

Record Profit, Bad Loans Have Doubled...

Vallibel Finance PLC (VFIN.N0000)

Results Review – 2QFY27 (July - September 2026)

Company Summary

Vallibel Finance PLC (VFIN) is a licensed finance company that earns most of its income from loans and leases, funded by deposits and, increasingly, bank borrowings. In 2QFY27 (July–September 2026), net interest income rose 41% YoY to LKR 3.81 Bn as the loan book grew 40% to LKR 171 Bn. Net profit rose 25% to LKR 1,207 Mn (EPS LKR 4.59 vs LKR 3.97), a record quarter, and six-month profit rose 31%. But interest costs grew faster than interest income (+76% vs +58%), and impairment charges rose 5.6x to LKR 478 Mn as gross non-performing loans doubled to LKR 7.5 Bn (about 4.4% of loans).

Valuation Outlook

We rate VFIN a HOLD with a 12-month fair value of LKR 85.00 (range LKR 70–100), an equal blend of peer P/BV (LKR 79), P/E (LKR 89) and justified P/BV (LKR 88), implying a 10% price upside. No FY26 dividend has been paid yet, as capital is kept for growth. The stock looks cheap at 4.8x trailing earnings and 0.87x book for a 21.8% ROE, near the peer median of 0.83x. LB Finance trades at 1.25x for a similar ROE with a 1.4% NPL ratio, so the discount reflects asset quality and capital. We would move to BUY if NPLs stabilise below 5% and Tier 1 is rebuilt, and to SELL if credit costs keep rising or a discounted capital raise is announced.

Financial Summary

Operations used LKR 11.0 Bn of cash in 1HFY27 (1HFY26: LKR 20.3 Bn outflow) as VFIN lent a net LKR 16.2 Bn and placed LKR 13.1 Bn with banks, partly funded by LKR 13.9 Bn of new deposits. It borrowed a net LKR 11.9 Bn and raised LKR 2.1 Bn through a 1-for-8 rights issue at LKR 72. Deposits now fund 55% of debt (66% a year ago), and Tier 1 capital is 10.8%, only 0.8 points above the 10% minimum.

Business Risk

The main risk is asset quality. Gross NPLs doubled in a year and provision cover fell to 71% from over 100%. The Central Bank has warned of rising overdue loans across finance companies, whose loans grew almost 48% in the year to June 2026, and has capped loan-to-value on vehicle and gold lending. Capital and funding are a second risk: fast growth on thin capital may need another share issue, and borrowing costs rise after the May 2026 policy rate increase to 8.75%. A 21.8% ROE and an A- (stable) rating limit the downside.

Diversified Financials : Sector

LKR 20.40 Bn : Market Cap

LKR 126.50 – LKR 73.50 : 52 Week High and Low

21.57% : Free float

0.87x : P/BV

LKR 85.00 : 12 Month Target Price

10% : Total Price Upside

LKR 76.70 : Current Market Price

HOLD : Recommendation

23 October 2026 : Date

Source: CSE, Company Interim Financials, SenFin Research

Figure 01: Key Financial Highlights

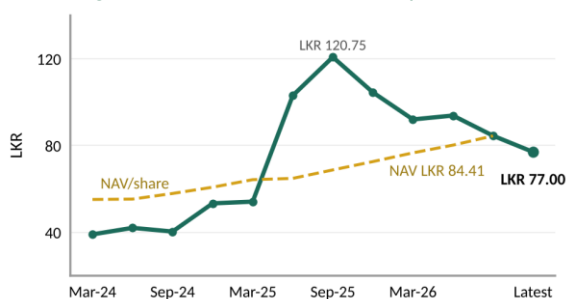
(LKR Mn)	3QFY26	4QFY26	1QFY27	2QFY27
Net interest income	2,950	3,124	3,438	3,807
Total op. income	3,632	4,081	4,445	4,785
Cost / income	42.1%	39.6%	37.5%	38.2%
Impairment charges	(127)	(374)	(408)	(478)
Profit before tax	1,513	1,625	1,837	1,913
Profit after tax	958	916	1,146	1,207

Source: Company Interim Financials (group)

Valuation	VFIN	Valuation	VFIN
P/E (TTM)	4.8x	Div. yield (FY25)	3.6%
P/E (1H ann.)	4.3x	ROE (1H ann.)	21.8%
P/BV	0.87x	Peer P/E · P/BV	5.6x · 0.83x
NAV/share	LKR 88.25	Tier 1 / CAR	10.8% / 14.8%

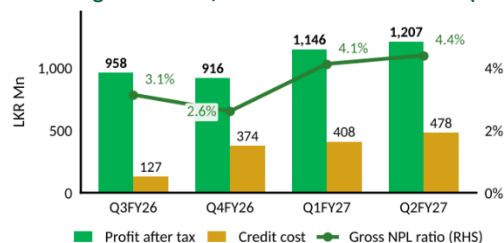
Source: CSE, SenFin Research, peer multiples: Ceyport, Oct 2026

Figure 02: VFIN Share Price vs NAV per Share



Source: Company interim reports, CSE quote, 23 Oct 2026

Figure 03: PAT, Credit Cost and NPL Ratio (Mn)



Source: Company Interim Financials