

NABIL Bank Ltd [NABIL]

BUY

Stock Summary

NABIL shows strong prospect to rise as the bank's 4th quarter financial expected to introduce the profit growth by almost 36%. The bank is expected to make second highest profit after Agriculture Dev. Bank. The bank places in top 5 companies of Nepal in terms of market capitalization and encourage rising factor for its share price considerably. The bank has been expected to provide 30% bonus shares to reach NPR. 8 billion capital club, which will scale the reason to shoot up its price. The stock is considered to be undervalued according to industry average having equity return of 30%.

Key Stock Performance Indicators:

Share Type	Ordinary		
Share Units	47,549,502		
LTP in NPR	2466 (27.07.2016)	10 (0.88%)	▲
Market Cap.(NPR)	117,257,071,932		
52 weeks High (NPR)	2700	905 diff.	
52 weeks Low (NPR)	1795		
Beta Coefficient	1.276		
Correlation to NEPSE	0.701		
Volatility	Medium		
Risk	Average		
Target Buy (NPR)	2465		
Target Sell (NPR)	2525		
Industry	Commercial Bank		

Company Profile

NABIL is a 'A' grade Commercial Bank started its operation since 1984 as national level commercial bank Ltd. The bank is the first foreign joint venture bank of Nepal. It was earlier known as Nepal Arab Bank Ltd. NABIL is a leading commercial bank exhibiting strong growth and large customer base. The bank has been offering wide range of products such as deposits, loans, online banking, sms banking, cards, remittances and many other financial services through its 55 branch networks and 89 ATM outlets. The bank is deliberately providing the quality banking service to its customers by adopting latest technology. It is one of the largest employees' strength holding banks. The bank has successful to maintain its brand image in the financial industry during its 32 years of operation.

Quarterly Financial Performance

NPR in Million.

Financial Summary	Q1-2072/73	Q2-2072/73	Q3-2072/73
Paid-up capital	4754.95	4754.95	4756.57
Reserve and surplus	5384.15	6081.92	6783.01
Net worth	10139.10	10836.87	11539.58
No. of shares	47.55	47.55	47.57
Total Deposit	109976.95	108372.52	113316.93
Total Loan and advances	67430.14	65006.547	70744.859
Total Assets	124898.225	123797.801	137131.058
Net profit	653.51	1351.28	2052.37
Gross Income	1829.01	3615.26	5461.85
Gross Expenses	968.41	1707.04	2425.75
Interest Income	1497.24	2981.99	4477.34
Interest Expenses	607.05	1051.753	1441.068
Operating Expenses	655.29	655.29	984.68
Employee Expenses	225.67	406.45	595.07
MPS (in NPR)	2360	1850	2110
Total Branches	55	55	55
Number Of Employee	706	706	706

Future Plans:

- To increase a customer base from all 75 districts by extending its branches and delivery of utmost customer care and convenience.
- To continue to develop products and services that reduce the cost of funds
- To maintain a high quality assets portfolio to achieve strong and sustainable returns and to continuously build shareholders' value
- To use innovative technology to improve the product offerings and service delivery.
- Exploration of business avenues that contribute to fee generation including from card business

Shareholding Patterns:

Company Category	A- grade national level Commercial Bank	
Ownership Structure	Public Limited	
Current Shareholdings	NB International Ltd	50%
	Rastriya Beema Sansthan	9.67%
	Others	9.76%
	NIDC	0.57%
	General Public	30%

Ratio and Valuation Analysis

The bank has maintained adequate capital adequacy and has met the mandatory requirements of NRB. The quality of assets measured by NPL to TL remains below industry average of 2.06%

The bank has constant growth in its net profit margin and ROE level is higher than industry average of 16.97%. The bank has maintained its liquidity at 24% till Q3 and Loan to Deposit ratio remains below the industry average at 62.43%. This also indicates that bank has sufficient liquidity and financial risk is below industry average.

Networth/share (NPS) has increased to Rs. 242.60 in Q3 and it is increasing trend with the rise in profit and reserves fund. The fair valuation would be around NPR 727.8 as per NPS. However the market sentiments and company's future prospects lead its price in the multiple of 8.70 times Rs. 2110 in Q3.

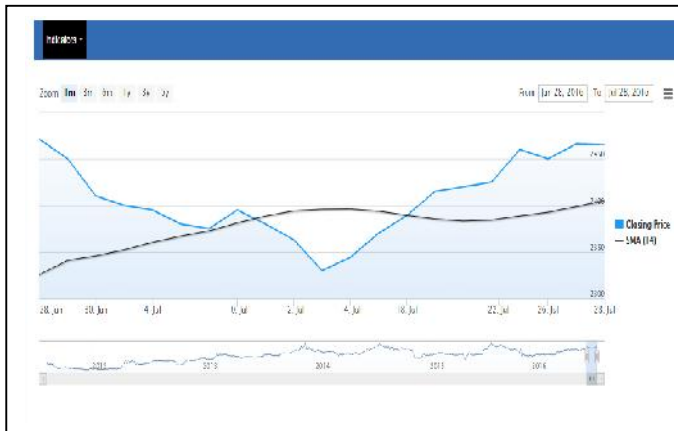
The PE ratio indicates stock is slightly Overpriced. The Company has EPS higher than industry average Rs. 57.33 and DPS indicates the company has good dividend distribution history.

Key Financial Ratios:

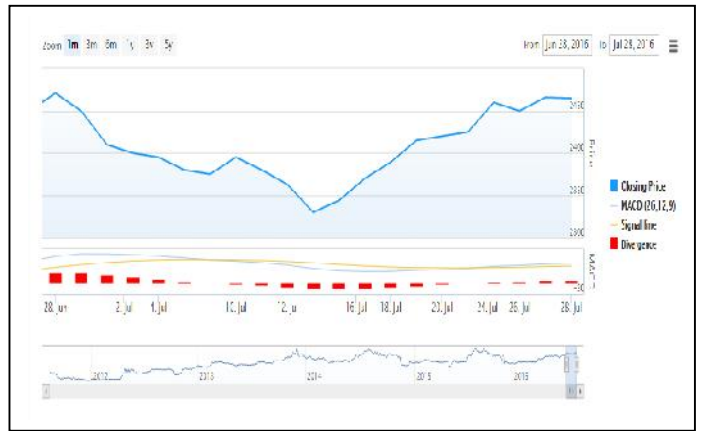
Particular	FY70/71	FY71/72	Q1-FY 72/73	Q2-FY 72/73	Q3-FY 72/73
Capital Adequacy %	11.18	11.57	12.14	13	12.75
NPL to TL %	2.23	1.82	1.54	1.7	1.49
LLP to NPL %	-	-	147.42	137.95	147.3
Net Profit Margin %	33.63	29.93	35.73	37.38	37.58
ROE %	30.36	22.07	25.78	24.94	23.71
ROA %	2.66	1.81	2.09	2.18	2.00
CRR %	11.32	14.15	-	-	-
Loan to Deposit %	72.55	62.84	61.31	59.98	62.43
Liquidity%	-	-	-	-	24
Networth/Share in NPR	208.96	199.49	213.23	227.91	242.60
EPS in NPR	63.43	44.03	54.97	56.84	57.33
EPS Growth	-24.90	-30.58	24.85	3.39	1.22
PE Ratio	39.96	43.38	42.93	32.55	36.68
PB Ratio	12.13	9.57	11.07	8.12	8.70
DPS (including Bonus share) %	65	36.84	-	-	-
Cash Dividend %	45	6.84	-	-	-
Dividend Payout	102.47	83.66	-	-	-
Employee Exp to Operating Exp.%	53.61	54.81	34.44	62.03	60.43

Technical Analysis:

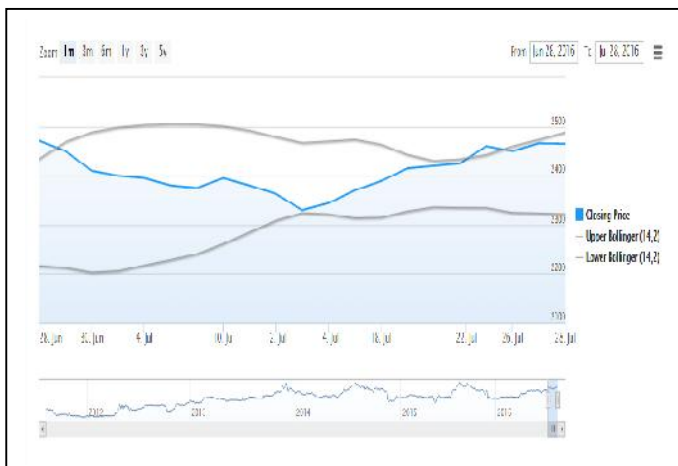
Moving Average line



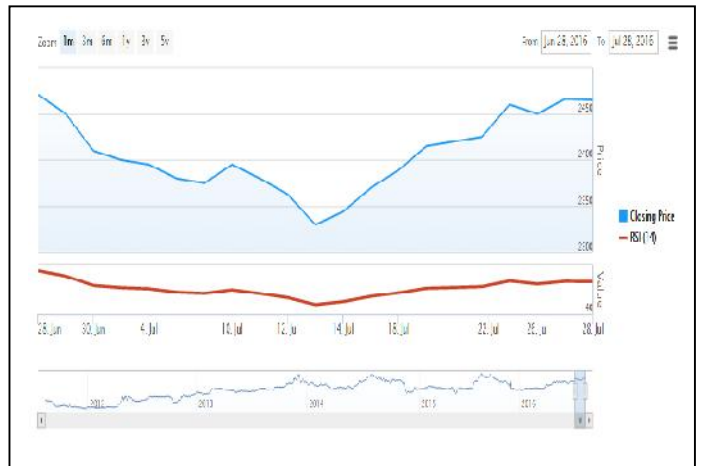
MACD line



Bollinger Band



RSI



The short term moving avg. is above long term, MACD is above Signal line, Closing price approach to align with Upper Band, RSI is Neutral zone. These technical indicators indicates bullish scenario for stock.

