



R I L Property Limited (RIL)

Apr 2017

IPO Price – LKR 8.0

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Company Profile

Incorporated in 2009, RIL is an owner, developer and manager of Grade 'A' commercial office space in Colombo. RIL focuses on offering multi-faceted real estate solutions including facilities management, leasing, land acquisition, construction management services, consulting and strategic investment. The company's flagship asset, Parkland, currently has an occupancy of 90.4% and about 60% of the tenants are foreign. RIL also owns FoodBuzz (Private) Limited (FBPL), a food and beverage company which is a franchisee of the BreadTalk Group based in Singapore.

Growth Prospects

Parkland's tenant base has a Weighted Average Lease Expiry (WALE) of 3 years and introductory rates offered to initial clients are expected to be re-priced upon renewal of the respective lease agreements. Furthermore a specific clause in the lease agreements ensures a 10% increase in rentals every 2 years.

The expansion project for FBPL involves increasing the number of BreadTalk outlets from 7 in FY17 to 16 in FY21. This would provide the potential for growth in cash flow generation.

The refurbished Readywear building will be ready for occupancy by June 2018 and would add 194,345 sq. ft. of Net Rentable Area (NRA). Furthermore RIL has a vacant property on Park Street with a land extent of 155 perches, and based on market conditions, the company plans to utilize it for large scale commercial office space development.

RIL also plans to dispose of the Morgan Road property in FY18/19 for LKR 1.3Bn (net of capital gains taxes) and utilize the proceeds for future office space developments. In addition to this, given the company's strong balance sheet and cash flows, the company has the potential to raise further debt if required.

RIL Valuation

P/E 31st March	Company			Group	
	FY14	FY15	FY16	FY16	FY17E
Revenue (LKR Mn)	-	-	125	269	926
Net Profit (LKR Mn)	9	19	4,961	4,950	674
Adjusted EPS (LKR)	0.0	0.0	8.3	8.3	1.1
YoY Growth %		104%	26631%	0%	-86%
Valuations					
PER (x)				1.0	7.1
PBV (x)	4.8	2.4	0.5	0.5	0.4
Div Yield (%)	0.0%	0.0%	0.0%	0.0%	2.9%
Adjusted NAVPS (LKR)	1.7	3.4	16.5	16.5	19.1
Adjusted DPS (LKR)	-	-	-	-	0.2
Dividend Payout (%)	0.0%	0.0%	0.0%	0.0%	20.5%

Peer Group Comparison

	Share Price (LKR)	4 Quarter Trailing as per company stats (LKR Mn)	BV as at 31.12.2016 (LKR Mn)	P/E	P/BV
OSEA	20.0	2,225.7	27,876.5	8.2x	0.9x
COMD	128.8	301.6	1,975.9	2.5x	0.4x
ETWO	59.7	173.9	1,025.4	10.0x	1.7x
PDL	82.4	467.8	3,284.0	10.3x	1.5x
CSD	13.6	374.6	4,682.1	5.3x	0.4x
CTLD	44.0	372.2	3,191.5	5.8x	0.7x
RIL-Post IPO*	8.0	673.9	11,453.7	7.1x	0.4x
Sector				8.2x	0.8x
Market				15.2x	1.3x

*Earnings and Book Value as at 31st March, 2017

The PER of RIL is less than its peer group except for COMD, CSD and CTLD while the PBV is less than its peer group except for COMD. Accordingly, the counter will have potential upside value, share value wise, at an issue price of LKR 8.0. Furthermore, in the most recent rights issue given on January 2016, the company had offered the new shares at LKR 10.0. This further indicates an upside potential for the shares issued at LKR 8.0 to the public.

IPO Details

Issue Price	: LKR 8.0
Amount Raised	: LKR 960Mn
No. of Shares offered at the IPO	: 120Mn
Issue open Date	: 4 th April 2017
Listed on	: Main Board

Purpose of the issue

1. Refurbishment of the READYWEAR Building with an investment of LKR 694.1Mn. The building will be available for occupancy in June 2018.
2. To fund partially the expansion of BreadTalk Outlets for LKR 265.9Mn. The total investment estimate for this project is LKR 550Mn.

Issue Allotment Structure

Category	No. of Shares	% of Shares offered
Retail Individual Investors	48,000,000	40%
Unit Trust Investors	12,000,000	10%
Non-Retail Investors	60,000,000	50%
New Shares Issued	120,000,000	100%
Existing Shares	480,000,000	
Total Number of Shares	600,000,000	

Cornerstone and underwriting arrangements ensure raising of LKR 500 Mn (c. 52% of the IPO). NDB Capital Holdings Limited (NCAP) has agreed to subscribe 25Mn shares and in return will obtain a minimum allocation of 15Mn shares of RIL. The NCAP shares will not be disposed for a period of 6 months from date of listing. The underwriting agreement is with Commercial Bank of Ceylon Plc (COMB) for a maximum of 37.5Mn shares.



Appendix 1

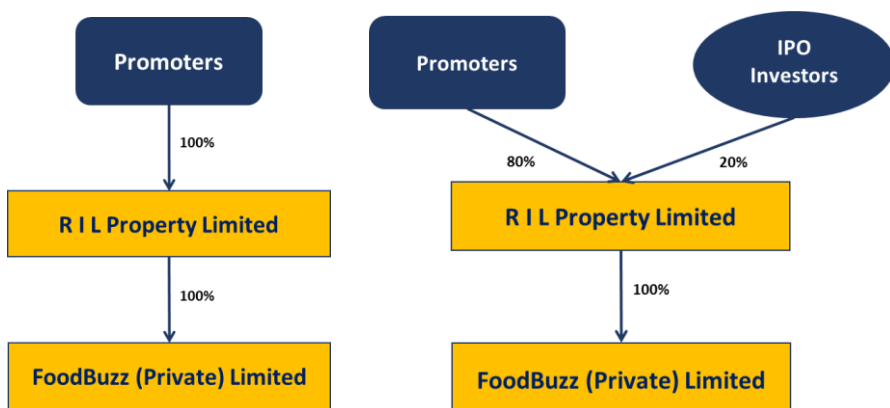
Summarized Income Statement

Income Statement (LKR Mn)	Company			Group	
	FY14	FY15	FY16	FY16	FY17E
Revenue	-	-	125	269	926
Direct Expenses	-	-	(12)	(81)	(209)
Net Revenue	-	-	113	188	717
Other Income and Gains	15	-	1	1	1
Fair Value Gain on Investment Property	-	-	4,904	4,904	427
Marketing and Promotional Expenses	-	-	(5)	(6)	(33)
Administrative Expenses	(2)	(7)	(55)	(142)	(316)
Operating Profit	13	(7)	4,845	4,757	80
Finance Cost	(0)	-	(1)	(1)	(119)
Finance Income	-	28	5	5	-
Net Finance Cost	(0)	28	3	4	(119)
Profit/(Loss) Before Tax	13	21	4,962	4,949	677
Income Tax Expense	(4)	(2)	(1)	1	(3)
Profit/(Loss) for the year	9	19	4,961	4,950	674

Appendix 3

Pre-IPO Group Structure

Post-IPO Group Structure



Appendix 2

Summarized Balance Sheet

Balance Sheet (LKR Mn)	Company			Group	
	FY14	FY15	FY16	FY16	FY17E
Assets					
Property, Plant and Equipment	18	17	344	543	727
Investment Property	805	2,509	10,675	10,675	11,102
Intangible Asstes	-	-	3	8	8
Pre-Operational Expenses	6	-	-	-	-
Investment in Subsidiaries	-	-	277	-	-
Deferred Tax Assets	-	-	-	1	1
Non-Current Assets	829	2,527	11,299	11,228	11,838
Inventories	-	-	-	17	18
Trade and Other Receivables	282	180	64	136	126
Amounts due from Related Parties	0	-	-	-	-
Income Tax Receivable	-	0	-	-	-
Cash and Cash Equivalents	470	4	28	43	861
Current Assets	752	184	92	195	1,006
Total Assets	1,581	2,711	11,391	11,423	12,843
Capital and Other Reserves					
Stated Capital	1,000	2,000	4,800	4,800	5,760
Revaluation Surplus	-	-	125	125	125
Retained Earnings	9	16	4,967	4,957	5,569
Total Equity	1,009	2,016	9,892	9,882	11,454
Liabilities					
Interest Bearing Loans and Borrowings	500	-	875	875	727
Retirement Benefit Liability	-	-	1	3	4
Rental and Customer Deposits	67	-	61	61	61
Non-current Liabilities	567	-	937	940	791
Trade and other payables	3	159	358	374	331
Rental and customer deposits	-	-	19	19	19
Amounts due to related parties	-	136	-	-	249
Interest Bearing Loans and Borrowings	-	400	185	208	-
Income Tax Payable	2	-	0	0	0
Current Liabilities	5	695	562	602	598
Total Equity and Liabilities	1,581	2,711	11,391	11,423	12,843



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