



LRI GETS BULLISH WITH 2.8 BILLION RUPEES TAKEOVER MOVE OF UNITY PLAZA OWNER ON



Hardy Jamaldeen, Co-founder and Executive Director, LRI.



Archie Buckland Warman, Executive Director, LRI.

Lanka Realty Investments (LRI) walked the talk of its optimism with a 2.8 billion rupees takeover move of Colombo 4 located Unity Plaza owning company On’ally

Holdings. It acquired 51 percent stake amounting to 93 million shares at 30.20 rupees each in a deal worth 1.4 billion rupees from Renuka Capital and related parties Dr S R Rajiyah and I R Rajiyah (44. percent) and four other shareholders – Petro Energy Lanka and Kirimanjaro Investments (two percent each), Ashthi Holdings and Capital Alliance, which was the selling side broker (one percent each). Renuka Capital had its 43.8 percent stake in On'ally valued at 944.8 million rupees as at March 30, 2020. The deal, which accounted for 41 percent of turnover at the CSE, was structured by Steradian Capital Investments (SCI), which is the manager of the assets held by LRI. Buy side broker was Acuity Stockbrokers. The acquisition triggered the SEC Takeovers and Mergers Code and LRI will make a mandatory offer to acquire the minority stake at a further cost of 1.4 billion rupees if accepted in full. The net asset value per share of On'ally as at September 30, 2020 was 23.47 rupees. On'ally traded between 27 rupees and 26.50 rupees before closing at the latter level. Its 52-week highest price was 42 rupees and lowest was 23.10 rupees. Some market analysts opined LRI paid a premium whilst others viewed it as attractive given the strategic nature as well as if one factors in the deferred tax liability, which was 626 million rupees as at September 30, 2020. On'ally has 1.8 billion rupees in retained earnings and zero debt as well. Post-acquisition, On'ally Holdings share price closed at 33.80 rupees, up by 7.30 rupees or 27.5 percent and LRI share price gained by 5.30 rupees or 15.4 percent to 39.70 rupees. The largest minority shareholder of On'ally is the Urban Development Authority (UDA), holding 44.8 percent. The public float is 10.85 percent held by 888 shareholders. In FY20, On'ally Holdings was able to sustain a reasonable growth registering a profit, before tax, of 201.52 million rupees excluding the gain on revaluation of investment property of 40 million rupees. Turnover grew by 5.36 percent to 201.22 million rupees. Revision of rentals of the existing tenants, maintaining a higher occupancy rate (average occu- pancy rate in 96.59 percent in 2018/2019 and 93.67 percent in 2019/2020) during the financial year and increased in shortterm investments (mainly from investing right issue proceedings) were the major reasons for this increase in turnover and the profitability. Hardy Jamaldeen, Co-founder and Executive Director, LRI said that the acquisition of On'ally fitted into the company's portfolio. "We are committed to become the foremost property company and On'ally, apart from adding a strong property from a popular location in the city, will support our income stream as well. To the Board, we will present our asset management strategy as part of transforming the building." LRI, which as a group includes construction material business Amtrad, as well as leisure interests, has assets worth 11.6 billion rupees as at end FY20. The key highlight in FY20 was the acquisition of six companies in the real estate and leisure sector amounting to 5.6

billion rupees. This acquisition was carried out via a share swap and was the largest carried out historically on the Colombo Stock Exchange. Acquisition of On’ally gives LRI a new growth opportunity, analysts said. Unity Plaza, with its first five retail floors being cash cows, is considered as an ICT products hub given the wide range of wholesale and retailers. “Our focus is to provide quality commercial space mainly for the thriving information technology industry with occupants who will elevate the image of Unity Plaza as the center for computers, computer accessories and IT-related businesses in Colombo,” the company said in its 2019/20 Annual Report. In May 2019, the company raised 105 million via a Rights Issue to refurbish the Unity Plaza.