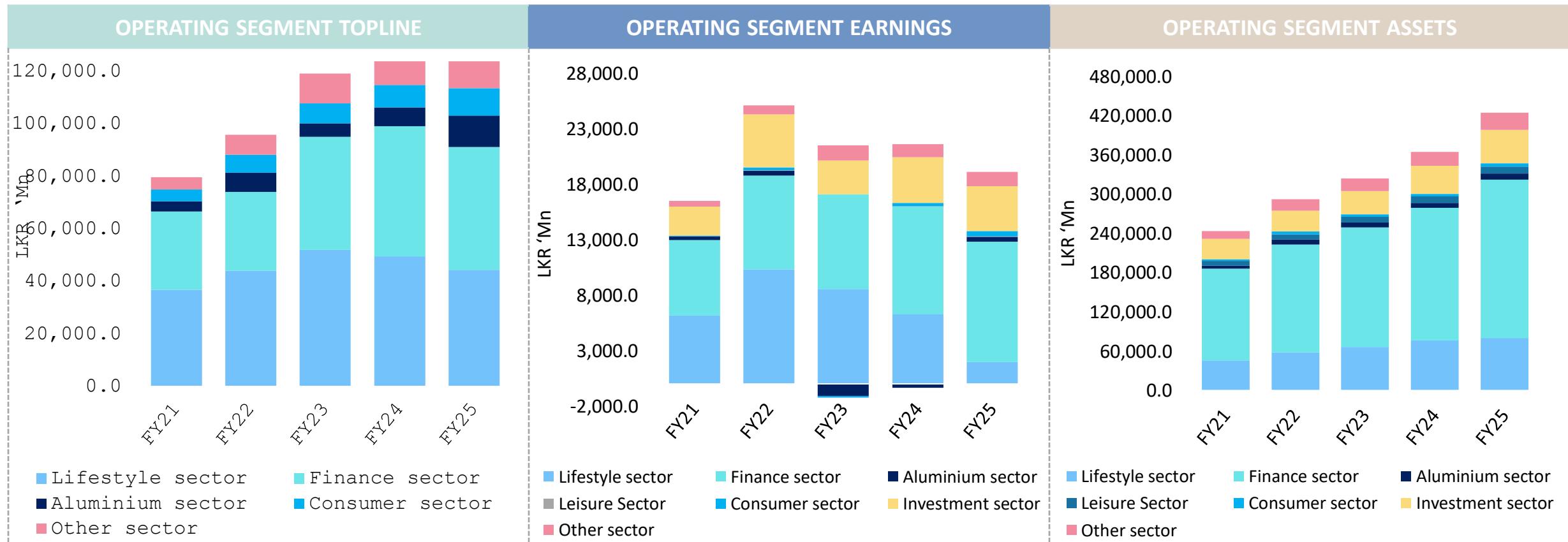


COMPANY OVERVIEW AT A GLANCE

A well-established blue-chip diversified conglomerate in Sri Lanka

Vallibel One PLC is a diversified conglomerate with a portfolio of 57 companies across various sectors

Vallibel One PLC (VONE) is a premier blue-chip conglomerate on the Colombo Bourse, with a market capitalization of LKR 121.0Bn as of 12th Jan-26. Established in 2010 and listed on the CSE in 2011, VONE operates as the parent holding company of two listed subsidiaries, LFIN (lending market share of c.13.0%) and RCL (market share of c.40.0% to 45.0%), alongside two non-listed subsidiaries, Delmege Group and Greener Water Limited. The company also holds strategic investments in one listed associate, The Fortress Resorts (RHTL), one non-listed associate: Swisstek Aluminium Ltd, and a long-term investment holding in Sampath Bank (SAMP). Furthermore, the 500 room Greener Water Resort currently under development spans 18 acres along a prime coastal belt and is designed to offer world-class amenities, including a water park, beach club, spa, pool bar, and a multi-functional ballroom.



A diversified product portfolio across multiple subsidiaries enables risk mitigation through topline diversification

LIFESTYLE SECTOR

A leader in tiles and sanitaryware, the Group's lifestyle sector offers a broad range of interior and lifestyle solutions for different customers under the RCL, PARQ and Delmege brands.

Product range: Interior solutions, including tiles, tiling accessories, bathware, kitchen sinks, and interior and building solutions.



LEISURE SECTOR

Leisure sector includes the Fortress Resort and Spa and the upcoming Greener Waters development, delivering world-class experiences while pursuing new growth opportunities.

Product range: Boutique hotel and resort operations and spa and travel



FINANCE SECTOR

Anchored by LFIN, a leading non-banking financial institution, the Group's finance sector provides a strong, innovative foundation across its offerings.

Product range: Leasing, fixed deposits, gold loans, mortgage loans, savings, and etc.



CONSUMER SECTOR

Consumer sector spans trusted household brands like Delmege and Motha alongside advanced medical and pharmaceutical products.

Product range: FMCG, pharma and medical equipment



ALUMINIUM SECTOR

With a strong foothold in Aluminium extrusion, the Aluminium arm delivers highly customized products while building lasting partnerships.

Product range: Aluminium extrusions, folding/sliding doors, sliding windows and doors, swing doors, multi-purpose ladders and solar railings and accessories



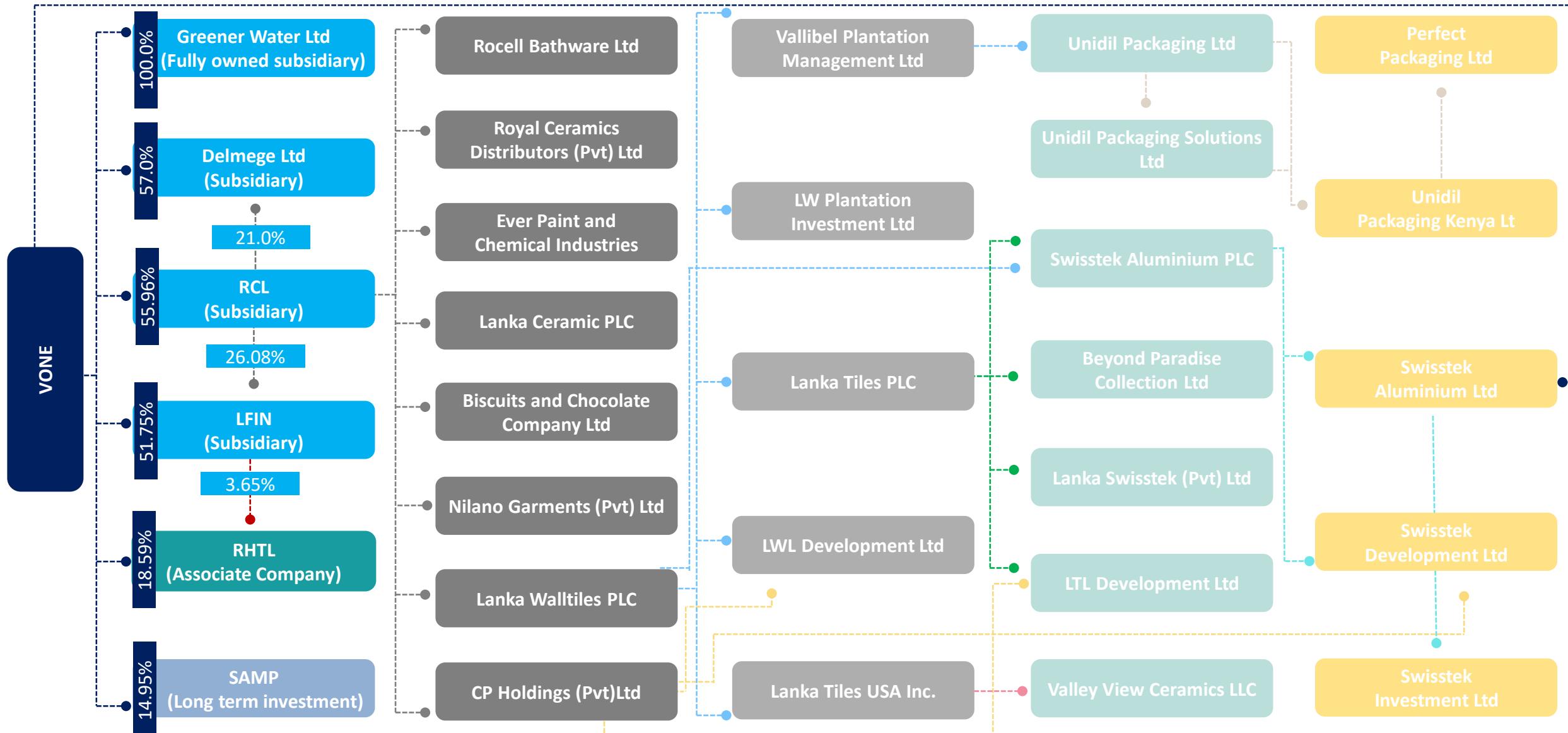
INVESTMENT AND OTHER SECTOR

With a leading and expanding packaging presence and strategic cross-sector investments, the Group drives synergies that strengthen its overall value proposition under Unidil, CERA and Delmege brands.

Product range: Packaging, mining, insurance brokering, travel and shipping



Group structure of VONE



SWOT analysis for VONE

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> □ Able to mitigate risk through diversified revenue streams across six business segments, establishing itself as a premier blue-chip company on the Colombo Bourse. □ The group's finance subsidiary, LFIN, serves as a cash cow, maintaining a leading market share. □ RCL's premium brand ensures a stable topline, capturing approximately 40–45% of its market. □ The company is led by a highly qualified and renowned management team. □ Years of market experience underpin its operations. □ Demonstrates a robust and consistent financial track record. 	<ul style="list-style-type: none"> □ A significant portion of the group's topline is concentrated in LFIN. □ Greener Water Limited requires an extended timeline for establishment. □ RCL faces an unsustainable cost structure, with an imbalance between raw material and overhead expenses.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> □ Favorable low-interest-rate environment. □ Rising government capital expenditure and development-driven initiatives. □ Growing DIY culture in Sri Lanka. □ Rapid urbanization in Sri Lanka. □ Growing demand for Aluminium products compared to wood. □ Removal of SSCL on Finance companies and Vehicle import ban. □ Stable global commodity prices. 	<ul style="list-style-type: none"> □ Absence of anti-dumping measures against low-cost imported substitutes. □ Expected moderation in GDP growth. □ Potential depreciation of the LKR.



ii

ENVIRONMENTAL, SOCIAL AND GOVERNANCE | RATING: MEDIUM

FCR's equally weighted ESG score card provides a 76.0% for VONE's overall ESG performance

Environmental: FCR provides a 73.0% score for VONE's environmental initiatives

Key environmental highlights

- **Climate change :** The Group's carbon footprint for FY25 stood at 136,921 tCO₂e, down from 140,945 tCO₂e in FY24, reflecting a 9.6%YoY reduction in carbon emissions. This improvement was driven by the implementation of initiatives aimed at minimizing energy consumption and reducing carbon emissions across operations. VONE continues to adopt green practices, optimize resource efficiency, and minimize waste, thereby contributing to climate change mitigation and responsible environmental stewardship. Increased reliance on renewable energy sources and the integration of resource-responsibility principles across operations further strengthen the sustainability agenda.
- **Pollution and waste:** RCL's ecosystem enhancement initiatives focus on expanding forest cover and strengthening biodiversity within factory premises, while simultaneously raising public awareness on ecosystem conservation. Complementing these efforts, the Aluminium sector undertakes targeted tree-planting programs, and the leisure sector actively supports coastal conservation through regular beach clean-up campaigns. Together, these initiatives aim to increase tree cover, enhance biodiversity across operational lands, and promote long-term ecological balance. In terms of water stewardship, the Group used 493.0ml of water during FY25, representing a 6.0% reduction from 526.0ml in FY24, alongside a 7.0% increase in water recycling. During the year, 74.0ml of water and effluents were treated prior to release, while 116.0ml of water were recycled. Water consumption is actively tracked and monitored across five factories, with 42.0% of effluent water treated through in-house treatment plants across the Group's operations.
- **Environmental opportunities:** During the year, the Group managed a total of 181,193.0MTs of waste, representing a significant increase from 61,290.0MTs in the previous year. Of the total waste generated, 129% (181,193.0MT) was recycled, reflecting the Group's strong emphasis on circular waste management practices. 5, 372MW of solar energy generated in FY25. Certified with ISO 14001:2015 for Environmental Management Systems, ensuring systematic environmental performance management.

Contributed and covered sustainable development goals in FY25

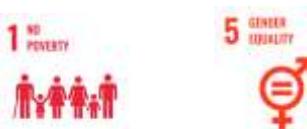


Social: FCR provides a 55.0% score for VONE's environmental initiatives

Key social highlights

- **Human capital:** The Group recorded 297 occupational injuries with zero work-related fatalities during the year. Comprehensive health and safety measures are implemented across all sectors, including first-aid facilities, fire safety equipment and drills, regular training, and the use of personal protective equipment. In support of employee well-being, the Group provides health insurance, conducts medical camps, and delivered four medical camps screening 615 employees during the year. In FY25, the Group recruited 3,498 employees and invested strongly in human capital development, delivering 86,498 training hours with a total investment of LKR 25.63 Mn. Revenue per employee stood at LKR 12.35Mn, while LKR 13.40Bn of value was created for employees.
- **Product liability:** Approximately 8.0% of the 297 occupational injuries were attributable to exposure to hazardous materials. Operations are further supported by recognised certifications, including PHI, WRAP, SMETA, and Oxylane assessments. The Group reported zero data privacy breaches, zero cybersecurity incidents, and zero regulatory non-compliance during the year, ensuring full adherence to the Personal Data Protection Act No. 09 of 2022. Product quality and safety are reinforced through internationally recognised certifications, including ISO 9001:2015, FSSC 22000:2018, ISO 22000:2018, SLS, CE Mark, and QUALICOAT, reflecting the Group's commitment to stringent quality assurance, responsible sourcing, and ethical business practices.
- **Shareholder opposition:** The Group invested LKR 38.0Mn in community development projects in FY25 (FY24: LKR 58.0Mn) and continued to support inclusive growth through community recruitment, with 1,426 employees hired from outstation locations. These initiatives are complemented by partnerships with NGOs, investments in community development programs, and efforts to strengthen social safety nets for vulnerable populations. Responsible sourcing remains a key priority, with the packaging cluster holding WRAP and FSC Chain of Custody certifications, ensuring ethically and sustainably sourced raw materials.

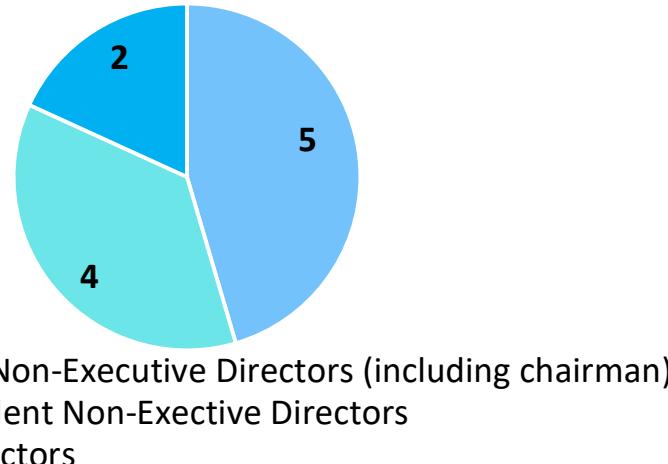
Contributed and covered sustainable development goals in FY25



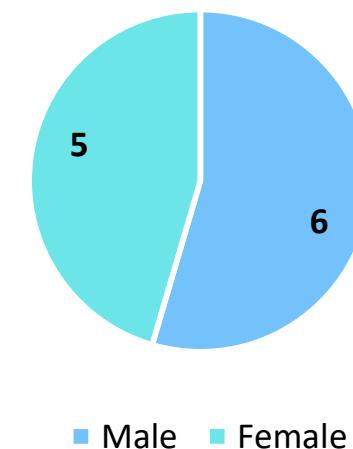
Governance: FCR provides a 100.0% score for VONE's corporate governance

- **VONE ticks all the boxes of the guidelines provide by CA Sri Lanka Code of Best Practices, CSE Listing Rules and CFA Institute Corporate Governance Best Practices.**
- **Chairman and CEO:** the Chairman of the entity is a Non-Executive Director. The roles of Chairman and Managing Director are clearly separated to maintain a balance of power and authority. The Chairman, MD, and CEO are distinct individuals, each with clearly defined and separate powers and responsibilities, in accordance with the CA Sri Lanka Code of Best Practices.
- **Board composition:**
 - ✓ Out of the 11 Directors, 9 are Non-Executive Directors, exceeding the minimum requirement set by the code, which mandates that non-executive directors should constitute one-third of the board.
 - ✓ Additionally, according to the code, 5 of the Non-Executive Directors meet the independence criteria defined by CSE Listing Rule 9.18.1 on Corporate Governance, fulfilling the guideline that at least three or two-thirds of the non-executive directors, whichever is higher, should be independent.
 - ✓ VONE's board consists of 6 males and 5 females, reflecting gender diversity.
- **Appraisal of board performance:** the performance of the Board is reviewed and evaluated by the Board and Chairperson on self-appraisal basis.
- **Appraisal of CEO:** the appraisal of the CEO follows a transparent and robust process with performance being assessed annually by the MD.
- **Minimum public shareholding requirement:** VONE maintains a comfortable public holding of 19.5%, in line with CSE listing rules, which do not impose a minimum public float requirement for companies with a float-adjusted market capitalization exceeding LKR 10.0 Bn.

Board composition of VONE



Gender diversity of the board





iii

KEY INVESTMENT RISKS

Risk assessment across likelihood and severity

Key investment risks: Investors are encouraged to closely monitor the following to optimize returns

FCR has identified both downside and upside risks across key areas, including operational, market, exchange rate, and global economic-related factors. FCR's financial forecasts and valuations are grounded in conservative assumptions that account for the probability and potential impact of these risks. Accordingly, assumptions have been adjusted using appropriate risk premiums and discounts with Scenario analysis. The identified risks are summarized in a risk matrix reflecting their likelihood and impact, with further details on both downside and upside risks presented in the following few slides.

		LIKELIHOOD			
		LOW	MEDIUM	HIGH	VERY HIGH
IMPACT	LOW				
	MEDIUM		DOR7 - Global economic slow down		
	HIGH	DOR2 - Credit risk DOR3 - Liquidity risk UPR1 - Higher demand for construction materials UPR2 – Higher demand for vehicles in FY27E	DOR4 - Macroeconomic and exchange rate risk DOR6 - Raw material risk	DOR1 - Interest rate risk DOR5 - Competitive risk	
	VERY HIGH				

Key downside risks

Code	Risk type	Risk	Impact	Valuation and financial impact	Likelihood
DOR1	Market	Interest rate risk	High	<p>Overall impact to VONE: VONE's overall profitability could decline, given that c.62.0% of its PBT is derived from LFIN and higher finance cost.</p> <p>LFIN: LFIN faces interest rate risk from asset-liability mismatches, where loans may reprice slower than funding costs, causing rising interest rates to compress net interest margins as the cost of funds increases faster than loan yields. Additionally, duration risk arising from long-dated assets funded by short-term liabilities heightens earnings sensitivity to interest rate movements. (<i>please refer page 23 for NII sensitivity for the interest rates</i>). Furthermore, loan book growth may decrease.</p> <p>RCL: cost of funding may increase and ROIC may decrease.</p>	High
DOR2	Market & operational	Credit risk	High	<p>Overall impact to VONE: The impact on VONE is limited, as LFIN maintains adequate impairment coverage and strong capital buffers.</p> <p>LFIN: Credit risk for LFIN is relatively lower, as the company focuses on big-ticket lending and a significant portion of its loan book is concentrated in the Western Province. The impact from Cyclone Ditwah is expected to be minimal, while prudent impairment practices and strong capital buffers further mitigate credit risk.</p>	Low
DOR3	Operational	Liquidity risk	High	<p>Overall impact to VONE: The impact on VONE is limited, as both LFIN and RCL maintain healthy liquidity levels. Impact to the valuations and financial is less.</p> <p>LFIN: LFIN's risk is mitigated, as only 2.2% of its loan book has maturities exceeding five years, all deposits mature within five years, and the company maintains a well-balanced funding mix across deposits, equity, and borrowings.</p> <p>RCL: RCL's current and quick ratios remain historically healthy, with 10-year averages of 1.4x and 0.6x, respectively. We expect these levels to be sustained over the forecast period.</p>	Low

Key downside risks cont'd...

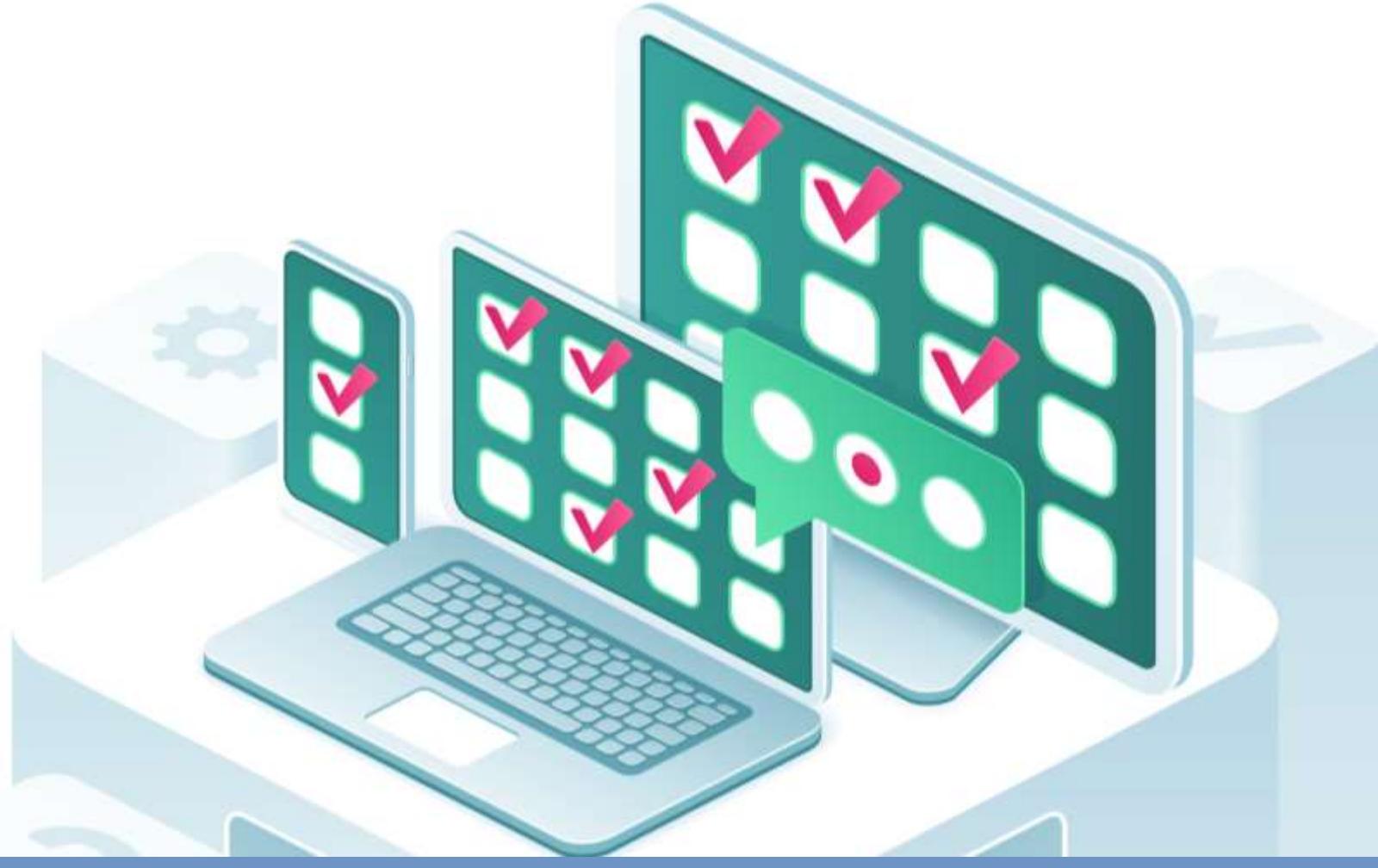
Code	Risk type	Risk	Impact	Valuation and financial impact	Likelihood
DOR4	Market	Macroeconomic and exchange rate risk	High	<p>Overall impact to VONE: the impact is high, as slowing GDP growth could constrain VONE's performance given that many of its business units are closely linked to overall economic activity. Profitability may decrease.</p> <p>LFIN: Loan growth may moderate amid slower GDP growth, while gold loans could remain resilient as a hedge. RCL: Highly exposed to exchange rate risk due to reliance on imported raw materials, while weaker GDP and disposable incomes could dampen consumption and construction activity. Tile & Sanitaryware: Rising input costs could pressure margins. Aluminium: Currency depreciation may weigh on margins but support export revenues. Tile-related Products: Higher clinker prices may increase costs. Packaging: Pulp and paper price increases could elevate input costs. Delmege: Lower GDP and disposable income levels may constrain consumption and construction demand.</p>	Medium
DOR5	Market	Competitive risk	High	<p>Overall impact to VONE: The financial segment faces limited impact, while competition in the tile and sanitaryware segment remains intense. Medium impact to the VONE LFIN: With LFIN and AMF together holding ~14.0% market share, LFIN's strength in the SUV and crossover segments, supported by a dealer-driven business model, provides a competitive advantage. RCL: The tile and sanitaryware segments face competition from cheaper alternatives. However, the Aluminium business and tile-related products benefit from being the second-largest Aluminium extrusion producer and a leader in high-quality tile-related products, supporting competitive pricing. The packaging business faces relatively lower competition given its position as the second-largest producer with adequate capacity. Delmege: Faces competition primarily from lower-priced alternatives.</p>	High

key downside risks

Code	Risk type	Risk	Impact	Valuation and financial impact	Likelihood
DOR6	Market	Raw material risk	High	<p>Overall impact to VONE: Approximately 13.0% of VONE's core business profitability is derived from this segment, resulting in a medium level of impact.</p> <p>RCL</p> <p>Tile and Sanitaryware: As RCL imports LNG for production and the outlook for LNG prices remains stable, the impact is expected to be limited. Aluminium: Global Aluminium prices may rise by around 4.0% going forward; however, RCL is expected to pass on the cost increases to customers, limiting margin pressure.</p> <p>Tile related product business</p> <p>Packaging business</p>	Medium
DOR7	Market	Global economic slow down	Low	<p>Overall impact to VONE: profitability may be moderately affected.</p> <p>RCL: raw material prices could rise amid a global economic downturn, exerting cost pressure.</p> <p>LFIN: vehicle prices may decline, potentially dampening loan growth; however, during economic downturns, increased demand for gold loans and rising gold prices could provide an offsetting benefit.</p>	Medium

key upside risks

Code	Risk type	Risk	Impact	Valuation and financial impact	Likelihood
UPR1	Market	Greater than anticipated demand for construction materials with the construction sector boom	High	<p>Overall impact to VONE: In the bull case scenario, VONE's overall profitability could increase by approximately 4.6%, driven by stronger-than-expected demand for construction materials amid a construction sector boom.</p> <p>RCL: Under the bull case scenario, RCL's core business profitability is expected to increase by approximately 28.0%, driven by stronger-than-anticipated demand for construction materials amid a construction sector upturn. RCL's tile and tile-related products segments, along with its Aluminium and packaging businesses, are expected to be the primary beneficiaries of this construction boom, supported by higher volumes, improved capacity utilization, and stronger pricing power.</p>	Low
UPR2	Market	Greater than anticipated demand for vehicles in FY27E	High	<p>Overall impact to VONE: In the bull case scenario, VONE's overall profitability could increase by approximately 3.0%, driven by stronger-than-expected demand for vehicles.</p> <p>LFIN: LFIN's profitability could rise by 3.9% under a bull-case scenario assuming 18.0% YoY loan growth, compared to the 14.0% growth in the base case.</p>	Low



iv

FIRST CAPITAL RESEARCH GO-TO-MARKET SURVEY REUSLTS

Tapping into market sentiment to expose the true engines of demand



OBJECTIVES

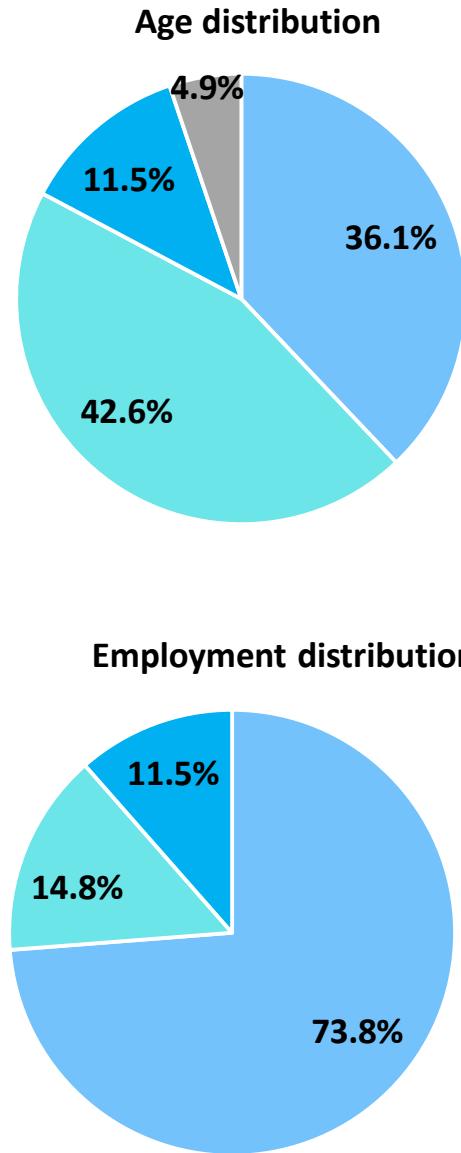
- To evaluate the brand positioning of RCL, LWL, TILE, Macktiles, and imported tiles.
- To identify the most preferred tiling and sanitaryware/bathware brands.
- To determine preferred material types for household furniture, doors, windows, and ceilings.
- To assess Sri Lankan households' intentions to build homes within the next 3 months, 6 months, or 1 year, and their likelihood of using loans for construction.



SAMPLING TECHNIQUE, POPULATION AND SAMPLE

- Sampling technique:** We have used non-probability sampling technique, where individuals are selected based on non-random criteria. Under non-probability sampling; *both convenience and snowball sampling techniques has been used to gather data.*
- Population and sample:** Our population consists of Sri Lankans across the country, while our sample includes self-employed individuals, private and government employees, as well as SME and large-scale business owners.

First Capital Research Go-to-Market Survey results: income, employment and salary distribution

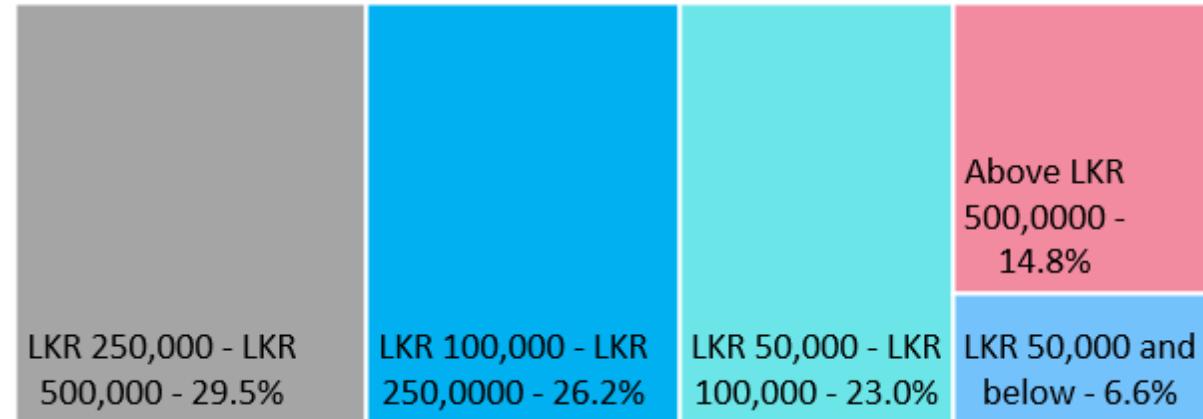


- 25-35
- 36-45
- 46-55
- 65 onwards

- Private
- Government
- Self-employed and other

Salary distribution

- LKR 50,000 and below - 6.6%
- LKR 50,000 - LKR 100,000 - 23.0%
- LKR 100,000 - LKR 250,000 - 26.2%
- LKR 250,000 - LKR 500,000 - 29.5%
- Above LKR 500,000 - 14.8%

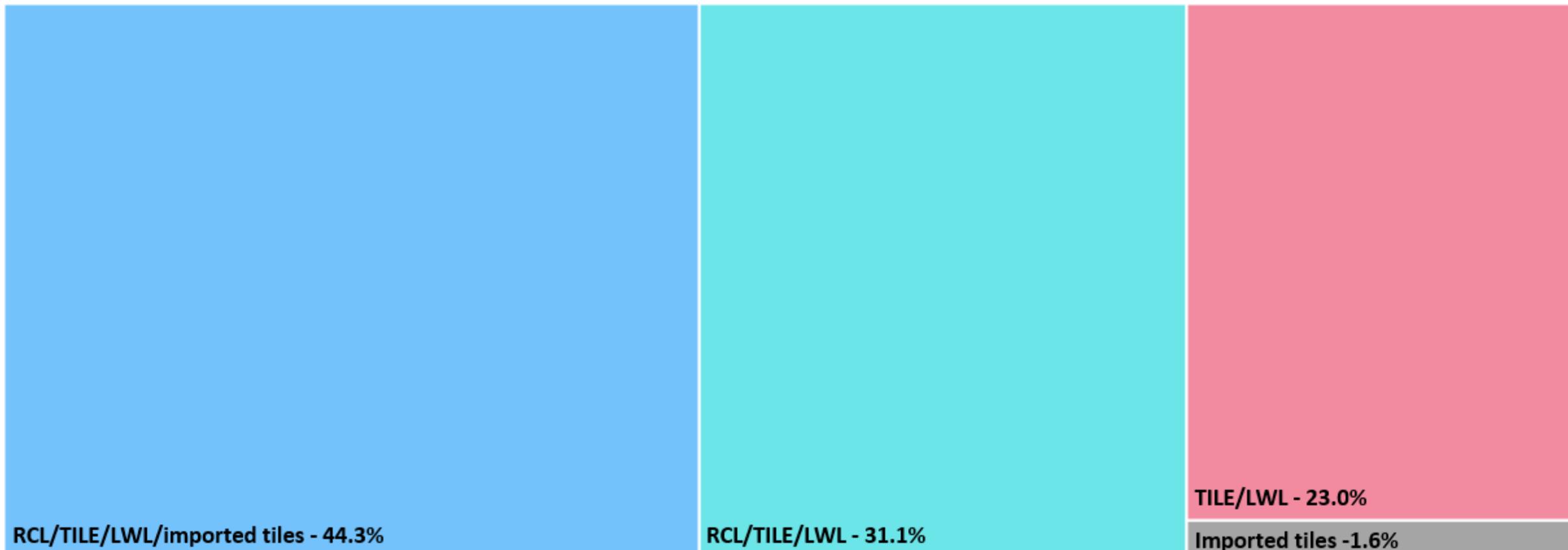


FCR primarily targeted individuals aged 25–45 with higher income levels, as this group is more likely to afford house construction and therefore provides a more representative view of market sentiment.

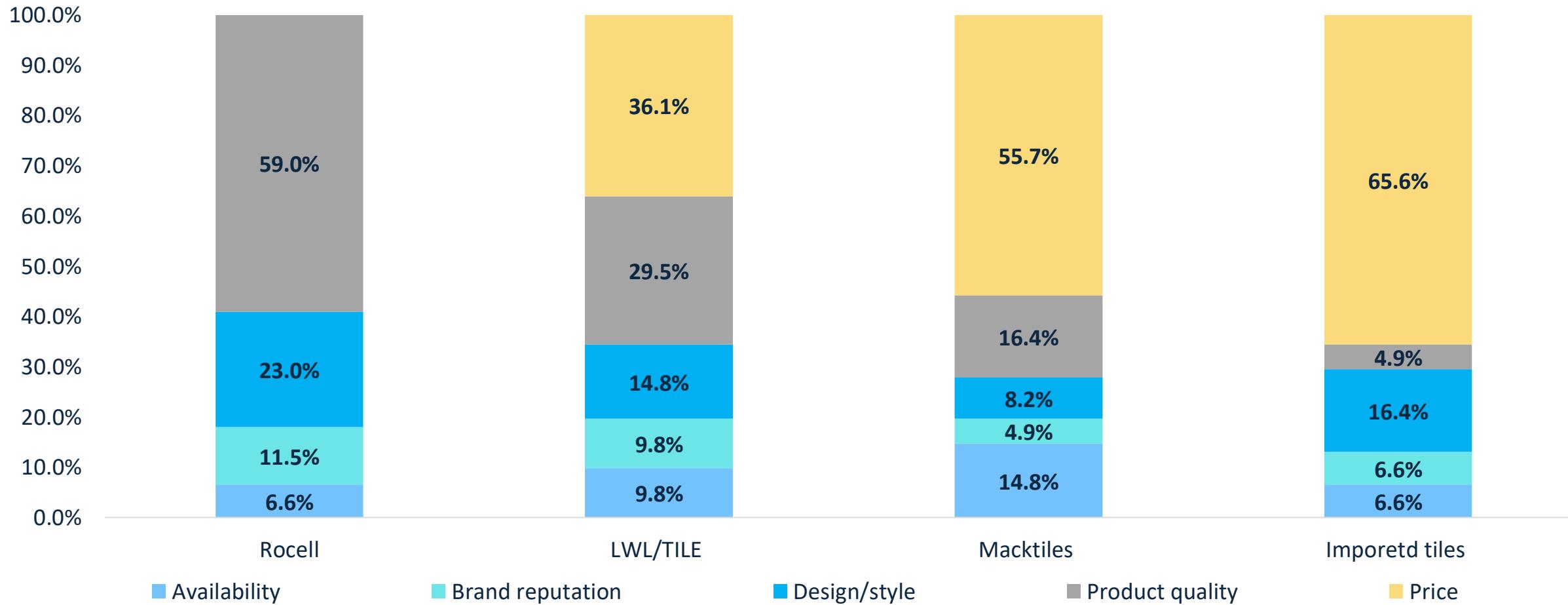
First Capital Research Go-to-Market Survey results: what do contractors/home builders recommend?

According to the survey, 31.1% of respondents indicated that contractors or home builders recommend RCL/LWL/TILE, while 23.0% cited recommendations for LWL/TILE.

■ Imported tiles -1.6% ■ RCL/TILE/LWL - 31.1% ■ TILE/LWL - 23.0% ■ RCL/TILE/LWL/imported tiles - 44.3%



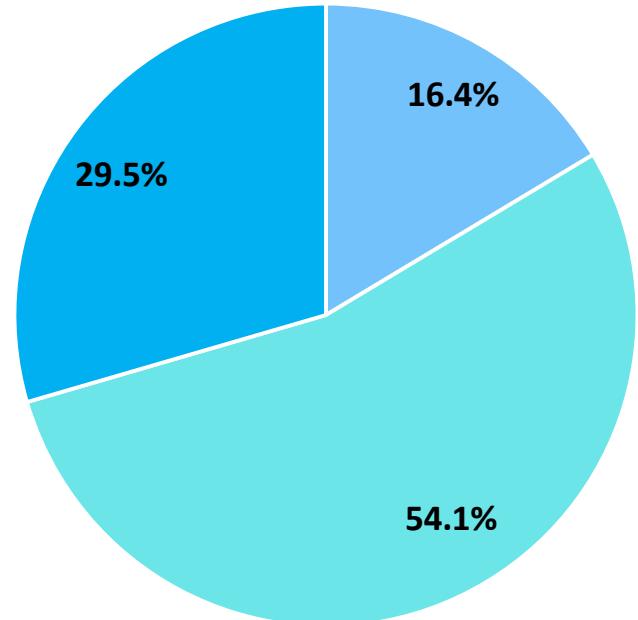
First Capital Research Go-to-Market Survey results: reasons behind purchasing different tile brands



Survey respondents prefer RCL products for their quality and design, LWL/TILE for quality or price competitiveness, while Macktiles and imported products are chosen primarily based on price.

First Capital Research Go-to-Market Survey results: most preferred bathware/sanitaryware brand

Most preferred brand among respondents

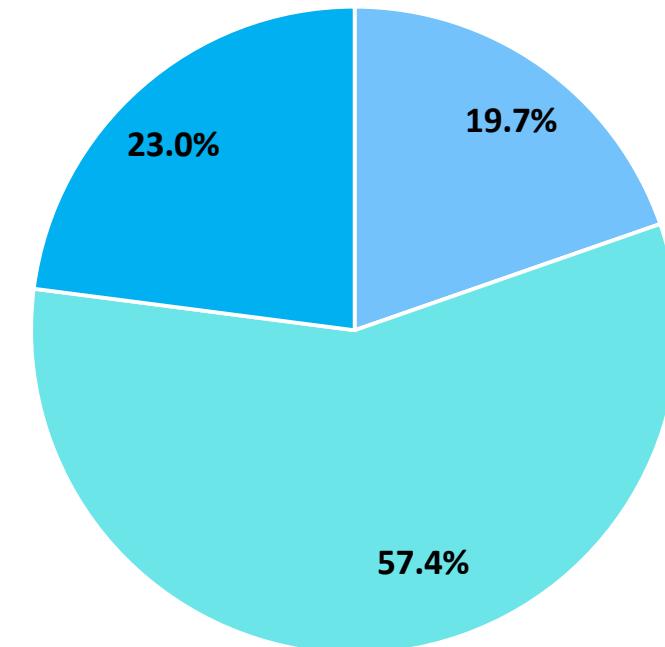


■ Imported items ■ RCL ■ RCL/imported items

54.1%

Among all respondents, 54.1% prefer RCL products over other products

What do contractors recommend?



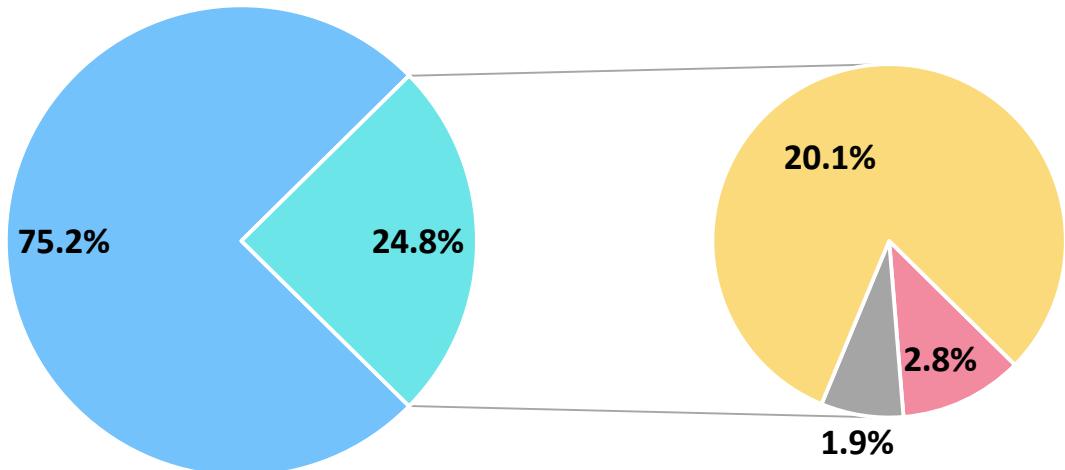
■ Imported items ■ RCL ■ RCL/imported items

57.4%

Among all respondents, 57.4% contractors recommend RCL products over other products

First Capital Research Go-to-Market Survey results: housing plans

ONE YEAR AGO



■ No

■ Within the next 6 months

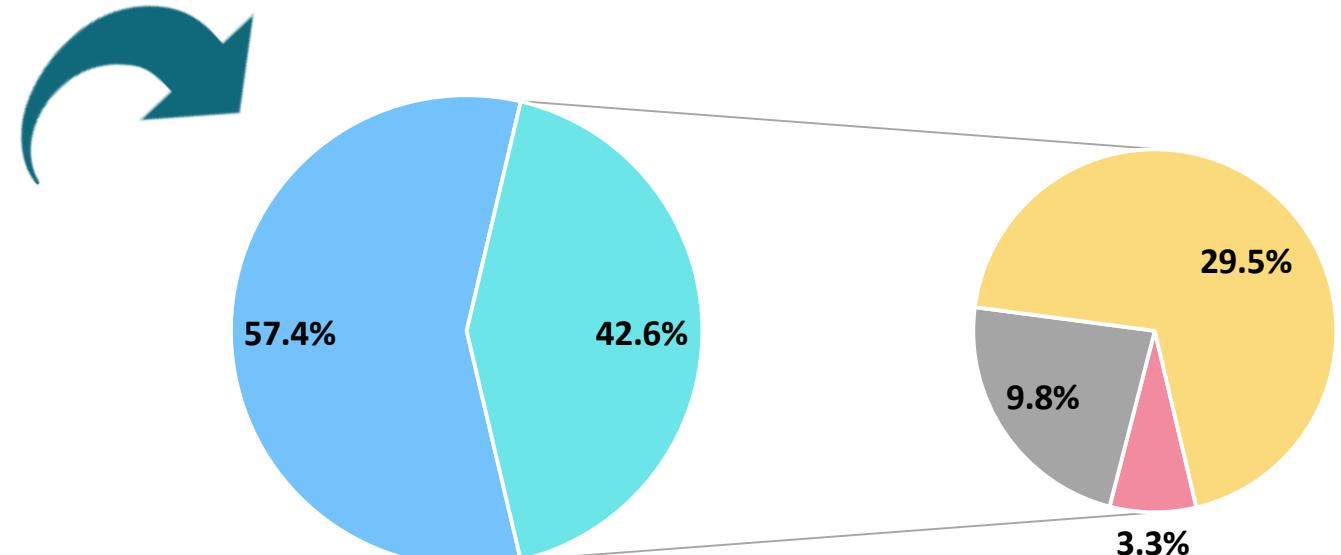
■ Within the next 3 months

■ Within the next year

24.8%

Among all respondents, 24.8% plan to build a new house within the next 3 months to one year

NOW



■ No

■ Within the next 6 months

■ Within the next 3 months

■ Within the next year

42.6%

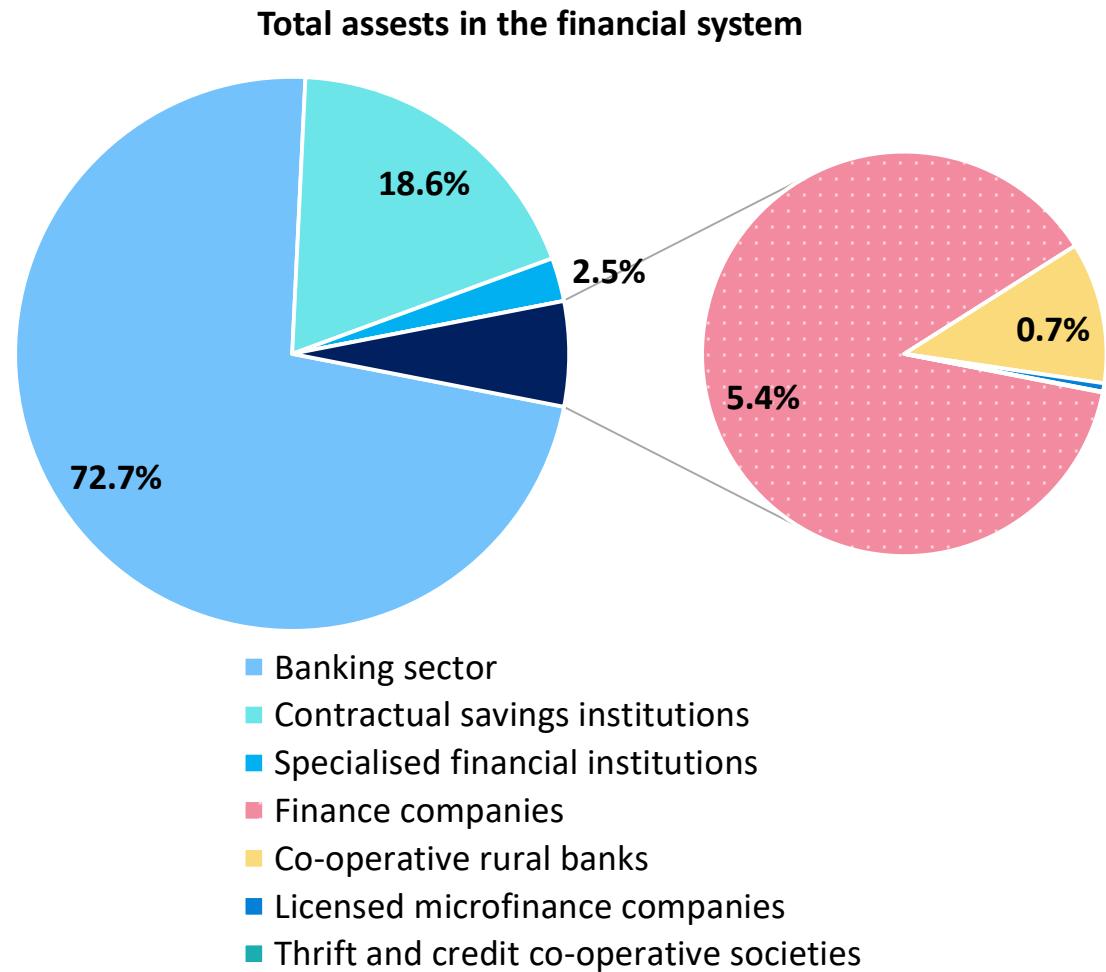
Among all respondents, 42.6% plan to build a new house within the next 3 months to one year

v. Industry overview: non-banking financial institutions sector

OVERVIEW

- Sri Lanka's NBFI sector is dominated by Licensed Finance Companies (LFCs), which are permitted to accept public deposits and provide a wide range of financial services, including lending and leasing. In contrast, Specialized Leasing Companies (SLCs) operate within a more limited mandate and are not authorized to mobilize public deposits.
- LFCs are regulated under the Finance Business Act No. 42 of 2011.

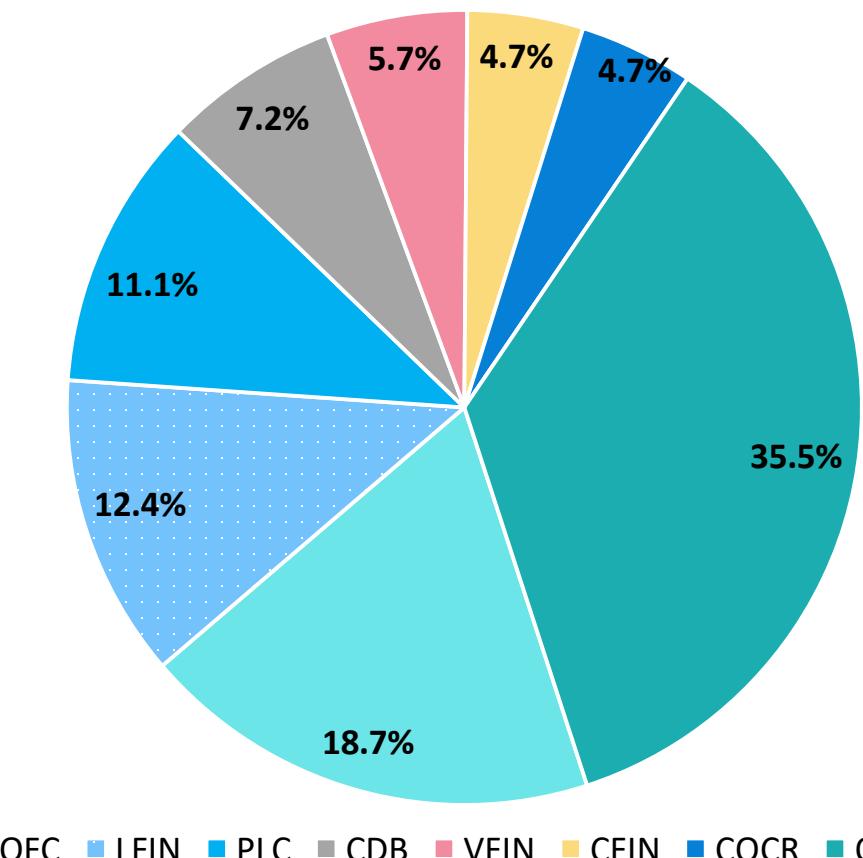
Currently, **32 LFCs** operate in Sri Lanka, of which **27 are listed** on the Colombo Stock Exchange (CSE), providing investors with broad public market exposure to the sector. SLCs, governed by the Finance Leasing Act No. 56 of 2000, have a significantly smaller presence, with Co-operative Leasing Company Ltd being the sole active SLC in the country.



Licensed finance companies are coming under other deposit taking financial institutions and out of total assets in the financial system licensed finance companies holds 5.4% of the total assets.

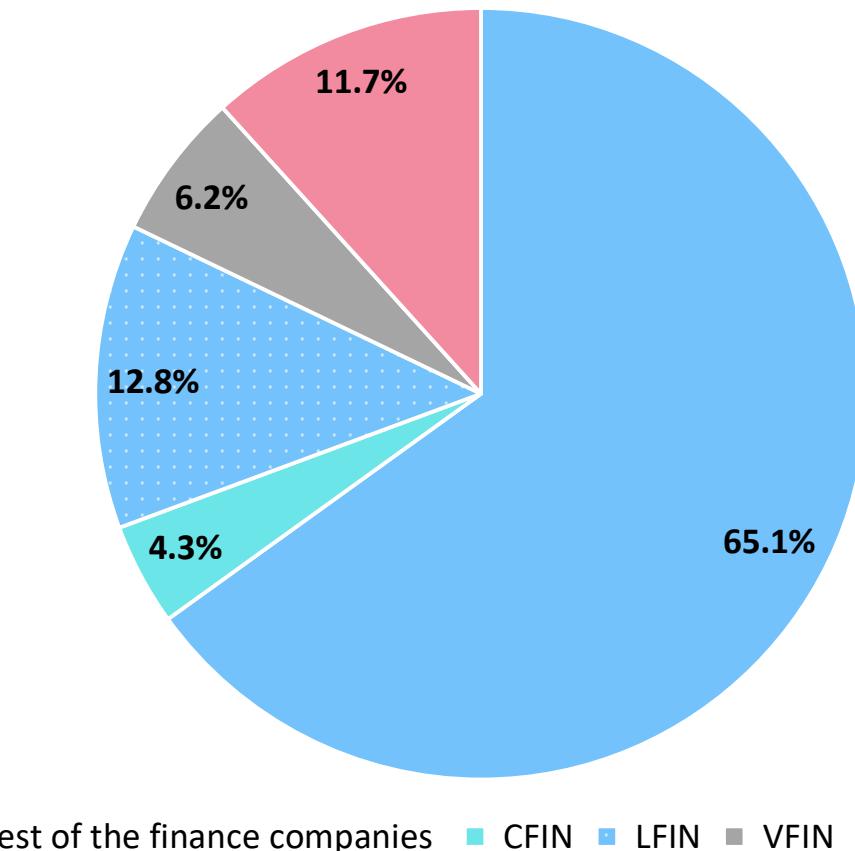
v. Industry overview: non-banking financial institutions sector cont'd...

NBFI sector asset total asset distribution



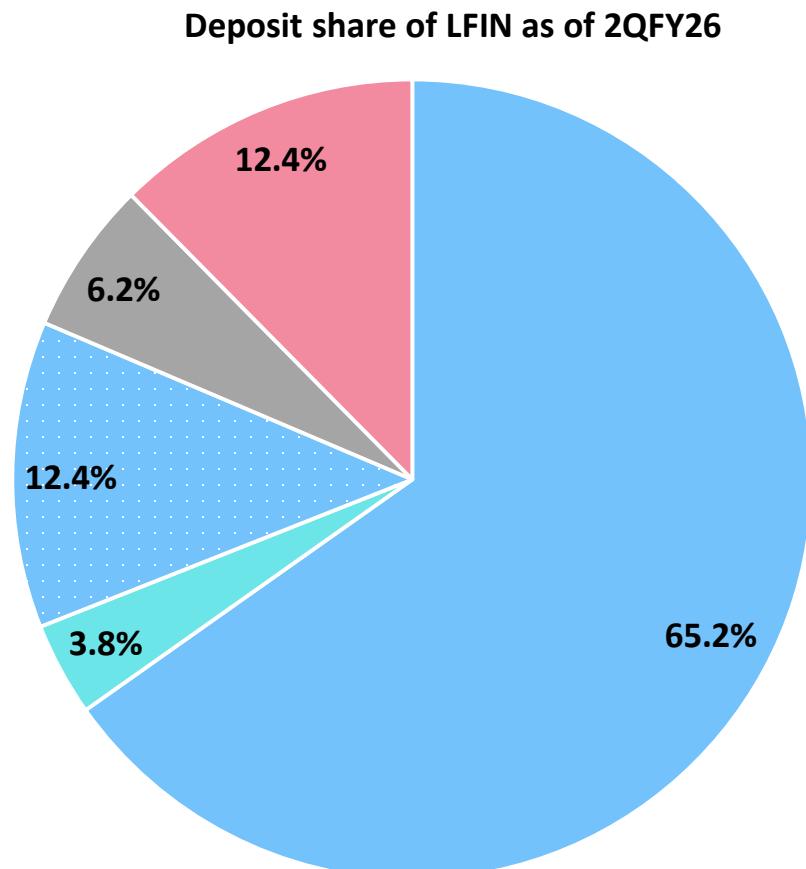
LFIN ranks as the second-largest player in the NBFI sector, accounting for 12.4% of total sector assets.

Total loans and advances share of LFIN as of 2QFY26



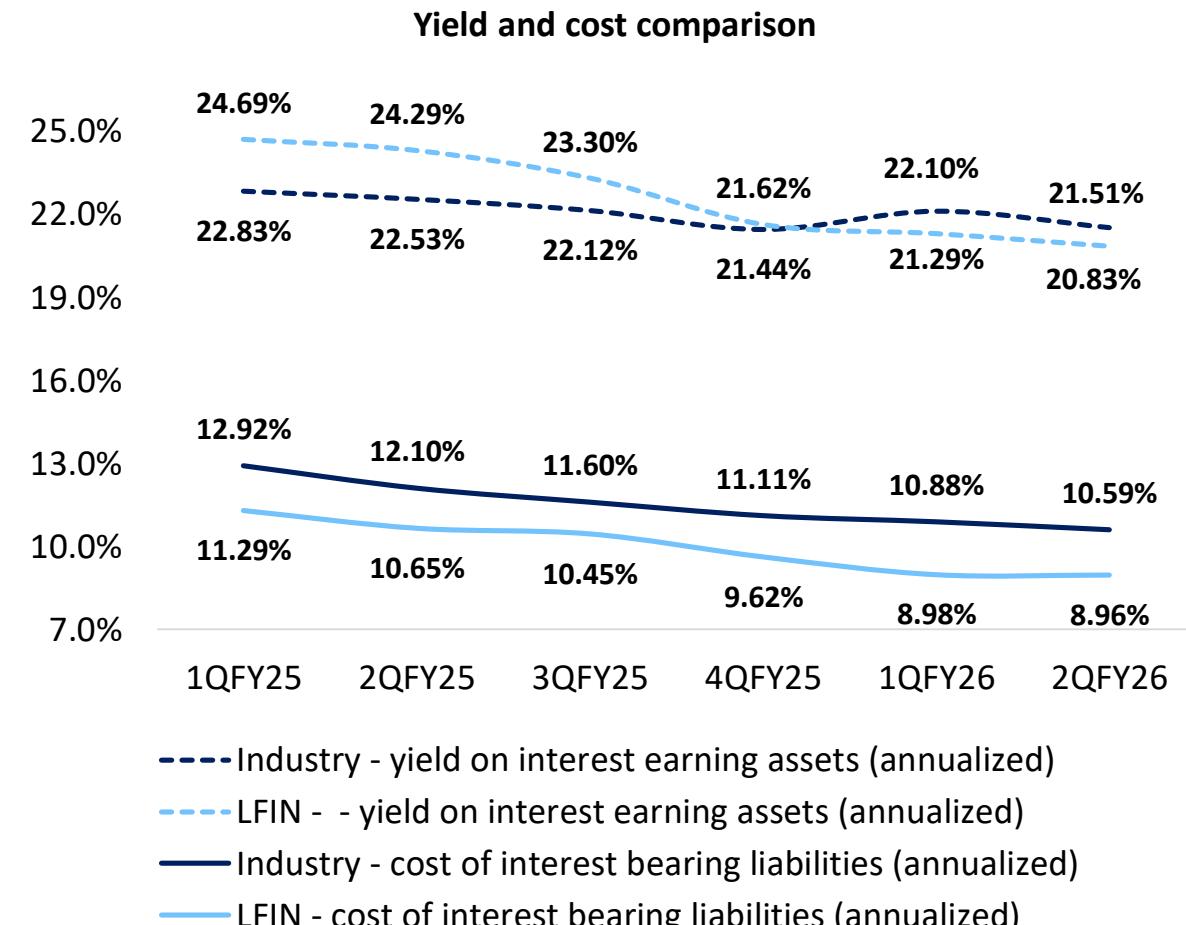
Among NBFI, LFIN commands a 12.2% share of loans and advances, outperforming its direct competitors CFIN, VFIN, and PLC, which focus primarily on financing motor cars, SUVs, and crossovers.

v. Industry overview: non-banking financial institutions sector cont'd...



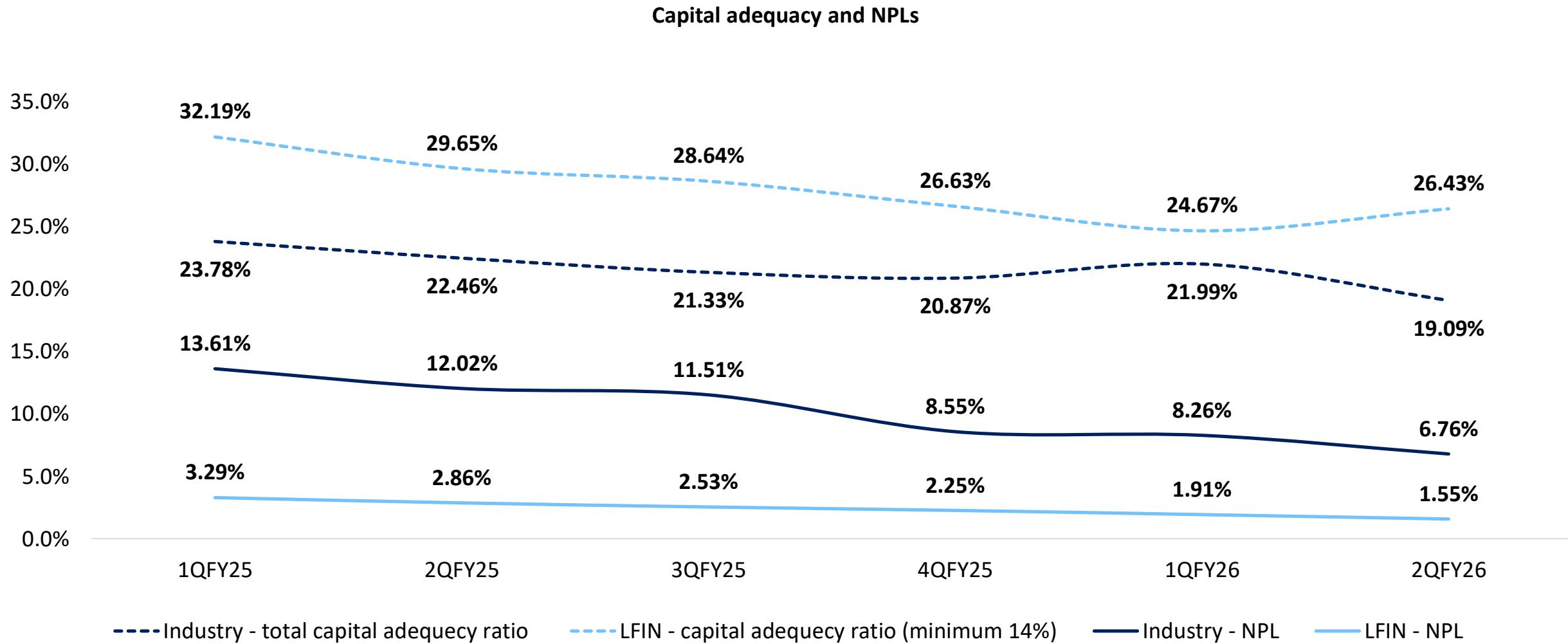
■ Rest of the finance companies ■ CFIN ■ LFIN ■ VFIN ■ PLC

Among NBFIs, LFIN commands a 12.4% share of deposits, outperforming its direct competitors CFIN, VFIN, and PLC due to the branch network.



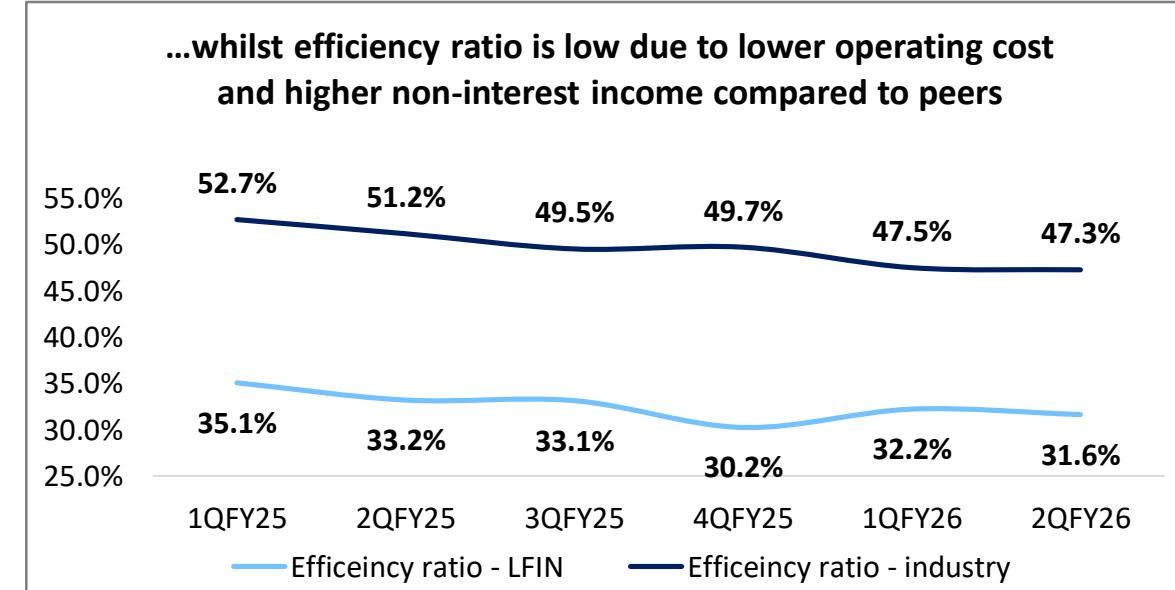
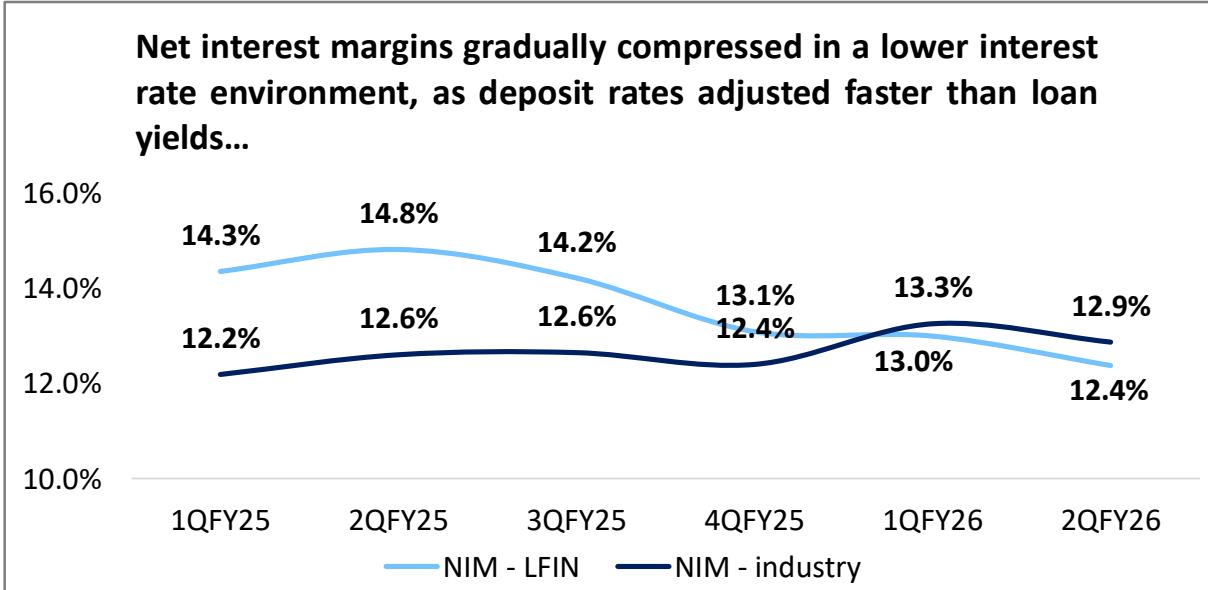
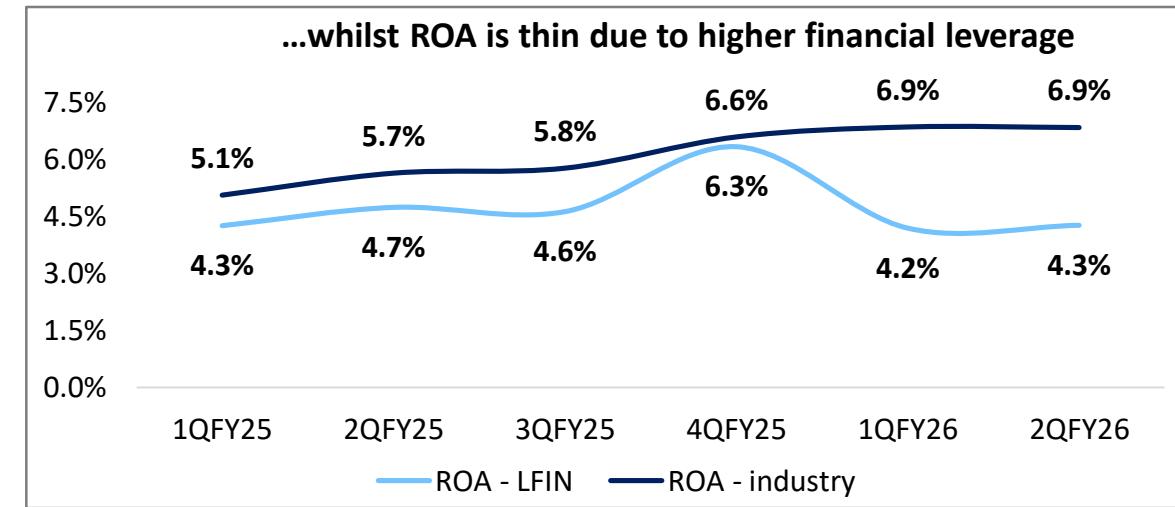
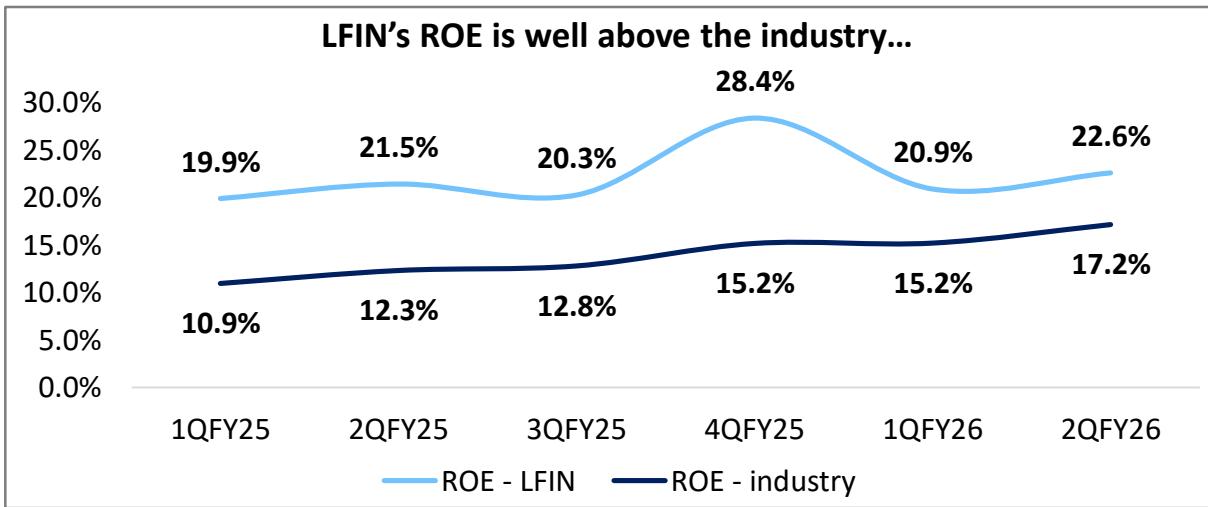
LFIN's yield on interest-earning assets and its cost of interest-bearing liabilities are both below the industry benchmark, reflecting its ability to attract clients through competitive pricing.

v. Industry overview: non-banking financial institutions sector cont'd...

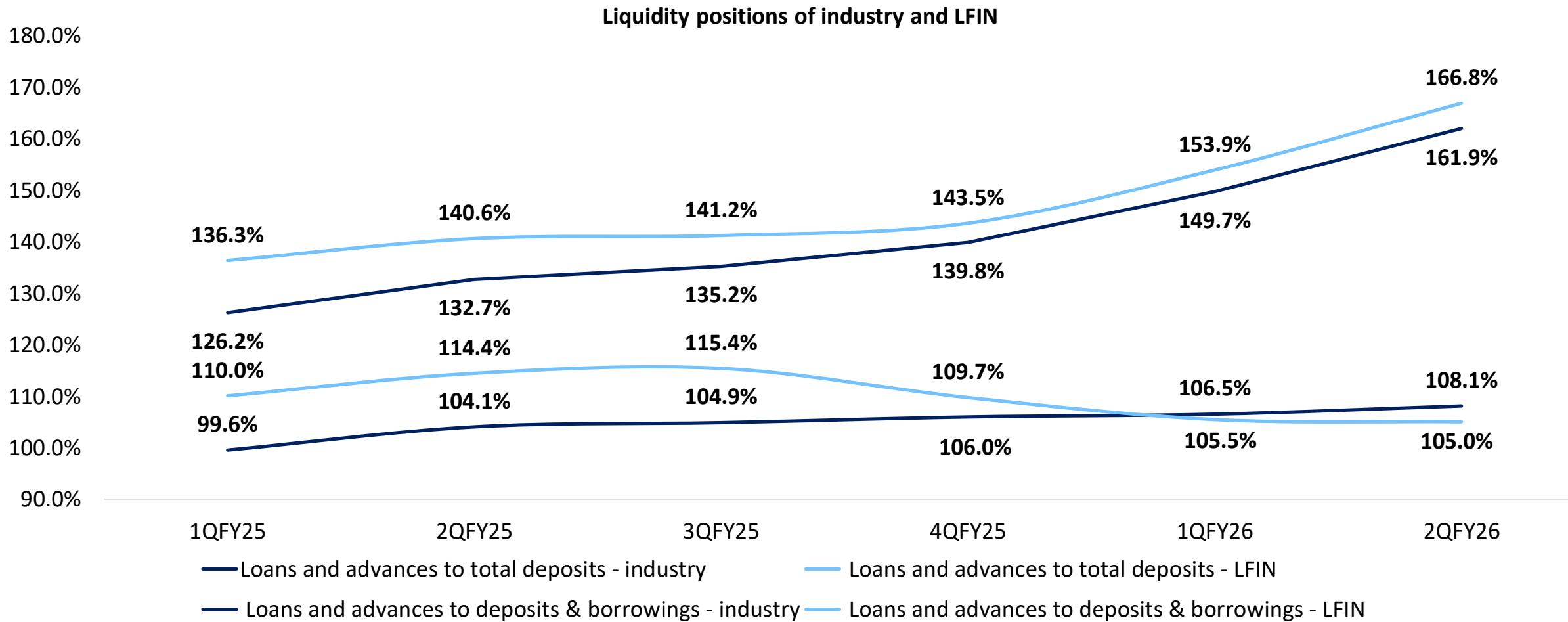


LFIN's capital adequacy ratios have consistently remained above industry benchmarks, while NPL levels are well below the sector average, underscoring prudent risk management, strong regulatory compliance, and a low risk of financial distress.

v. Industry overview: non-banking financial institutions sector cont'd...



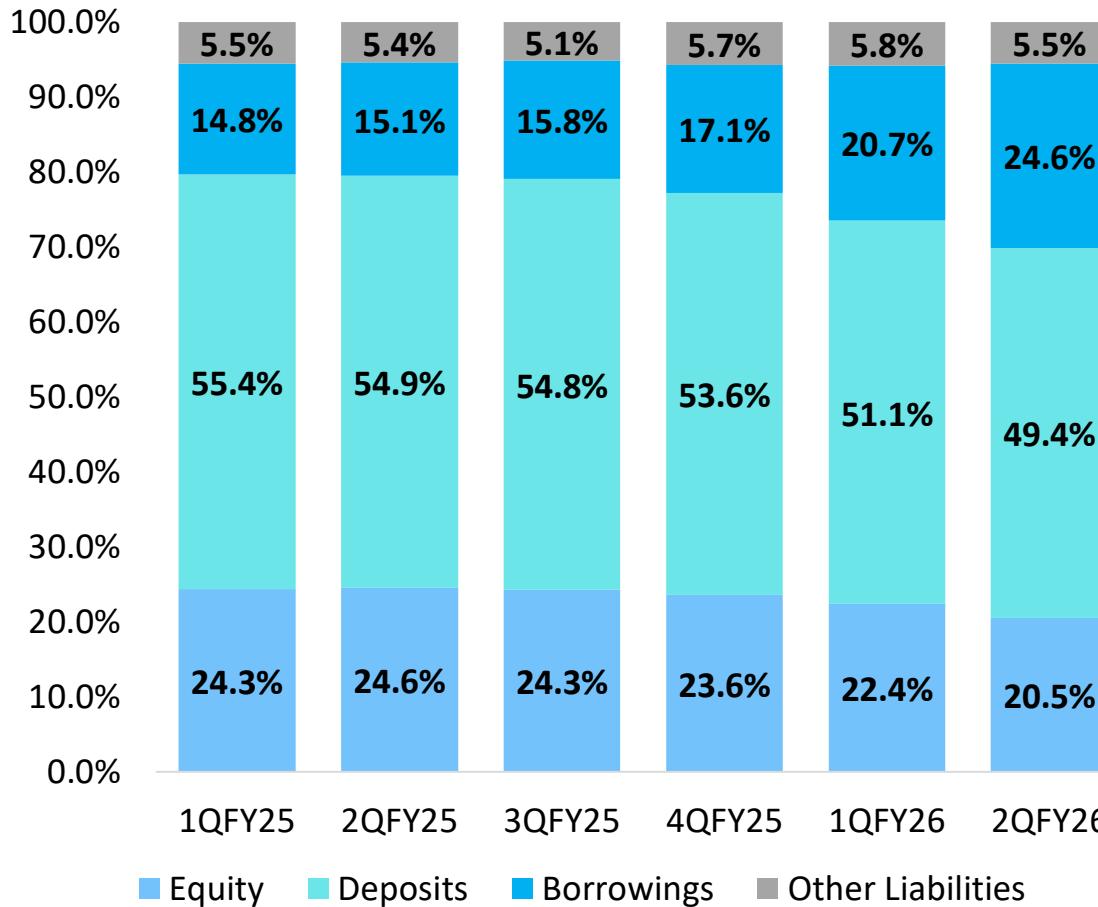
v. Industry overview: non-banking financial institutions sector cont'd...



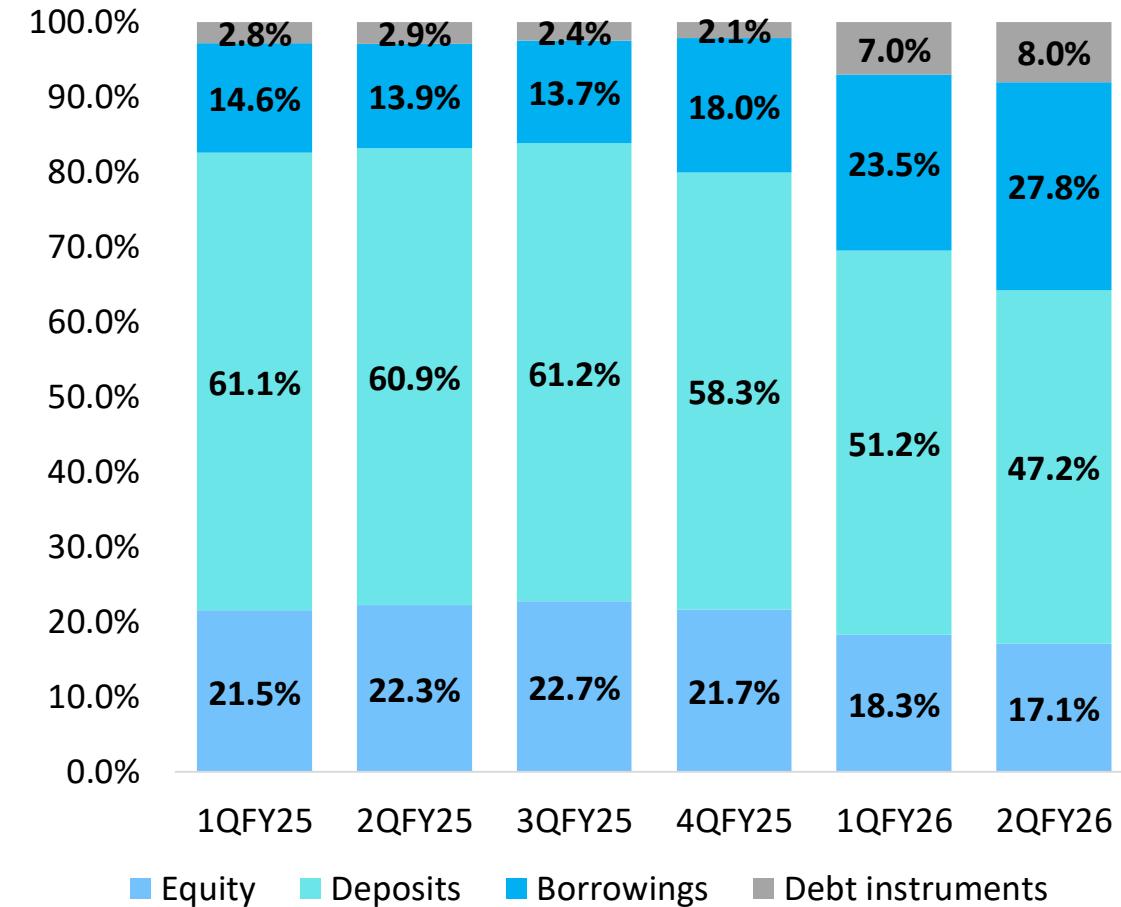
LIN's loans and advances-to-deposits ratio is higher than the industry average, while its loans and advances-to-deposits and borrowings ratio remains below the industry benchmark, reflecting an increase in borrowings compared to previous quarters.

v. Industry overview: non-banking financial institutions sector cont'd...

Funding structure of the industry



Funding structure of LFIN



LFIN maintains a funding structure consistent with the industry.

v. Industry overview: Porter's five forces for non-banking financial institutions sector

OVERALL INDUSTRY ATTRACTIVENESS: HIGH



Threat of new entrants
 High regulatory requirements, capital thresholds, and compliance costs keep the threat of new entrants low.



Bargaining power of suppliers
 Depositors and wholesale funders exert moderate power, as funding costs are sensitive to interest rate cycles despite diversified funding sources.



Bargaining power of customers
 Customer bargaining power is moderate to high due to easy rate comparison and low switching costs across lenders.



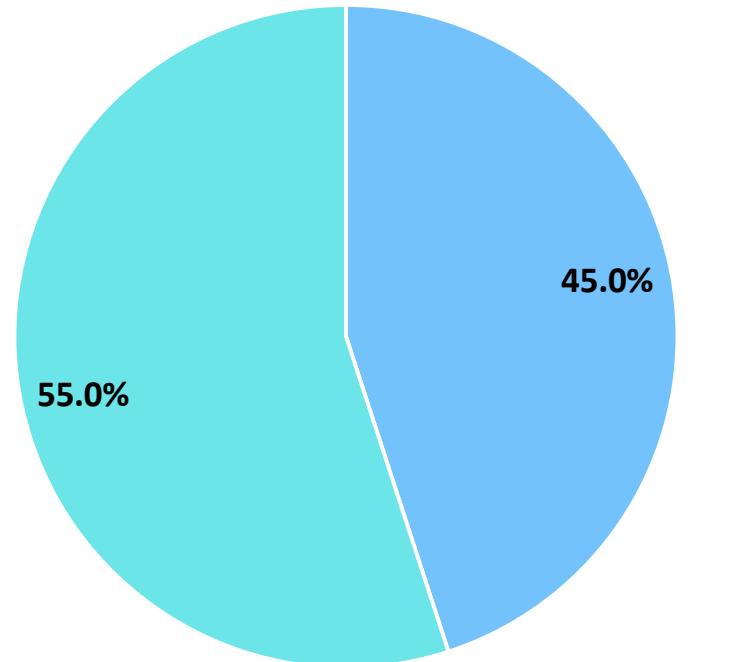
Threat of substitutes
 The threat of substitutes is moderate, with banks and emerging digital lenders offering alternative credit options.



Industry rivalry
 Competitive intensity remains high, driven by a fragmented market and aggressive pricing to capture loan growth.

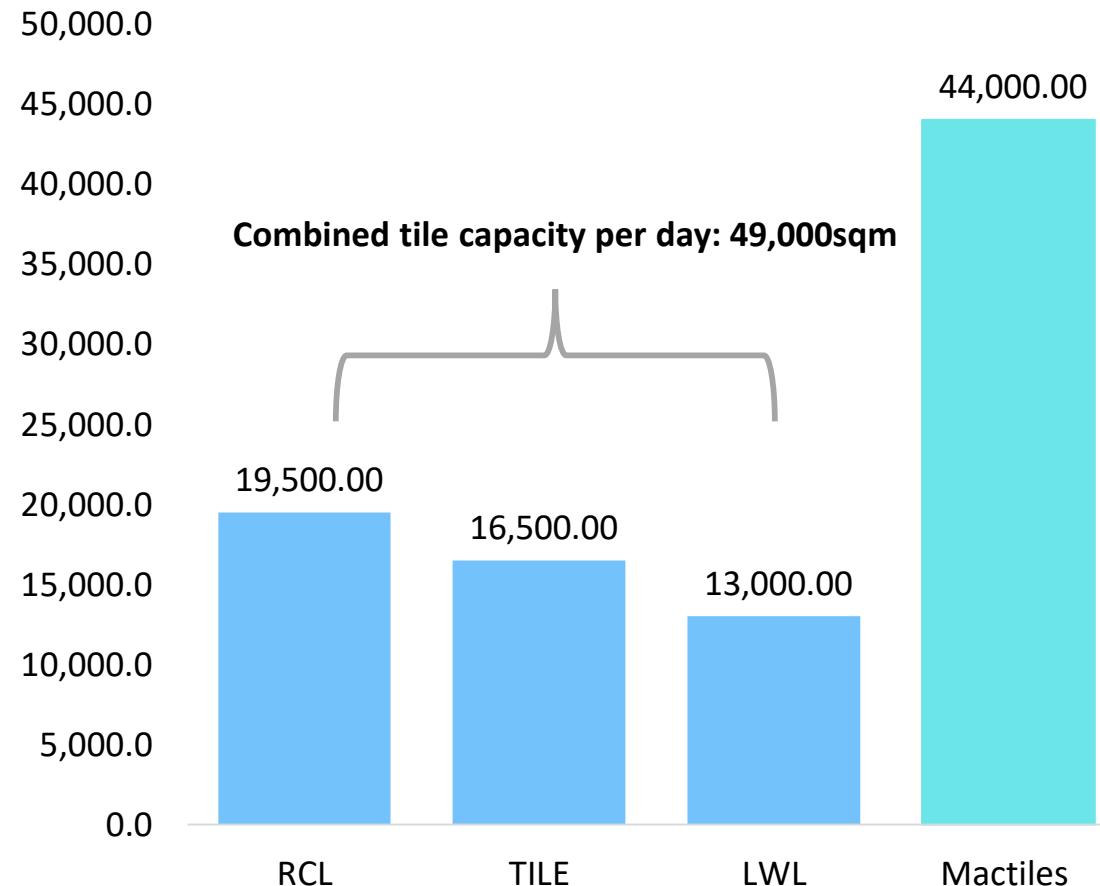
v. Industry overview: tiles sector

Market share



■ RCL, TILE and LWL ■ Mactiles and imported tiles

Per day tile capacity - sqm



RCL Tile and LWL collectively command a 55.0% market share despite intense competition, with the RCL Group operating a combined tile capacity of 49,000 sqm per day.

v. Industry overview: Porter's five forces for tiles and bathware sector

OVERALL INDUSTRY ATTRACTIVENESS: NEUTRAL



Threat of new entrants

The threat of new entrants is low due to high capital intensity, energy requirements, and established brand dominance among incumbents, but lower imports can exert a negative pressure.



Bargaining power of suppliers

Supplier power is moderate, as raw materials are locally available, though energy and fuel costs significantly influence production economics.



Bargaining power of customers

Customer bargaining power is moderate to high, driven by price sensitivity and the availability of alternative flooring materials and cheaper alternatives.



Threat of substitutes

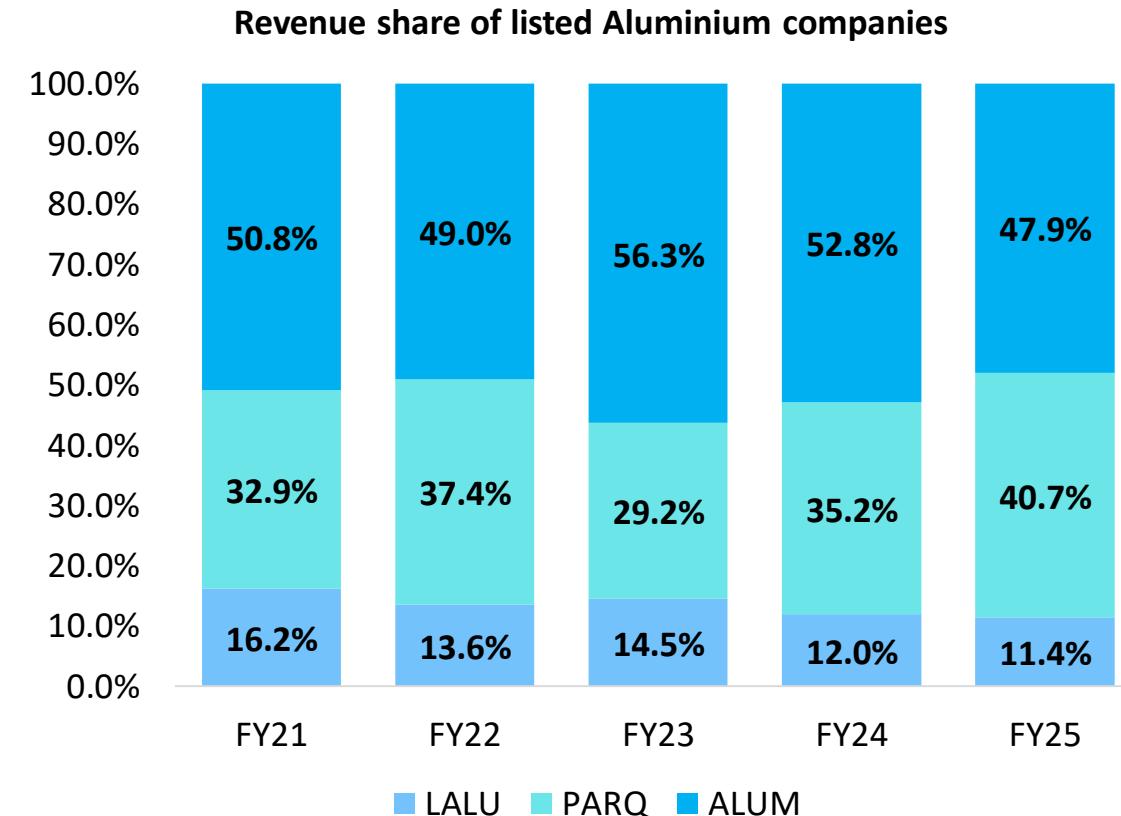
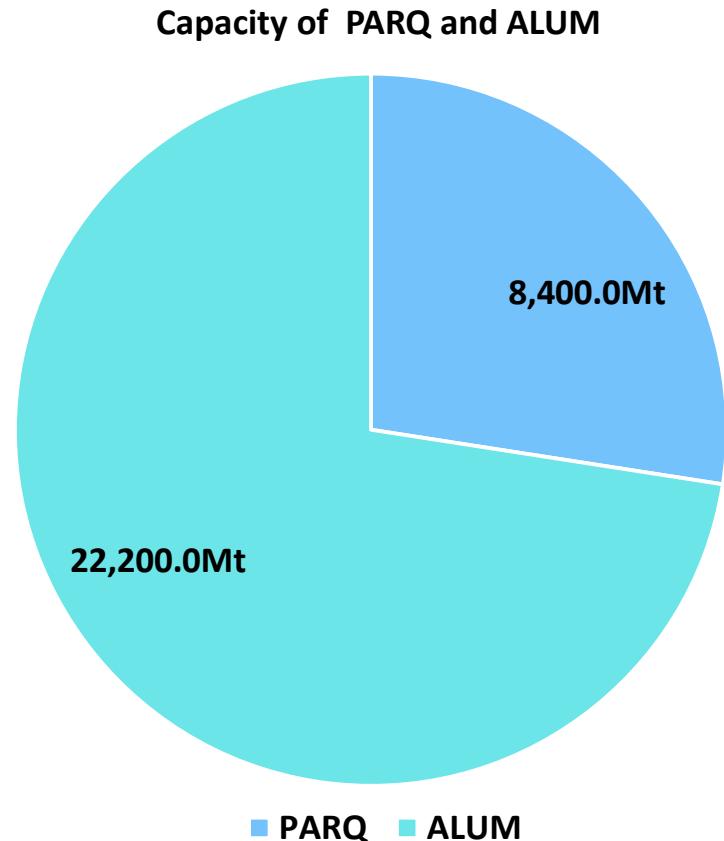
The threat of substitutes is high, with marble, granite, vinyl, and imported flooring solutions offering viable alternatives.



Industry rivalry

Industry rivalry is high, reflecting limited domestic players competing aggressively on pricing, design, and distribution with cheaper import products.

v. Industry overview: Aluminium sector



Although PARQ is relatively smaller than ALUM, with ALUM's capacity around 2.6x higher, PARQ competes effectively through cost leadership and a strong B2C market presence.

v. Industry overview: Porter's five forces for Aluminium sector

OVERALL INDUSTRY ATTRACTIVENESS: HIGH



Threat of new entrants
 Entry is moderately easy for small fabricators but harder for large-scale producers due to capital requirements and established brands.



Bargaining power of suppliers
 Suppliers of raw Aluminium hold high power due to import dependence and global price volatility.



Bargaining power of customers
 Buyers have moderate to high power as they can easily switch among many fabricators offering similar products.

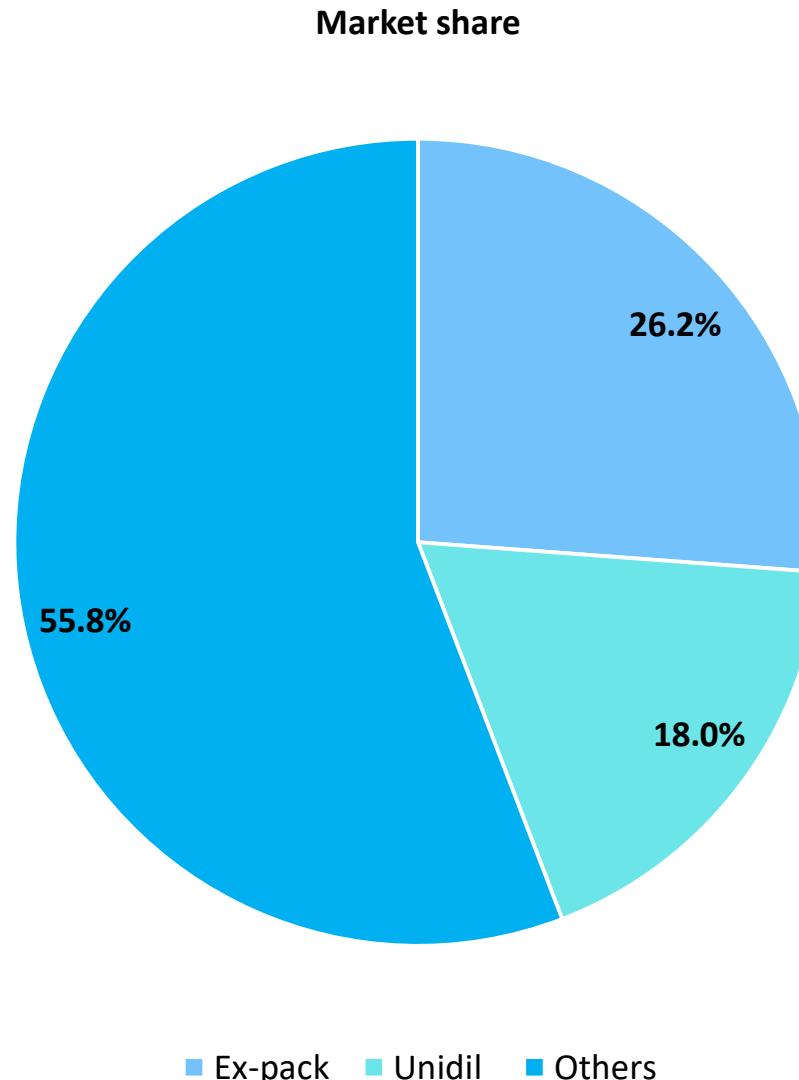


Threat of substitutes
 Substitutes like steel, PVC, and composites pose moderate pressure, but Aluminium retains technical advantages in key applications.



Industry rivalry
 Competition is very high due to excess capacity, numerous players, and largely undifferentiated products.

v. Industry overview: packaging sector



Demand drivers for the packaging industry



E-commerce driving demand: As direct-to-consumer logistics become more complex, e-commerce packages may be handled up to 20 times or more during distribution, increasing demand for cost-effective secondary corrugated board packaging.



Sustainability as a key consideration: growing adoption of innovative sustainable packaging in food and beverage products is expected to drive industry growth while significantly reducing environmental impact.

v. Industry overview: Porter's five forces for packaging sector

OVERALL INDUSTRY ATTRACTIVENESS: MODERATE



Threat of new entrants
 New packaging firms face moderate barriers because the market is growing fast and welcoming innovation, but requires significant capital, quality standards, and technology to compete effectively.



Bargaining power of suppliers
 Suppliers of raw materials like paper, plastics, adhesives and machinery have moderate to high power due to import dependence and volatile input costs.



Bargaining power of customers
 Buyers have moderate power because a large number of packaging companies offer diverse material options and buyers can switch between suppliers, especially SMEs seeking custom solutions.

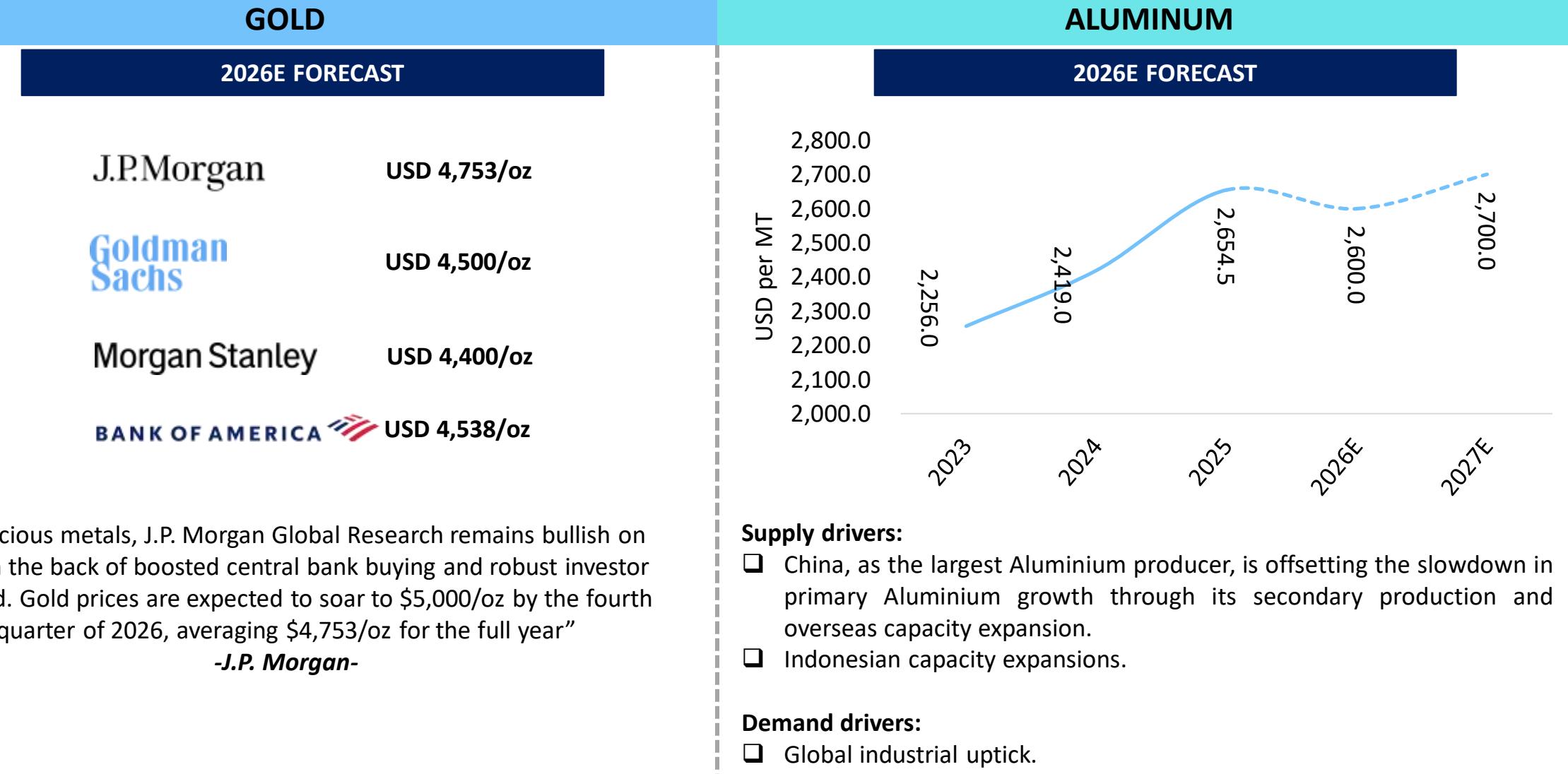


Threat of substitutes
 Substitutes such as reusable, minimalist or alternative eco-friendly materials exert moderate pressure as sustainability trends drive demand for recyclable and low-waste packaging.



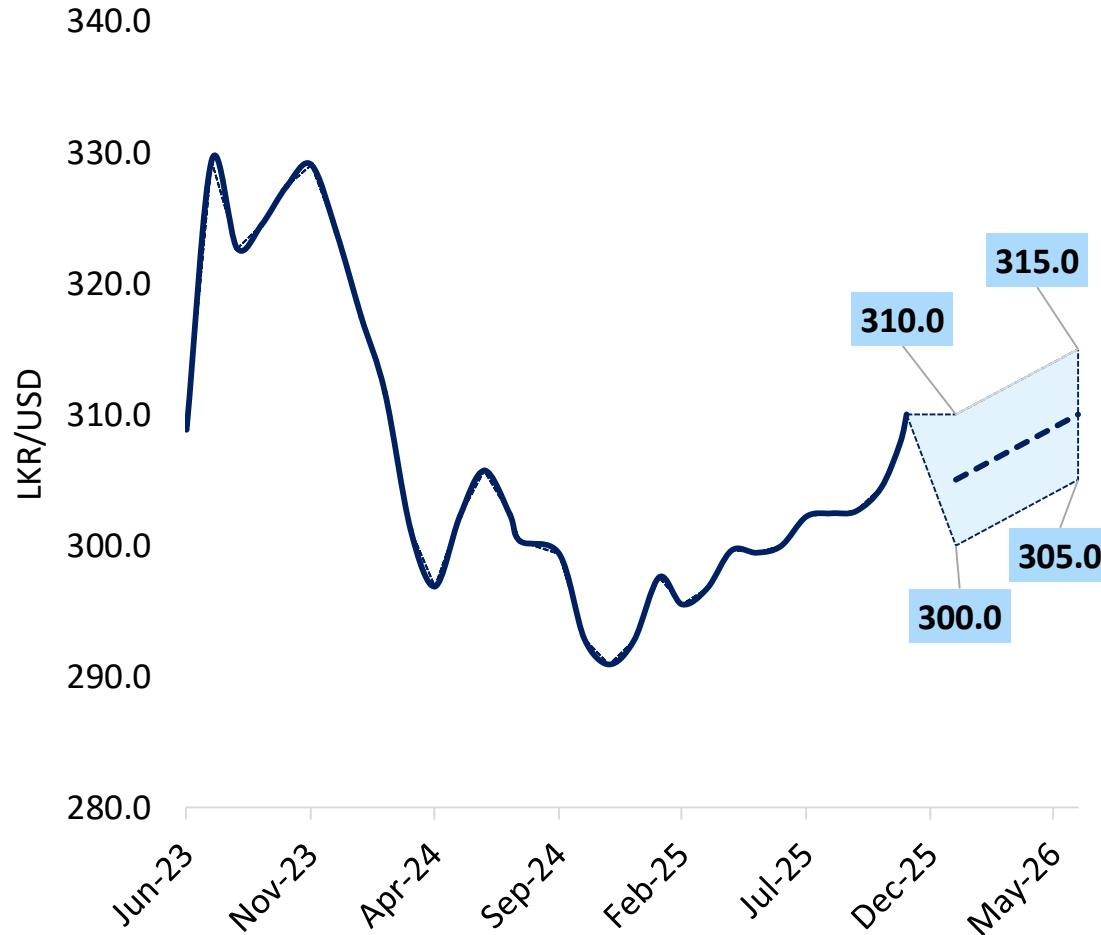
Industry rivalry
 Rivalry is high among many local and regional firms competing on price, quality, sustainability features and service across flexible, corrugated, plastic, metal and glass packaging segments.

vi. Global commodity price's outlook: Gold and Aluminium

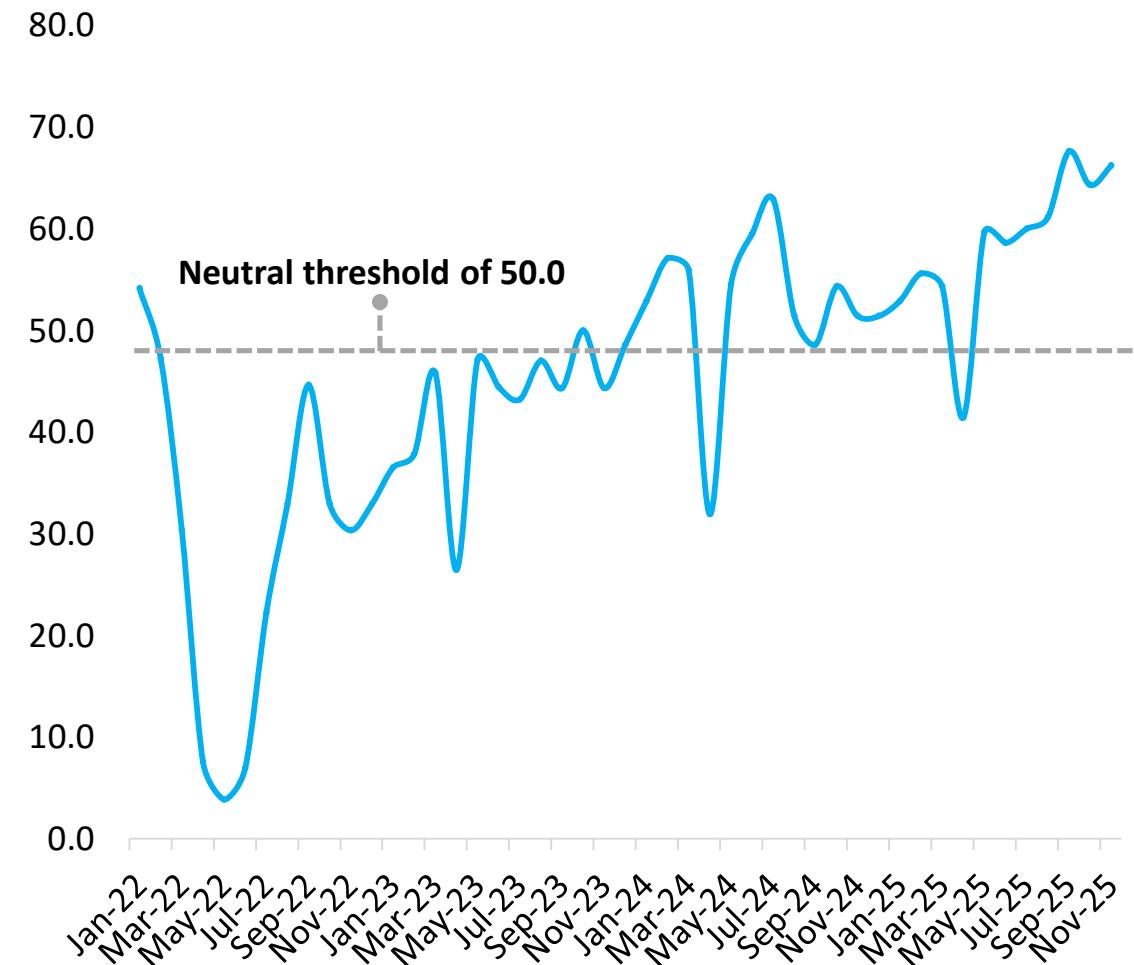


vii. FCR's exchange rate outlook and PMI construction numbers

FCR's exchange rate forecast: FCR anticipates a gradual depreciation of the exchange rate, driven by rising imports and debt repayments.



PMI construction: Despite cyclone disruptions, CBSL expects a positive outlook over the next three months, supported by favorable weather, new projects, and post-cyclone reconstruction.



viii. Financial statements of VONE: summarized statement of profit or loss

Summarized statement of profit or loss							
Y/E 31 March (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	94,295.2	116,854.7	122,329.6	122,759.7	148,513.0	182,680.0	198,667.3
Cost of sales	(48,765.1)	(66,202.3)	(67,930.2)	(69,034.2)	(81,765.9)	(99,055.5)	(107,141.5)
Gross profit	45,530.1	50,652.3	54,399.4	53,725.5	66,747.2	83,624.6	91,525.8
Dividend income	728.0	568.5	880.7	1,399.3	1,869.1	2,081.2	2,324.7
Other operating income	1,447.1	768.1	836.2	1,170.5	747.6	837.6	866.2
Selling and distribution	(7,315.9)	(9,358.5)	(9,865.3)	(10,637.0)	(10,383.1)	(11,217.5)	(11,576.7)
Admin expenses	(8,969.4)	(11,231.2)	(13,233.5)	(15,102.7)	(20,111.1)	(25,448.7)	(28,266.0)
Other operating expenses	(1,280.5)	(721.7)	(510.2)	(50.2)	(2,468.0)	(3,374.9)	(3,887.5)
EBIT	30,139.4	30,677.6	32,507.3	30,505.5	36,401.7	46,502.4	50,986.5
Net finance income	(498.5)	(2,917.4)	(2,372.1)	(2,027.2)	(2,912.4)	(3,482.2)	(2,944.4)
Share of results of equity accounted investees	7.5	(4.5)	47.9	53.2	51.1	58.7	65.6
Profit before VAT	29,648.4	27,755.8	30,183.1	28,531.5	33,540.4	43,078.9	48,107.7
VAT on financial services	(2,136.6)	(2,677.6)	(3,630.2)	(4,183.2)	(4,635.0)	(6,173.1)	(7,021.3)
PBT	27,511.8	25,078.2	26,552.9	24,348.3	28,905.4	36,905.8	41,086.4
Income tax expenses	(6,990.2)	(7,645.5)	(9,286.4)	(8,323.3)	(8,671.6)	(11,071.7)	(12,325.9)
Net profit for the year from continuing operations	20,521.6	17,432.7	17,266.4	16,025.0	20,233.8	25,834.0	28,760.5
Discontinued operation	58.6	376.0	177.4	(2.5)	-	-	-
Adjusted net profit for the period	20,580.2	17,808.7	17,443.8	16,022.5	20,233.8	25,834.0	28,760.5
Profit for the period attributable to:							
Equity holders of the parent company	10,352.6	9,524.0	9,893.8	11,760.8	14,973.0	19,117.2	21,282.8
Non-controlling interest	10,227.6	8,284.7	7,550.0	4,261.7	5,260.8	6,716.9	7,477.7
Adjusted EPS	9.1	8.4	8.7	10.3	13.2	16.8	18.7
Adjusted DPS	2.5	0.0	1.0	3.0	3.0	3.9	4.3

viii. Financial statements of VONE: summarized balance sheet

Summarized balance sheet	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
As at 31 March (LKR 'Mn)							
Cash and cash equivalent	32,068.5	10,042.5	15,170.5	15,325.0	22,535.9	11,856.7	9,363.3
Financial assets at amortised cost- loans and advances	135,537.4	146,371.6	162,521.7	199,271.0	307,297.5	350,319.2	395,860.7
Equity instruments measured at fair value through OCI	7,860.7	9,004.2	14,044.9	21,536.2	25,843.5	29,720.0	32,097.6
Trade and other debtors, deposits and prepayments	10,048.9	10,493.2	12,341.1	15,130.1	17,079.0	21,008.2	22,846.7
Inventories	15,033.6	27,398.6	30,437.4	35,401.0	36,794.6	34,669.4	37,499.5
Intangible assets	12,820.0	12,931.1	12,800.9	12,891.4	12,924.5	12,990.3	13,070.5
Property, plant and equipment	56,939.4	60,336.2	69,971.2	74,706.9	76,368.9	79,105.2	84,070.3
Other assets	14,901.9	33,068.7	29,305.4	32,507.6	36,390.9	39,277.0	41,624.0
Total Assets	285,210.5	309,646.2	346,593.2	406,769.2	535,234.8	578,945.9	636,432.6
Equity and Liabilities							
Stated capital	29,337.1	29,337.1	29,337.1	29,337.1	29,337.1	29,337.1	29,337.1
Retained earnings and other components	40,628.3	47,587.5	62,702.1	79,607.6	94,324.2	111,913.0	130,060.2
Equity attributable to equity holders of the parent	69,965.4	76,924.6	92,039.2	108,944.7	123,661.3	141,250.1	159,397.3
Non-controlling interest	38,487.6	42,457.5	47,195.5	49,325.1	55,705.7	63,430.5	71,526.4
Total equity	108,453.0	119,382.1	139,234.7	158,269.8	179,367.0	204,680.6	230,923.6
Liabilities							
Due to banks	29,518.7	23,661.7	24,291.4	40,953.5	71,819.4	63,201.1	60,041.1
Due to customers	89,478.5	114,248.3	123,034.5	138,823.9	205,165.6	220,347.1	260,009.6
Interest bearing loans and borrowings	26,528.8	24,216.8	30,815.1	36,640.4	42,233.5	49,028.2	41,178.2
Trade and other payables	12,252.6	10,004.1	10,920.9	13,296.3	15,535.5	18,820.5	20,356.9
Other liabilities	18,978.8	18,133.2	18,296.6	18,785.4	21,113.8	22,868.4	23,923.2
Total liabilities	176,757.4	190,264.0	207,358.5	248,499.5	355,867.8	374,265.3	405,508.9
Total equity & liabilities	285,210.5	309,646.2	346,593.2	406,769.2	535,234.8	578,945.9	636,432.6
Adjusted NAVPS	61.5	67.6	80.9	95.7	108.7	124.1	140.1

viii. Financial statements of VONE: summarized cashflow statement

Summarized cashflow statement							
Y/E 31 March (LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net profit before tax	27,511.8	25,078.2	26,552.9	24,348.3	28,905.4	36,905.8	41,086.4
Adjustments	4,272.5	7,699.7	5,215.0	4,861.7	6,191.2	7,019.0	6,809.3
Operating profit before working capital changes	31,784.3	32,777.9	31,767.9	29,210.0	35,096.6	43,924.8	47,895.7
Working capital Changes	(2,431.8)	(28,516.7)	(11,658.0)	(19,048.2)	(12,156.8)	(35,085.7)	(12,222.3)
Cash generated from operations	29,352.6	4,261.3	20,109.9	10,161.7	22,939.8	8,839.0	35,673.4
Retirement benefits liabilities paid	(197.3)	(284.5)	(241.9)	(171.7)	0.0	0.0	0.0
Finance cost paid and interest received	(361.9)	(2,874.2)	(2,410.9)	(1,978.2)	(3,589.8)	(4,412.5)	(3,911.9)
Taxes paid	(6,710.3)	(12,243.9)	(9,141.5)	(9,586.7)	(8,518.5)	(10,356.8)	(11,774.6)
Net cash flow from/(used in) operating activities	22,083.0	(11,141.4)	8,315.6	(1,574.9)	10,831.4	(5,930.3)	19,986.9
Net cashflow from investing activities	(3,833.2)	(7,217.9)	(3,670.1)	747.1	(5,705.1)	(7,235.5)	(9,794.0)
Financing Activities							
Net proceeds from interest bearing borrowings	53,944.6	(389.3)	6,678.1	5,835.6	22,634.8	22,687.3	22,669.1
Repayment of interest-bearing loans & borrowings	(46,754.5)	0.0	0.0	0.0	(17,041.6)	(15,892.7)	(30,519.1)
Other financing activities	(7,076.2)	(3,561.7)	(4,635.9)	(5,811.0)	(3,508.5)	(4,308.1)	(4,836.3)
Net Cashflow from financing activities	113.9	(3,951.0)	2,042.2	24.6	2,084.6	2,486.5	(12,686.3)
Net cash and cash equivalents	18,363.8	(22,310.3)	6,687.7	(803.2)	7,211.0	(10,679.3)	(2,493.4)
Net unrealised Exchange (Gains)/Losses	53.1	(62.7)	(91.3)	12.6	0.0	0.0	0.0
Cash and cash equivalents at beginning of year	9,156.3	27,573.2	5,200.2	11,796.5	15,325.0	22,535.9	11,856.7
Cash and cash equivalents at end of year	27,573.2	5,200.2	11,796.5	11,005.9	22,535.9	11,856.7	9,363.3

ix. Ratio analysis for VONE

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	
Growth	Revenue	16.4%	23.9%	4.7%	0.4%	21.0%	23.0%	8.8%
	Cost of sales	10.0%	35.8%	2.6%	1.6%	18.4%	21.1%	8.2%
	Gross profit	24.0%	11.3%	7.4%	-1.2%	24.2%	25.3%	9.4%
	EBIT	34.1%	1.8%	6.0%	-6.2%	19.3%	27.7%	9.6%
	Net profit	40.1%	-13.5%	-2.0%	-8.1%	26.3%	27.7%	11.3%
Profitability	GP margin	48.3%	43.3%	44.5%	43.8%	44.9%	45.8%	46.1%
	EBIT margin	32.0%	26.3%	26.6%	24.8%	24.5%	25.5%	25.7%
	NP margin	21.8%	15.2%	14.3%	13.1%	13.6%	14.1%	14.5%
	Return on equity	19.0%	14.9%	12.5%	10.1%	11.3%	12.6%	12.5%
Gearing	Debt/equity	0.5x	0.4x	0.4x	0.5x	0.6x	0.5x	0.4x
	Debt/debt+equity	0.3x	0.3x	0.3x	0.3x	0.4x	0.4x	0.3x
	Debt/total assets	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x	0.2x

x. SOTP justification

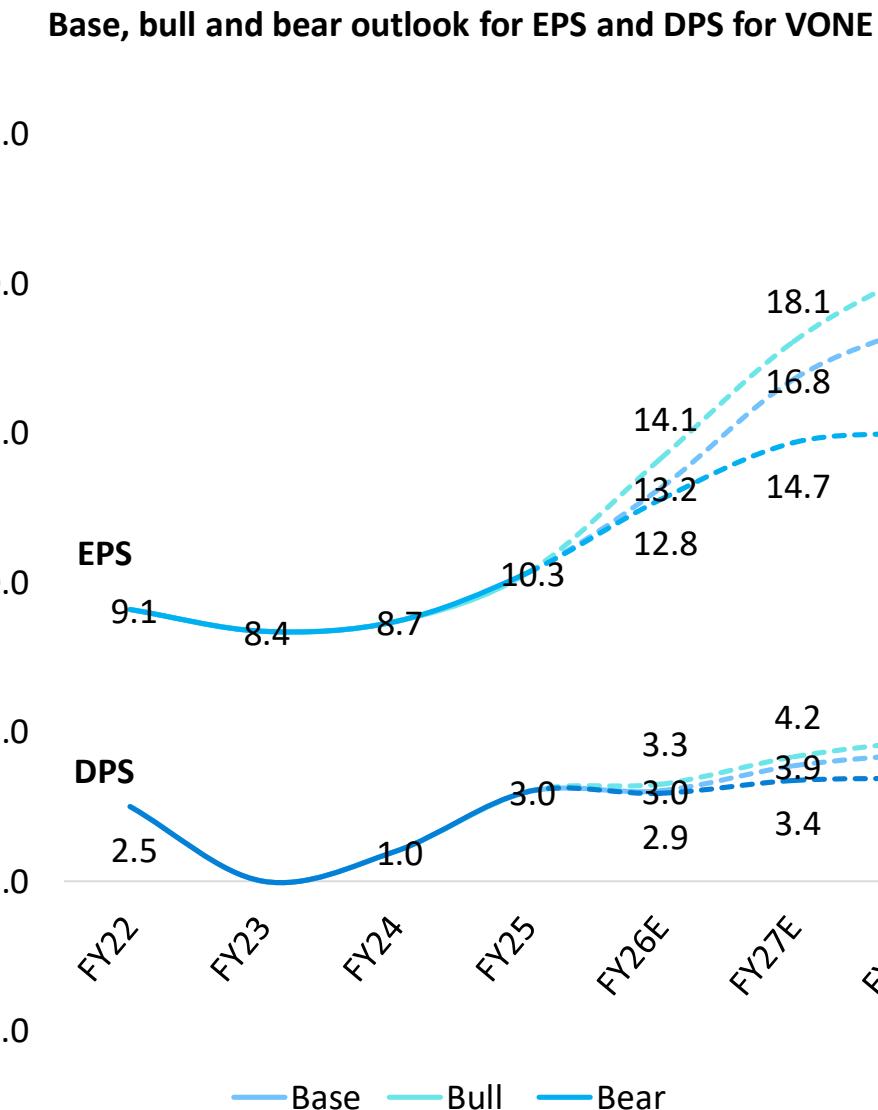
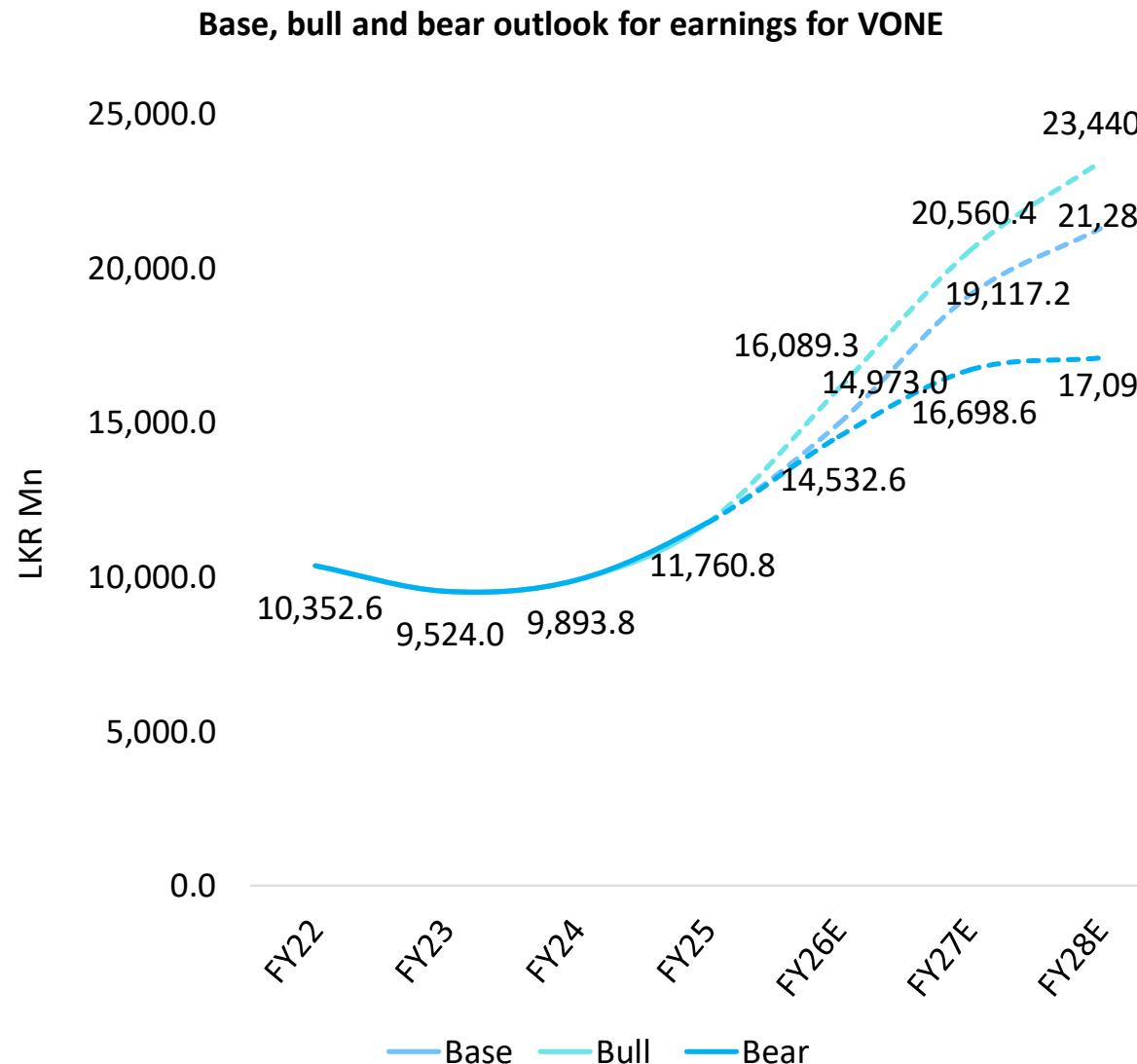
SOTP justification

- FCR considers SOTP as the most appropriate valuation method for a diversified conglomerate and, accordingly, valued VONE by assessing its six major investee companies to derive the intrinsic value.
- LFIN and RCL, the two key subsidiaries with effective stakes of 51.75% and 55.96% respectively, were valued using justified PBV and DCF methodologies respectively.
- RHLT's associate stake of 18.95% was valued on a PER basis and the long-term investment in SAMP was valued using a net asset-based approach for FY2026E considering it as a quoted investment of VONE.
- In addition, Delmege's 57.0% stake was valued using DCF, and Greener Water Limited, a fully owned subsidiary, was valued at market value based on reported data.
- FCR believes valuing entities with direct ownership provides a more accurate reflection of VONE's underlying value.
- FCR did not separately value the non-listed associate, Swisstek Aluminium Ltd, as its performance is captured under PARQ and ultimately consolidated into RCL, the parent company.

WHY FCR APPLIED A 10.0% DISCOUNT FOR BOTH SOTP AND PER BASED VALUATIONS?

A 10.0% discount was applied to both SOTP and PER-based valuations to account for the conglomerate structure, earnings concentration in LFIN, holding company costs, and higher exposure to macroeconomic and sectoral risks.

xi. The bull and bear outlook for earnings, EPS and DPS for VONE



xii. Financial statements of LFIN: summarized statement of profit or loss

Summarized statement of profit or loss	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Y/E 31 March (LKR 'Mn)							
Income	30,157.4	43,133.4	49,635.8	47,156.3	65,650.3	90,700.8	104,975.1
Interest Income	27,506.1	39,973.6	46,102.5	42,201.9	58,310.4	80,646.4	93,379.5
Interest Expenses	(8,862.7)	(20,664.0)	(21,460.6)	(16,783.7)	(23,421.0)	(34,278.3)	(40,700.6)
Net interest income	18,643.4	19,309.6	24,641.9	25,418.2	34,889.4	46,368.1	52,678.9
Fee and commission income	2,475.1	2,986.4	3,217.5	4,642.9	6,997.3	9,677.6	11,205.5
Net trading income	2.4	(2.1)	141.6	101.1	111.2	122.3	110.1
Other operating income	173.8	175.6	174.2	210.3	231.4	254.5	280.0
Total Operating Income	21,294.7	22,469.5	28,175.1	30,372.6	42,229.3	56,422.5	64,274.5
Less: Impairment charges	(1,111.8)	(519.1)	(270.1)	261.0	(2,332.4)	(3,225.9)	(3,735.2)
Net operating income	20,182.9	21,950.4	27,905.0	30,633.6	39,896.9	53,196.7	60,539.3
Less : operating expenses	(6,325.4)	(7,429.7)	(8,940.4)	(10,037.7)	(14,146.8)	(18,901.5)	(21,532.0)
Profit before tax on financial services	13,857.5	14,520.7	18,964.7	20,595.9	25,750.1	34,295.1	39,007.4
Less: Taxes on Financial Services	(2,136.6)	(2,677.6)	(3,630.2)	(4,183.2)	(4,635.0)	(6,173.1)	(7,021.3)
Profit Before Tax	11,721.0	11,843.1	15,334.4	16,412.7	21,115.1	28,122.0	31,986.0
Income Tax Expense	(3,244.9)	(3,290.2)	(5,627.4)	(5,550.7)	(7,073.5)	(9,420.9)	(10,715.3)
Profit for the Year	8,476.0	8,552.9	9,707.0	10,861.9	14,041.5	18,701.1	21,270.7
Profit attributable to Equity Holders	8,476.0	8,552.9	9,707.0	10,861.9	14,041.5	18,701.1	21,270.7
Adjusted EPS	15.3	15.4	17.5	19.6	25.3	33.8	38.4

xii. Financial statements of LFIN: summarized balance sheet

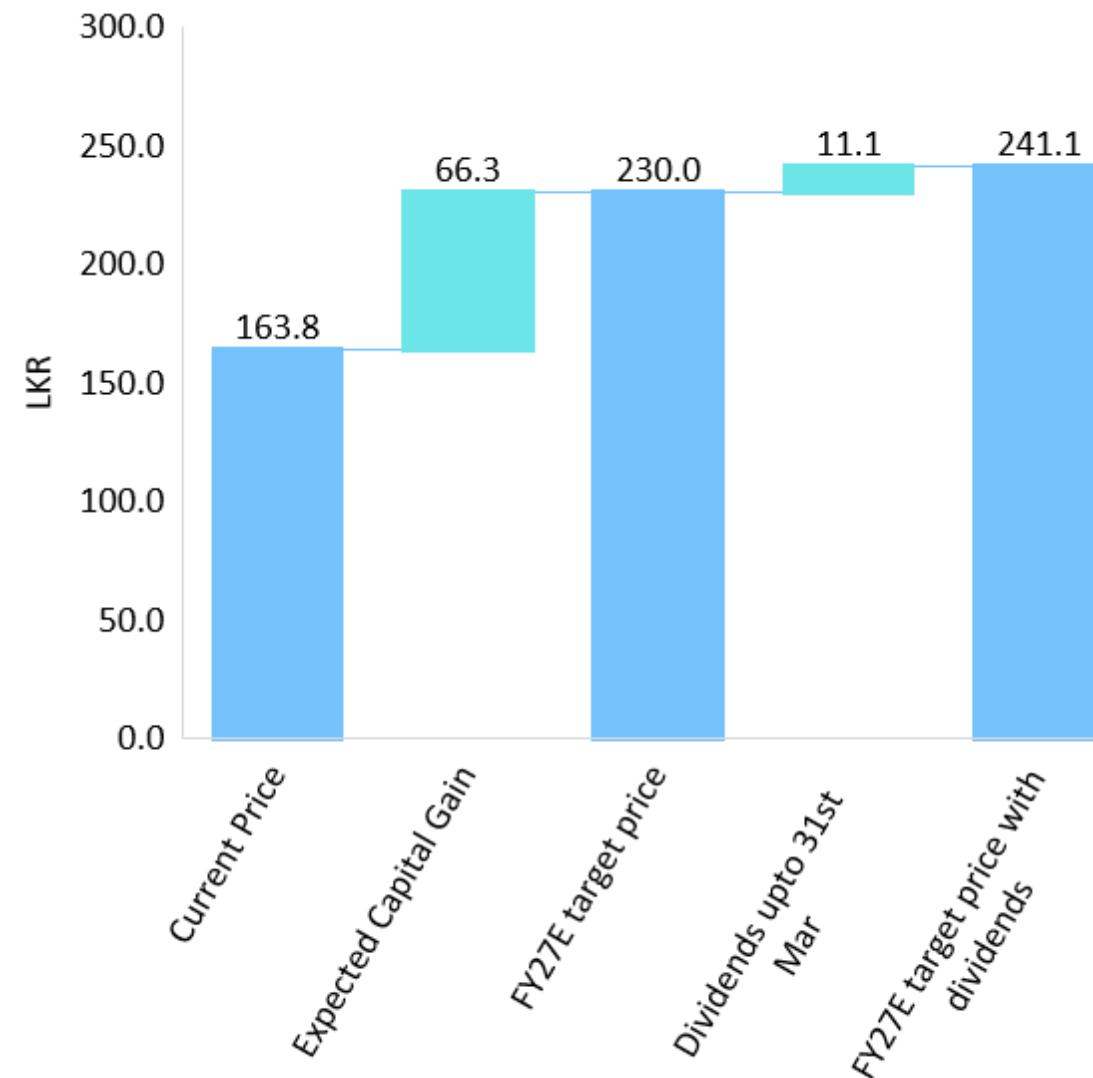
Summarized balance sheet As at 31 March (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets							
Cash and cash equivalents	14,634.1	4,681.0	7,651.3	9,074.7	13,402.5	8,052.0	18,658.4
Financial investments - held for trading	13.2	10.7	1,923.0	718.4	4,238.6	5,298.2	7,152.6
Loans and receivables	135,537.4	146,371.6	162,521.7	199,271.0	307,297.5	350,319.2	395,860.7
Property, plant and equipment	8,448.9	8,667.2	9,034.1	9,751.6	10,239.2	12,287.0	12,901.3
Other assets	6,444.6	23,287.7	22,017.8	23,168.6	23,550.2	23,917.1	24,281.5
Total Assets	165,078.3	183,018.1	203,147.9	241,984.4	358,727.9	399,873.6	458,854.5
Liabilities							
Due to banks	26,861.9	19,392.5	21,955.9	37,799.7	71,819.4	63,201.1	60,041.1
Due to customers	89,478.5	114,248.3	123,034.5	138,823.9	185,165.6	220,347.1	260,009.6
Debt instruments issued & other borrowed funds	8,564.6	3,882.0	5,491.4	5,005.4	29,805.4	25,805.4	21,805.4
Other financial liabilities	3,343.4	3,283.1	3,815.9	4,305.4	4,735.9	5,209.5	5,730.5
Other non-financial liabilities	1,182.3	1,154.7	1,591.4	1,719.0	3,781.7	8,698.0	20,005.4
Other liabilities	2,310.4	2,629.5	3,250.8	2,740.9	2,421.9	3,084.7	3,483.6
Total liabilities	131,741.2	144,590.1	159,139.9	190,394.3	297,730.0	326,345.8	371,075.5
Equity							
Stated capital	838.3	838.3	838.3	838.3	838.3	838.3	838.3
Reserves	24,085.8	28,794.7	33,975.5	41,118.7	50,526.5	63,056.3	77,307.7
Retained earnings	8,307.3	8,691.1	9,097.4	9,633.2	9,633.2	9,633.2	9,633.2
Equity attributable to equity holders	33,231.4	38,324.1	43,911.3	51,590.1	60,998.0	73,527.7	87,779.1
Non-controlling interest	105.7	103.9	96.7	-	-	-	-
Total equity	33,337.1	38,428.0	44,008.0	51,590.1	60,998.0	73,527.7	87,779.1
Total Liabilities & Shareholders' Funds	165,078.3	183,018.1	203,147.9	241,984.4	358,727.9	399,873.6	458,854.5
Adjusted NAVPS	60.0	69.2	79.3	93.1	110.1	132.7	158.4

xiii. Ratio analysis for LFIN

		FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth	Asset	17.1%	10.9%	11.0%	19.1%	48.2%	11.5%	14.7%
	Deposit	4.1%	27.7%	7.7%	12.8%	33.4%	19.0%	18.0%
	Loan	18.0%	8.0%	11.0%	22.6%	54.2%	14.0%	13.0%
Profitability	Return on average equity	27.5%	23.9%	23.6%	22.7%	24.9%	27.8%	26.4%
	Return on average assets	5.5%	4.9%	5.0%	4.9%	4.7%	4.9%	5.0%
	Net interest spread	12.6%	14.9%	13.2%	13.0%	13.0%	12.5%	12.5%
Funding & liquidity	Net interest margin	13.7%	15.9%	14.0%	13.8%	14.1%	14.1%	14.3%
	Loan / deposits	151.5%	128.1%	132.1%	143.5%	166.0%	159.0%	152.2%
	Loan / total assets	82.1%	80.0%	80.0%	82.3%	85.7%	87.6%	86.3%
	Deposit / liabilities	67.9%	79.0%	77.3%	72.9%	62.2%	67.5%	70.1%

xiv. Valuation summary for LFIN: At a fair value of LKR 230.0 per share, FCR's equally weighted blended target price implies a 40.0% upside and a 31.0% total annualized return (DY 7.0%)

Expected LFIN Price	FY27E
Justified PBV based target price	202.4
PER Valuation based target price	236.3
RI Valuation based target price	245.5
Average Target Price	228.1
Target Price after Rounding off	230.0
Return	FY27E
Target price	230.0
Current price	163.8
Capital gain (LKR)	66.3
Dividends up to 31 Mar (LKR)	11.1
Capital gain %	40%
Dividend yield %	7%
Total return %	47%
Annualized return %	31%



xiv. Valuation summary for LFIN cont'd...

Residual income-based Valuation

Residual income-based Valuation	FY27E
PV of Residual Income	75,013
No. of Shares ('Mn)	554
RI per Share	135.4
Opening Book value per Share	110.1
Value per Share	245.5

Justified PBV based valuation

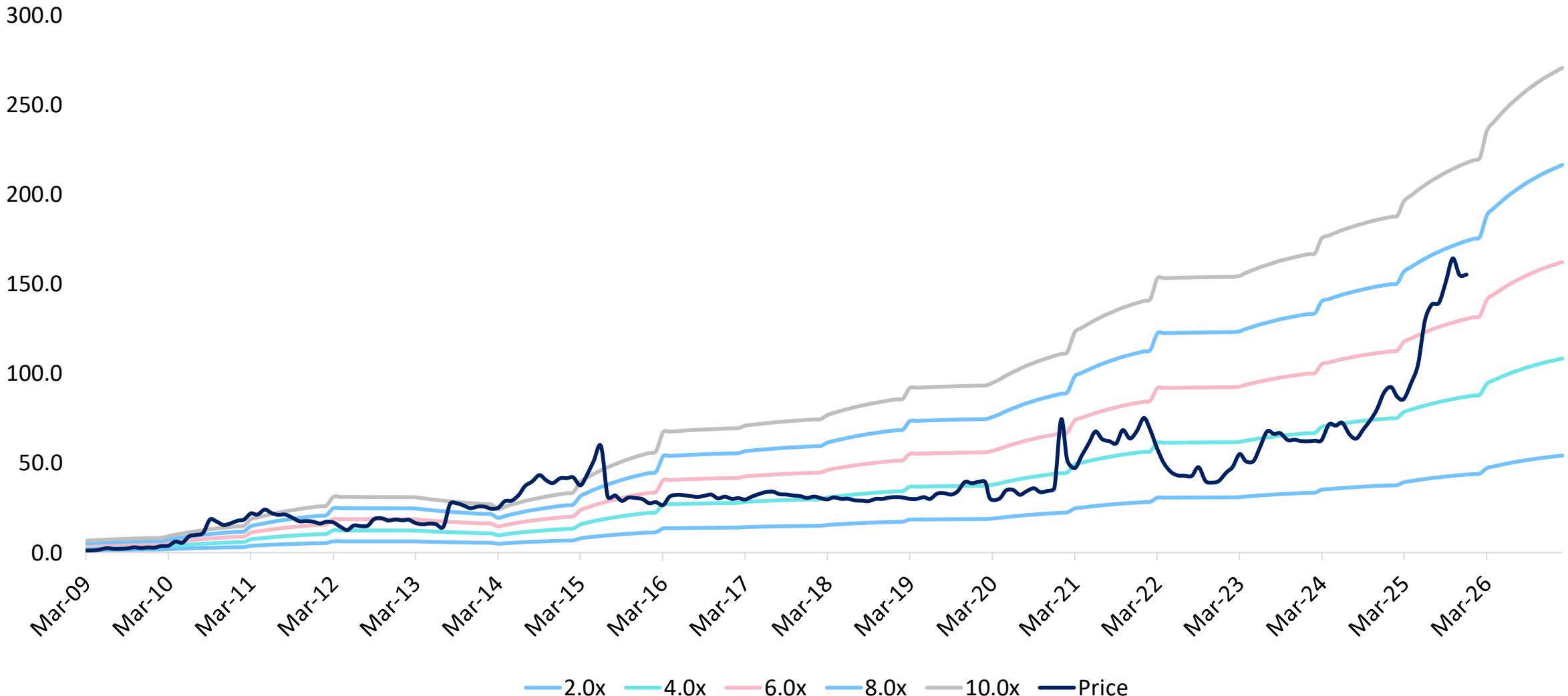
Justified PBV based Valuation	FY27E
ROAE	27.8%
Growth	3.0%
COE	19.3%
PBV	1.5
NAVPS	132.7
Target Price	202.4

PER based Valuation

PER based Valuation	FY27E
Earnings (LKR 'Mn)	18,701
No. of Shares ('Mn)	554
EPS	33.8
Expected PER	7.0x
Price at 7.0x Earnings	236.3

COE	FY27E
Rf	9%
Rm	18%
Growth %	3%
β	1.1
$Ke=Rf+\beta(Rm-Rf)$	19%

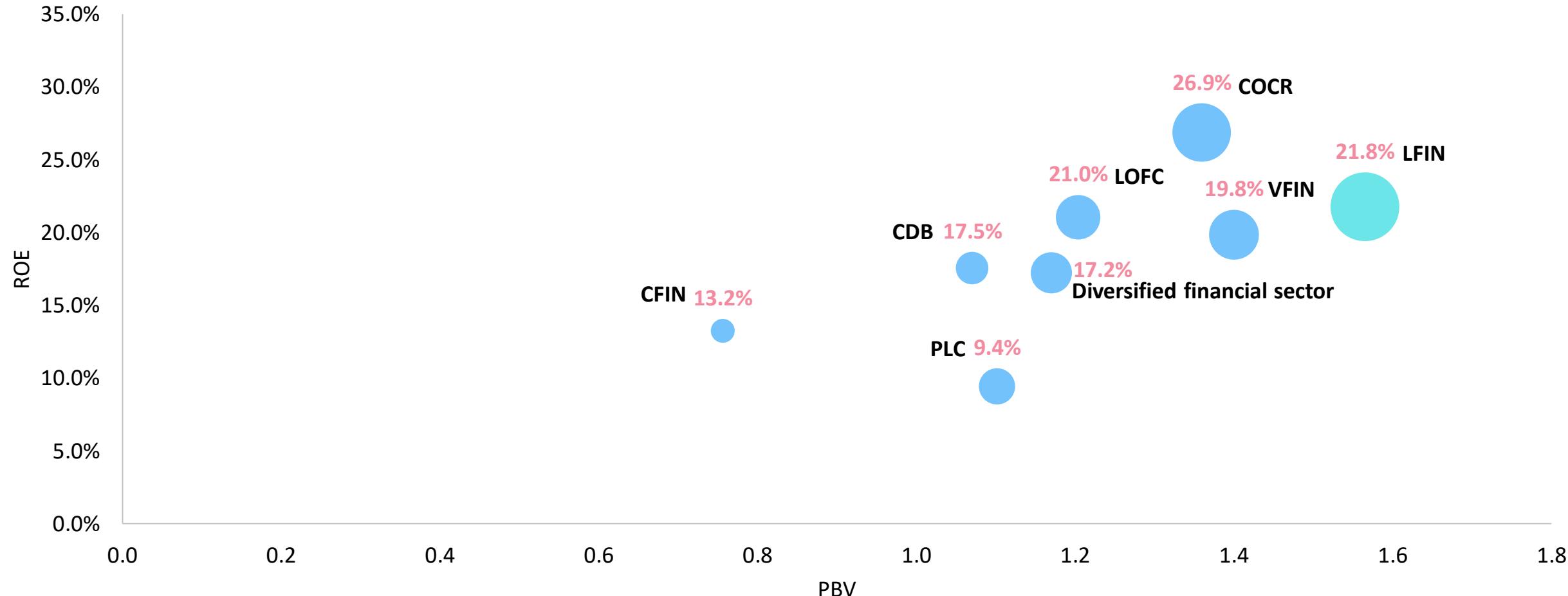
xv. PER band chart for LFIN and ROE and PBV correlation



— 2.0x — 4.0x — 6.0x — 8.0x — 10.0x — Price

xv. PER band chart for LFIN and ROE and PBV correlation cont'd...

Historically, a ROE supports a higher PBV multiple. FCR expects LFIN to trade at approximately 1.5x PBV, as their ROEs are projected to reach between 26.0% to 27.0%.



xvi. Sensitivity analysis for LFIN

Justified PBV target price sensitivity

Cost of equity	ROE					
	25.8%	26.8%	27.8%	28.8%	29.8%	
17.3%	212.2	221.5	230.8	240.1	249.4	
18.3%	198.3	207.0	215.7	224.4	233.1	
19.3%	186.1	194.3	202.4	210.6	218.8	
20.3%	175.3	183.0	190.7	198.4	206.1	
21.3%	165.7	173.0	180.3	187.5	194.8	

A 100bps increase in ROE, holding all else constant, could lower the share price by 4.0%, while a 100bps rise in the cost of equity would lead to a relatively larger decline of 5.8%.

Most sensitive variable for LFIN's justified PBV based target price is cost of equity

Residual income target price sensitivity

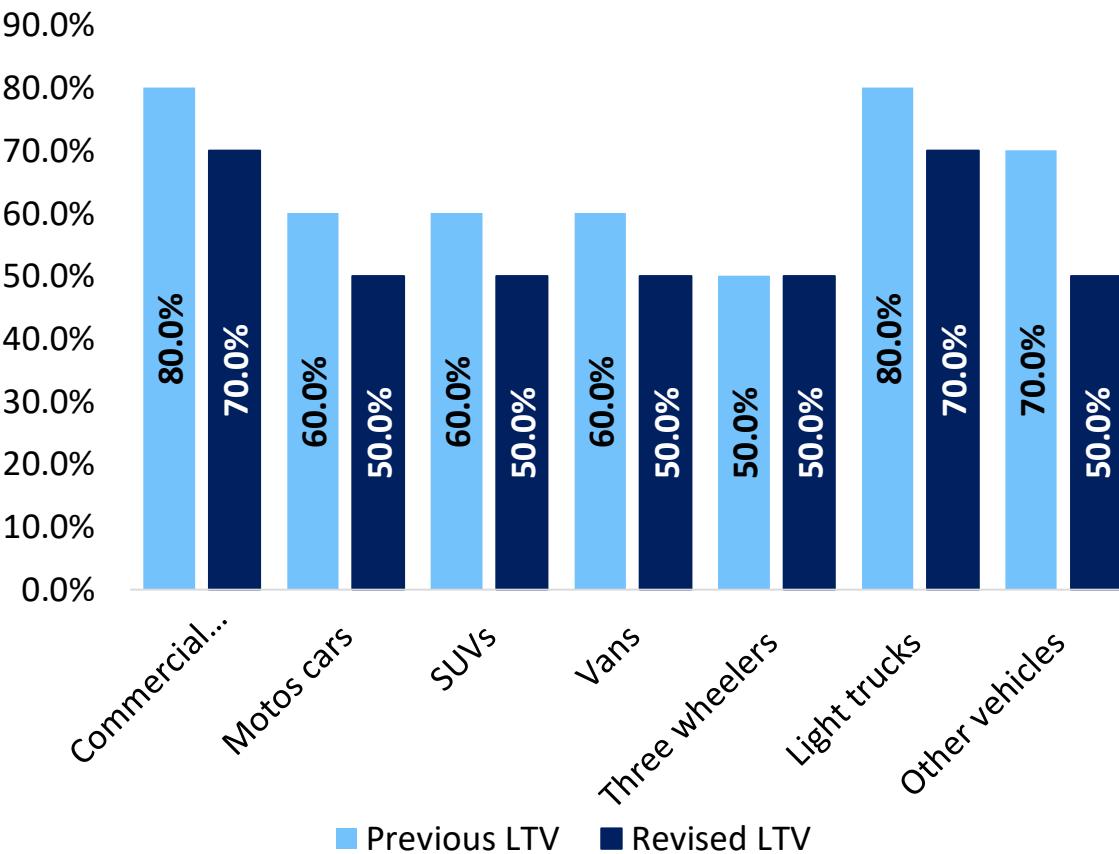
Terminal growth rate	Cost of equity					
	17.3%	18.3%	19.3%	20.3%	21.3%	
2.00%	303.3	270.2	241.4	216.0	193.6	
2.50%	306.8	272.8	243.4	217.5	194.7	
3.0%	310.4	275.6	245.5	219.1	196.0	
4.00%	318.6	281.8	250.1	222.7	198.7	
5.00%	328.0	288.8	255.5	226.7	201.7	

A 100bps increase in cost of equity, holding all else constant, could lower the share price by 10.7%, while a 100bps rise in the terminal growth rate would lead to a relatively lower decline of 1.9%.

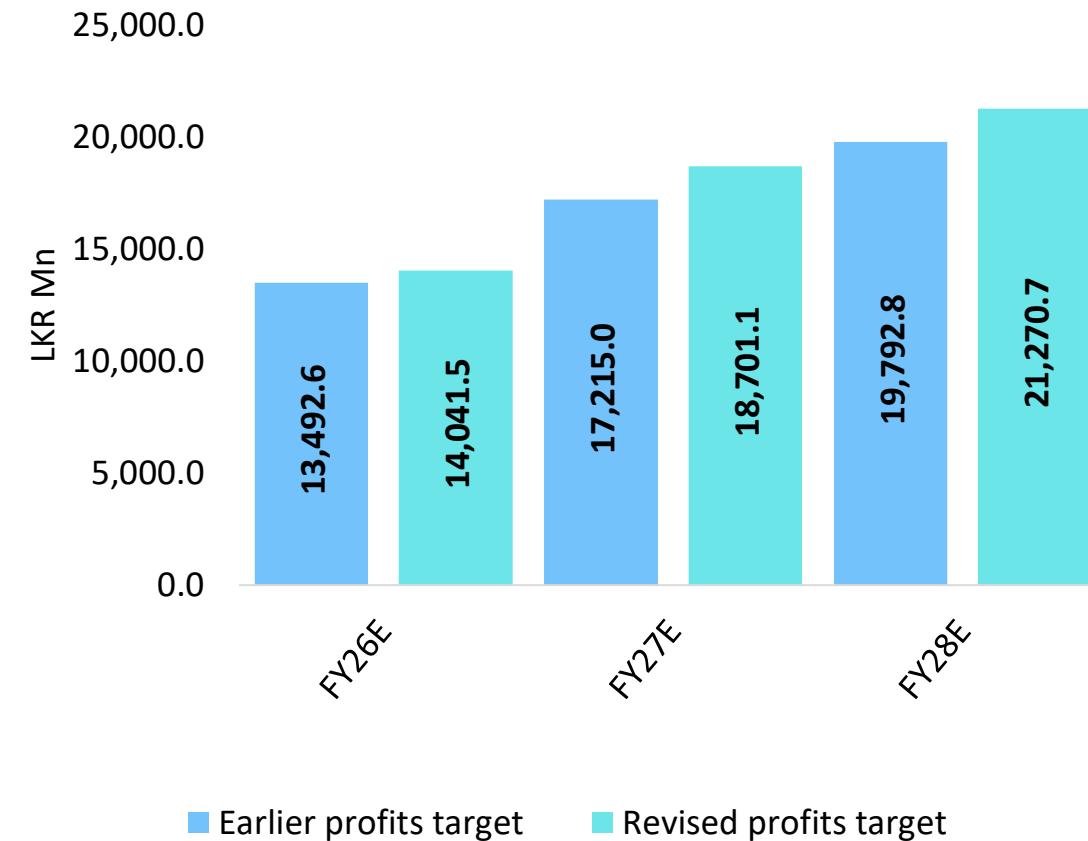
Most sensitive variable for LFIN's residual income-based target price is cost of equity

xvii. LTV revisions and SSCL impact on LFIN

In November 2025, CBSL further reduced LTV ratios for several vehicle categories, potentially impacting finance company loan values, with the LTV for EVs cut to 50.0% from 90.0%.



In October 2025, the government's proposal to exempt financial services from the SSCL was seen as a positive move to reduce borrowing costs and support economic activity, as the levy previously stood at 2.5% of banks' profit before tax. Based on FCR's report published in Nov-25, we have revised the earnings accordingly.



xviii. Financial statements of RCL: summarized statement of profit or loss

Summarized statement of profit or loss Y/E 31 March (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	54,980.9	63,206.3	61,192.1	60,651.0	63,476.7	68,733.8	66,914.2
Cost of sales	(32,946.5)	(37,676.1)	(37,704.5)	(41,248.5)	(43,557.8)	(47,032.7)	(46,034.8)
Gross profit	22,034.4	25,530.2	23,487.6	19,402.5	19,918.8	21,701.1	20,879.4
Other operating income	1,068.5	471.2	518.1	676.3	507.8	549.9	535.3
Selling and distribution	(6,172.4)	(7,972.5)	(8,253.5)	(8,790.1)	(8,504.8)	(8,963.5)	(8,984.6)
Admin expenses	(2,267.5)	(3,268.0)	(3,911.0)	(4,293.3)	(4,165.8)	(4,389.0)	(4,252.2)
Other operating expenses	(6.1)	(222.5)	(302.4)	(5.7)	(95.6)	(101.0)	(97.2)
EBIT	14,657.0	14,538.5	11,538.8	6,989.6	7,660.5	8,797.5	8,080.8
Net finance income	(278.2)	(2,404.1)	(2,166.1)	(2,116.1)	(2,077.1)	(2,026.6)	(1,757.2)
Share of associate companies' profit	2,328.4	2,312.7	2,706.7	3,034.6	3,882.6	5,134.5	5,857.4
PBT from continuing operations	16,707.2	14,447.1	12,079.4	7,908.1	9,466.0	11,905.4	12,181.0
Income tax expenses	(3,075.7)	(4,229.1)	(3,023.3)	(1,855.1)	(2,839.8)	(3,571.6)	(3,654.3)
Net profit for the year from continuing operations	13,631.5	10,217.9	9,056.1	6,053.0	6,626.2	8,333.8	8,526.7
Discontinued operations and eliminations	58.1	376.0	177.4	(2.5)	(258.9)	(282.1)	(271.4)
Adjusted net profit for the period	13,689.6	10,593.9	9,233.5	6,050.6	6,367.2	8,051.7	8,255.3
Profit for the period attributable to:							
Equity holders of the parent company	9,790.2	7,747.1	7,216.4	5,053.6	5,348.5	6,763.4	6,934.5
Non-controlling interest	3,899.4	2,846.9	2,017.2	997.0	1,018.8	1,288.3	1,320.8
Adjusted EPS	7.0	6.5	4.6	4.8	6.1	6.3	6.6
Adjusted DPS	3.2	2.9	1.6	1.4	1.8	1.9	2.0

xviii. Financial statements of RCL: summarized balance sheet

Summarized balance sheet As at 31 March (LKR 'Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Non-current assets							
Property, plant & equipment	32,110.8	33,140.6	41,231.6	44,612.0	44,361.6	44,208.7	47,081.8
Other non-current assets	16,841.2	17,985.2	20,007.2	22,626.4	25,608.3	29,434.3	33,688.0
Current assets							
Inventories	13,472.6	25,061.1	28,689.6	32,934.5	32,668.4	28,219.6	27,620.9
Trade and other receivables	5,407.0	6,427.3	5,736.1	7,721.8	7,299.8	7,904.4	7,695.1
Cash and cash equivalents	15,383.1	3,601.5	3,080.1	3,771.6	3,416.2	7,522.2	7,369.3
Other current assets	3,026.6	4,349.4	2,874.6	1,699.3	2,320.1	2,503.6	2,439.5
Total assets	86,241.2	90,565.1	101,619.1	113,365.6	115,674.3	119,792.8	125,894.6
EQUITY AND LIABILITIES							
Capital and reserves							
Stated capital	1,368.7	1,368.7	1,368.7	1,368.7	1,368.7	1,368.7	1,368.7
Retained earnings	35,954.7	38,222.9	43,399.3	47,283.4	51,027.4	55,761.8	60,615.9
Equity attributable to equity holders	37,323.4	39,591.6	44,768.0	48,652.1	52,396.1	57,130.5	61,984.6
Non controlling interest	13,875.8	13,814.2	15,345.1	16,387.2	17,406.0	18,694.3	20,015.1
Total non-current liabilities							
Interest bearing loans & borrowings	4,184.6	2,643.8	10,248.4	9,445.0	9,745.2	10,196.9	10,580.3
Other non-current liabilities	5,161.8	6,314.3	7,117.5	7,745.3	7,745.3	7,745.3	7,745.3
Non-current liabilities							
Trade and other payables	7,125.2	5,965.8	6,505.1	6,641.9	7,840.4	8,465.9	8,286.3
Interest bearing loans & borrowings	9,798.9	16,942.5	13,997.7	21,233.9	16,679.2	13,170.1	12,616.2
Other current liabilities	8,771.6	5,292.9	3,637.2	3,260.2	3,862.1	4,389.8	4,666.8
Total equity & liabilities	86,241.2	90,565.1	101,619.1	113,365.6	115,674.3	119,792.8	125,894.6
Adjusted NAVPS	33.7	35.7	40.4	43.9	47.3	51.6	55.9

xviii. Financial statements of RCL: summarized cashflow statement

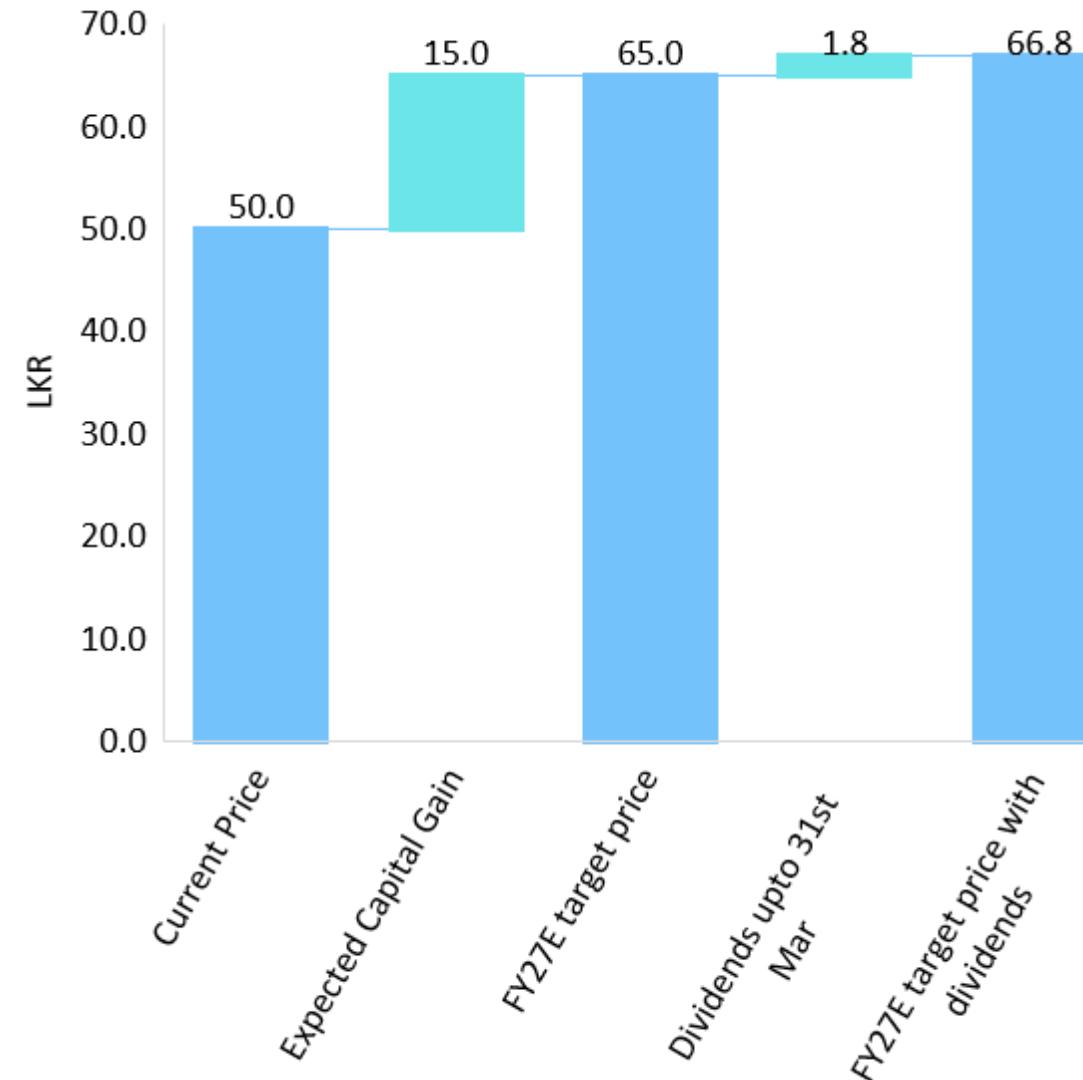
Summarized cashflow statement Y/E 31 March (LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net profit before tax	16,707.2	14,447.1	12,079.4	7,908.1	9,207.0	11,623.3	11,909.6
Adjustments	17,166.2	19,058.5	15,139.9	10,520.2	10,645.1	11,941.4	11,534.6
Operating profit before working capital changes	17,082.3	18,195.5	14,962.5	10,522.6	10,645.1	11,941.4	11,534.6
Working capital Changes	1,232.9	(18,301.6)	(3,248.8)	(5,241.3)	1,265.3	4,285.7	692.1
Retirement benefits liabilities paid and tax paid	(2,531.2)	(5,378.1)	(3,278.4)	(2,660.5)	(2,318.1)	(3,145.4)	(3,481.3)
Finance cost paid and interest received	(902.6)	(3,876.0)	(2,666.9)	(2,290.2)	(2,088.9)	(2,012.7)	(2,074.5)
Cash generated from operations	14,881.2	(9,360.2)	5,768.4	330.7	7,503.4	11,069.0	6,670.8
Net cashflow from investing activities	(1,569.1)	(4,192.3)	(5,902.7)	(3,449.6)	(1,230.8)	(1,037.7)	(3,723.1)
Financing Activities							
Net proceeds from interest bearing borrowings	24,897.6	27,418.9	33,964.3	54,207.1	11,938.0	12,003.5	12,078.9
Repayment of interest-bearing loans & borrowings	(22,720.3)	(22,244.1)	(28,568.3)	(48,754.6)	(17,041.6)	(16,001.3)	(13,203.1)
Other financing activities	(6,403.9)	(5,126.3)	(3,978.8)	(2,519.1)	(1,524.3)	(1,927.6)	(1,976.3)
Net Cashflow from financing activities	(4,226.5)	48.5	1,417.1	2,933.5	(6,628.0)	(5,925.4)	(3,100.6)
Net cash and cash equivalents	9,085.6	(13,504.0)	1,282.9	(185.4)	(355.3)	4,105.9	(152.9)
Net foreign exchange difference	331.0	20.5	(103.6)	16.6	-	-	-
Cash and cash equivalents at beginning of year	3,912.5	13,329.1	(154.4)	1,024.9	3,771.6	3,416.2	7,522.2
Cash and cash equivalents at end of year	13,329.1	(154.4)	1,024.9	856.0	3,416.2	7,522.2	7,369.3

xix. Ratio analysis for RCL

		FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth	Revenue	22.3%	15.0%	-3.2%	-0.9%	4.7%	8.3%	-2.6%
	Cost of sales	17.0%	14.4%	0.1%	9.4%	5.6%	8.0%	-2.1%
	Gross profit	31.1%	15.9%	-8.0%	-17.4%	2.7%	8.9%	-3.8%
	EBIT	56.4%	-0.8%	-20.6%	-39.4%	9.6%	14.8%	-8.1%
	Net profit	59.6%	-20.9%	-6.9%	-30.0%	5.8%	26.5%	2.5%
Profitability	GP margin	40.1%	40.4%	38.4%	32.0%	31.4%	31.6%	31.2%
	EBIT margin	26.7%	23.0%	18.9%	11.5%	12.1%	12.8%	12.1%
	NP margin	24.9%	16.8%	15.1%	10.0%	10.0%	11.7%	12.3%
	Return on equity	26.7%	19.8%	15.4%	9.3%	9.1%	10.6%	10.1%
Liquidity	Current ratio	1.5x	1.4x	1.7x	1.5x	1.6x	1.8x	1.8x
	Quick ratio	0.9x	0.5x	0.5x	0.4x	0.5x	0.7x	0.7x
Activity	Inventory days	136.1	186.7	260.2	272.6	274.9	236.3	221.4
	Accounts payable days	68.6	63.4	60.4	58.2	60.7	63.3	66.4
	Accounts receivable days	32.8	34.2	36.3	40.5	43.2	40.4	42.5
Gearing	Debt/equity	0.8x	0.7x	0.7x	0.7x	0.7x	0.8x	0.8x
	Debt/debt+equity	0.2x	0.3x	0.3x	0.3x	0.3x	0.2x	0.2x
	Debt/total assets	0.1x	0.1x	0.2x	0.3x	0.2x	0.2x	0.2x

xx. Valuation summary for **RCL: At a fair value of LKR 65.0 per share, FCR's equally weighted blended target price implies a 30.0% upside and a 27.0% total annualized return (DY 3.7%)**

Expected LFIN Price	FY27E
DCF based target price	61.0
PER Valuation based target price	65.9
Average target price	63.5
Target price after rounding off	65.0
Return	FY27E
Target price	65.0
Current price	50.0
Capital gain (LKR)	15.0
Dividends up to 31 Mar (LKR)	1.8
Capital gain %	30.0%
Dividend yield %	3.7%
Total return %	33.7%
Annualized return %	27.0%



xx. RCL's DCF based valuation; FCRs DCF based target price implies a 31.8% price upside with a total annualized return of 28.4% (DY 3.7%)

LKR 'Mn	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
EBIT	8,797.5	8,080.8	8,033.4	8,226.7	13,671.8	14,203.5	15,623.9	17,186.3	17,792.8
Taxes	(3,571.6)	(3,654.3)	(3,854.1)	(4,092.3)	(4,101.6)	(4,261.1)	(4,687.2)	(5,155.9)	(5,337.9)
(+)Depreciation and amortization	3,426.0	3,725.2	3,906.5	4,087.0	4,495.8	4,945.3	5,439.9	5,983.8	6,582.2
(-) Capex	(2,886.8)	(6,156.1)	(3,500.9)	(3,590.6)	(3,949.6)	(4,344.6)	(4,779.1)	(5,257.0)	(5,782.7)
(-) Net change in working capital	4,285.7	692.1	(229.9)	(798.3)	(838.2)	(880.1)	(924.1)	(970.3)	(1,018.9)
Unlevered FCFF	10,050.8	2,687.7	4,355.0	3,832.6	9,278.2	9,663.1	10,673.4	11,786.9	12,235.7
<i>Unlevered FCFF margin</i>	14.6%	4.0%	6.5%	5.6%	12.2%	11.6%	11.6%	11.7%	11.0%
Terminal value									150,123.5
Discounted FCFF (WACC @10.6%)	10,050.75	2,430.79	3,562.28	2,835.37	4,306.80	4,487.34	4,651.94	4,801.80	72,145.10
Enterprise value									109,272.2
Net debt									(15,783.4)
Minority interest									(18,694.3)
Pension liabilities									(1,790.8)
Equity value									73,003.7
Number of shares (Mn)									1,107.9
FY27E DCF target price									65.9

- In our valuation, the first four years are forecast using company-specific assumptions, while the subsequent five years are projected based on company, industry, and operating-country assumptions. Unlevered FCFE growth is expected to improve under these assumptions, with margins projected to remain within the historical range of 4.0%–10.5%.

xx. DCF assumptions for RCL

Assumptions	
Cost of debt	11.0%
After tax cost of debt	7.7%
Cost of equity	11.8%
Weighted average cost of capital	10.6%
Debt to equity mix	70:30 Long-term sustainable debt to equity mix
Risk free rate	10.0% 1-year treasury bill rate has been taken as the risk-free rate considering Sri Lankan economic volatility
Tax rate	30.0% Corporate tax rate for Sri Lankan companies
Levered beta	0.64 The levered beta has been calculated by comparing RCL's daily return with the ASPI's daily return trading data since its listing at CSE Normally, beta is levered when calculating using stock and broad market returns. However, we have used an unlevered beta in our valuation since we are considering unlevered FCFF. Additionally, RCL's beta is less volatile compared to the broad market beta of 1
Unlevered beta	0.22
Market risk premium	8.0% 15-year average ASPI return, risk free rate and country risk premium has been considered
Terminal growth rate	3.0% A conservative terminal growth rate of 3.00% has been assumed, based on the long-term GDP growth rates of Sri Lanka

xxi. Sensitivity analysis for RCL

Terminal growth rate	Cost of equity					
	8.6%	9.6%	10.6%	11.6%	12.6%	
2.0%	77.4	67.0	58.3	51.0	44.7	
2.5%	83.0	71.4	61.9	53.9	47.1	
3.0%	89.5	76.5	65.9	57.1	49.8	
3.5%	97.3	82.4	70.5	60.8	52.8	
4.0%	106.5	89.3	75.8	65.0	56.1	

An 8.5% increase in cost of equity, with all other factors held constant, could reduce the share price by 13.3%, whereas a 16.7% decline in terminal growth, ceteris paribus, would result in a comparatively smaller share price decrease of 6.1%.

Terminal growth rate	WACC					
	8.6%	9.6%	10.6%	11.6%	12.6%	
2.0%	88.1	71.2	58.3	48.2	40.1	
2.5%	95.1	76.1	61.9	50.9	42.1	
3.0%	103.4	81.7	65.9	53.8	44.4	
3.5%	113.3	88.3	70.5	57.2	46.9	
4.0%	125.4	96.1	75.8	61.0	49.7	

A 9.5% increase in WACC, with all other factors held constant, could reduce the share price by 18.3%, whereas a 16.7% decline in terminal growth, ceteris paribus, would result in a comparatively smaller share price decrease of 6.1%.

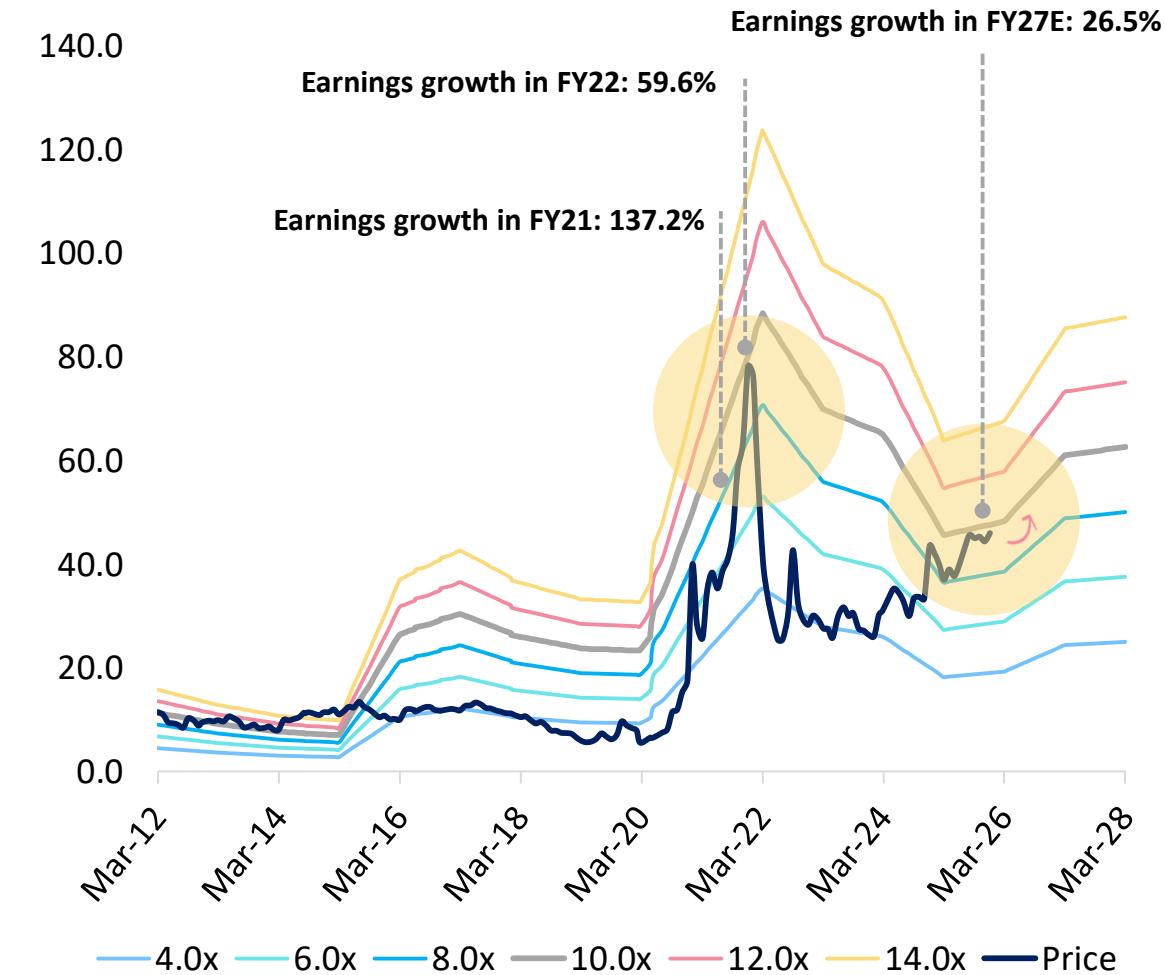
Most sensitive variable for RCL's DCF based target price is WACC

xxii. PER based valuation suggest a re-rating for RCL; FCRs PER based target price implies a 22.1% price upside with a total annualized return of 20.8 (DY 3.7%)

History suggests earnings momentum drives multiple re-rating in RCL, and with 26.5% earnings growth expected, FCR sees a clear pathway for the stock to re-rate, as seen in FY21 and FY22 when earnings growth of 137.2%YoY and 59.6%YoY supported RCL to trade a 10.0x PER.

PER based Valuation	FY27E
Earnings (LKR 'Mn)	6,763
No. of Shares ('Mn)	1,108
EPS	6.1
Expected PER	10.0x
Price at 10x Earnings	61.0

- FCRs PER based target price offers a 48.7% price upside for the last close price of LKR 106.8 as of 12th Jan-26.
- This provides a total annualized return of 41.5% (DY 3.6%).



xxiii. Delmege's DCF based valuation

LKR 'Mn	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
EBIT	2,110.2	2,426.7	2,620.8	2,804.3	3,028.6	3,270.9	3,532.6	3,815.2	4,120.4
Taxes	(525.0)	(632.7)	(735.3)	(812.5)	(908.6)	(981.3)	(1,059.8)	(1,144.6)	(1,236.1)
(+)Depreciation and amortization	375.0	406.9	441.6	478.9	526.8	579.4	637.4	701.1	771.2
(-) Capex	(628.4)	(854.3)	(929.0)	(996.3)	(1,046.1)	(1,098.4)	(1,153.4)	(1,211.0)	(1,271.6)
(-) Net change in working capital	(450.8)	(539.8)	(555.6)	(580.9)	(610.0)	(640.5)	(672.5)	(706.1)	(741.4)
Unlevered FCFF	881.0	806.8	842.6	893.4	990.7	1,130.1	1,284.3	1,454.6	1,642.5
<i>Unlevered FCFF margin</i>	3.7%	2.9%	2.8%	2.8%	2.9%	3.0%	3.2%	3.4%	3.5%
Terminal value									22,557.2
Discounted FCFF (WACC @10.5%)	797.3	660.8	624.5	599.2	601.3	620.8	638.5	654.4	9,852.7
Enterprise value									16,629.7
Net debt									(3,392.9)
Equity value									13,236.8

Valuation justification for Delmege

- FCR applied the DCF method to value Delmege using available income statement data, debt levels, and balance sheet information disclosed in VONE's annual reports, with assumptions derived accordingly. FCR believes DCF appropriately captures Delmege's future growth potential by discounting expected cash flows, given its consumer-focused business model.
- In our valuation, the first four years are forecast using company-specific assumptions, while the subsequent five years are projected based on company, industry, and operating-country assumptions. Unlevered FCFE growth is expected to improve under these assumptions, with margins projected to remain within the historical range of 2.0%–3.5%.

xxiii. DCF assumptions Delmege

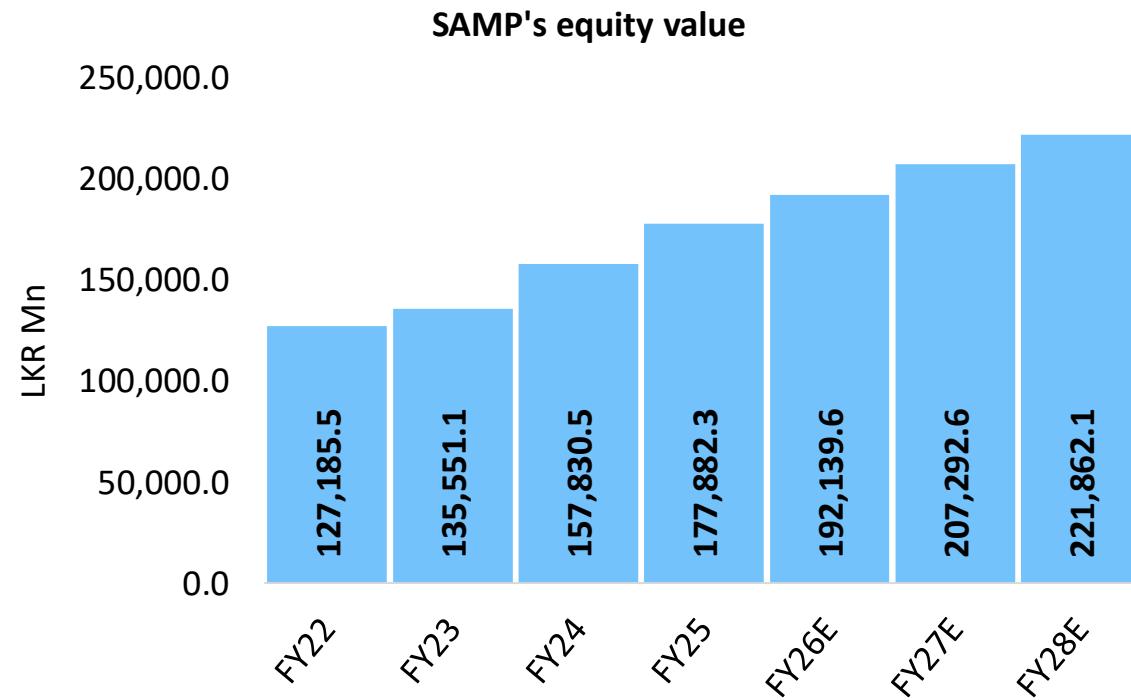
Assumptions	
Cost of debt	11.0%
After tax cost of debt	7.7%
Cost of equity	11.7%
Weighted average cost of capital	10.5%

Debt to equity mix	70:30	Long-term sustainable debt to equity mix of Delmege according to VONE'
Risk free rate	10.0%	1-year treasury bill rate has been taken as the risk-free rate considering Sri Lankan economic volatility
Tax rate	30.0%	Corporate tax rate for Sri Lankan companies
Levered beta	0.64	The levered beta was estimated by regressing RCL's daily returns against ASPI daily returns since its CSE listing, while VONE's beta was proxied using Delmege's beta, given its status as a subsidiary of VONE
Unlevered beta	0.21	Normally, beta is levered when calculating using stock and broad market returns. However, we have used an unlevered beta in our valuation since we are considering unlevered FCFF. Additionally, VONE's beta is less volatile compared to the broad market beta of 1
Market risk premium	8.0%	15-year average ASPI return, risk free rate and country risk premium has been considered
Terminal growth rate	3.0%	A conservative terminal growth rate of 3.00% has been assumed, based on the long-term GDP growth rates of Sri Lanka

xxiv. Valuations for SAMP and RHTL

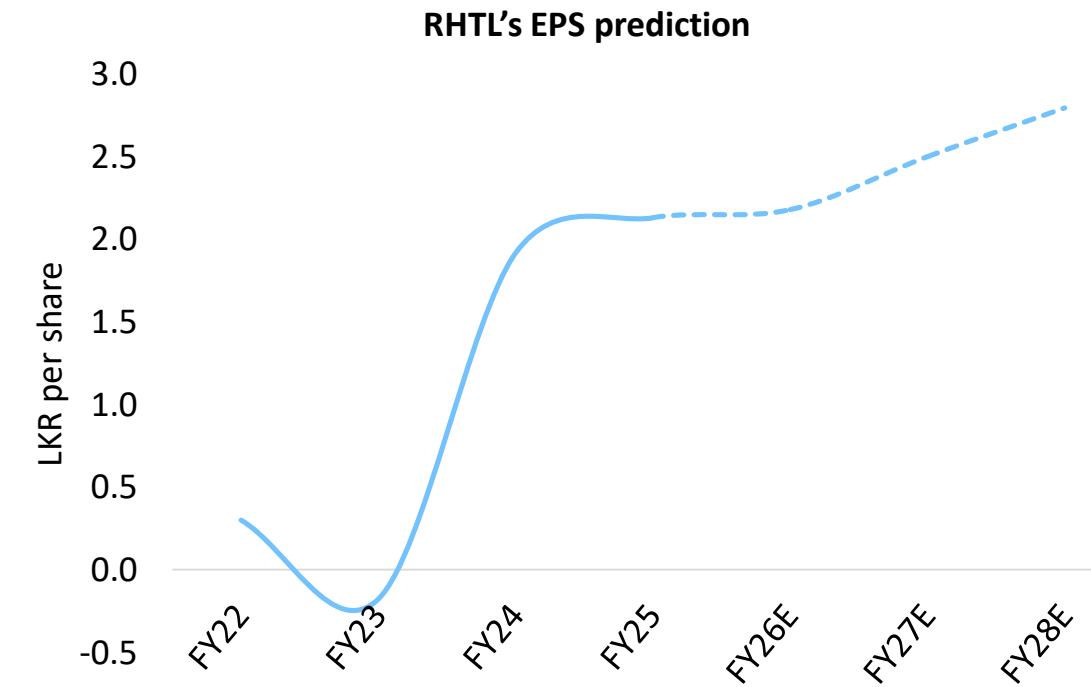
SAMP

- FCR used SAMP's FY2026E equity value to assess VONE's long-term investment.
- This reflects VONE's 14.95% stake in SAMP, which is treated as a strategic long-term holding.



RHTL

	FY27E
Earnings (LKR 'Mn)	277.1
No. of Shares ('Mn)	110.9
EPS	2.5
Expected PER	16.0x
Price at 10x Earnings	40.0



xxv. FCR's recommendation criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	14.00%	10.00%	10.00%
Grade B	Rest of the Companies	17.00%	12.00%	12.00%
Grade C	Companies less than LKR 1Bn Market Cap	20.00%	15.00%	15.00%

Minimum return for BUY:

Buy below FY27E - [AER of 10% with DPS]: LKR 127.0

VONE categorized as 'Grade A' counter

Disclosure on shareholding:

First Capital Group or the covering analyst did not hold 1.0% or more of the total outstanding share capital of VONE during the five trading days prior to the issuance of this document.

xxvi. Glossary of terms

- AMF – Associated Motor Finance Company PLC
- CAPEX – capital expenditure
- CFIN – Central Finance PLC
- DY – dividend yield
- EBIT – earnings before interest tax
- EBITDA – earnings before interest tax depreciation and amortization
- EPS – earnings per share
- GDP – gross domestic product
- LOFC – LOLC Finance PLC
- MT – metric ton
- NAVPS – net asset value per share
- NII – net interest income
- NIM – net interest margin
- NPL – non-performing loan
- PARQ – Lanka Swisstek PLC
- PBV – price to book value
- PER – price to earnings
- PLC – People's Leasing and Finance PLC
- ROA – return on assets
- ROE – return on equity
- ROIC – return on invested capital
- SOTP – sum of the parts
- SUV – sport utility vehicle
- TTM – trailing twelve months
- USP – unique selling proposition
- VFIN – Vallibel Finance PLC
- WACC – weighted average cost of capital
- PBT – Profit before tax
- SQM – Square meters

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 its principal, their respective Directors, 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. 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.

Thank you!

***"SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS"***



First Capital
A Janashakthi Group Company

Contact Us

First Capital Holdings PLC

No: 02, Deal Place,
Colombo 00300,
Sri Lanka.

E: research@firstcapital.lk



Dimantha Mathew
Chief Research & Strategy Officer
T: +94 11 2639 853
E: dimantha@firstcapital.lk

Charith Gamage
Vice President – Research
T: +94 11 2639 863
E: charith@firstcapital.lk

Ranjan Ranatunga
Assistant Vice President – Research
T: +94 11 2639 863
E: ranjan@firstcapital.lk

Shahana Kanagaratnam
Senior Assistant Manager – Research
T: +94 11 2639 866
E: shahana@firstcapital.lk

Akna Tennakoon
Senior Research Analyst
T: +94 11 2639 866
E: akna@firstcapital.lk

Dilhari Dias
Research Analyst
T: +94 11 2639 866
E: dilhari@firstcapital.lk

Imashi Sellapperuma
Research Analyst
T: +94 11 2639 866
E: imashi@firstcapital.lk

Manusha Kandanaarachchi
Research Associate
T: +94 11 2639 866
E: manusha@firstcapital.lk

Salaama Sanoon
Research Associate
T: +94 11 2639 866
E: salaama@firstcapital.lk