

# DEV Bikash Bank Ltd [DBBL]

## BUY

### Stock Summary

DBBL carries good prospect to rise as the bank's 4<sup>th</sup> quarter financial expected to introduce the profit growth. The stock is highly volatile despite of equity return of 157% during the period of 52 weeks expected to make second highest profit after Agriculture Dev. Bank. The floated share units are limited in quantity which also causes greater fluctuation in share price. The bank has been expected to provide 50% rights shares to reach NPR. 2.5 billion Paidup capital, which will scale the reason to shoot up its price. The stock is considered to be overvalued as the equity return is greater than market return by 75%.

### Company Profile

DBBL is a 'B' grade national level development Bank started its operation since 2072/03/25 after the merger with NDEP Development Bank and Rising Development Bank. NDEP Development bank was promoted by renowned personalities from business sector and Employee Provident Fund since 2006. Another Partner Rising Dev. Bank also operated by well-known business personalities from chitwan since 2006. 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 9 ATM outlets. After the successful merger the bank's paid up capital reached 818 Million to meet the regulatory requirement of NRB i.e. NPR 2.5 billion for national level development banks.

### 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 seek issue of rights shares or merger with commercial banks or development banks to reach the paid up capital requirement.
- To use innovative technology to enhance the product offerings and service delivery.
- Exploration of new loan diversification sectors to mitigate the existing Non-performing loan portfolio and devise effective strategies to induce repayment of irregular or default loan.

### Key Stock Performance Indicators:

Share Type	Ordinary		
Share Units	629,932		
LTP in NPR	457 (28.07.2016)	41 (9.86%)	▲
Market Cap.( NPR)	287,878,924		
52 weeks High (NPR)	457	288 diff.	
52 weeks Low (NPR)	169		
Beta Coefficient	1.165		
Correlation to NEPSE	0.308		
Volatility	High		
Risk	High		
Target Buy (NPR)	440		
Target Sell (NPR)	538		
Industry	Development Bank		

### Quarterly Financial Performance

NPR in Million.

Financial Summary	Q1-2072/73	Q2-2072/73	Q3-2072/73
Paid-up capital	818.10	818.10	818.10
Reserve and surplus	244.24	260.83	260.49
Net worth	1062.33	1078.92	1078.58
No. of shares	8.18	8.18	8.18
Total Deposit	6841.97	6803.90	7313.89
Total Loan and advances	5152.23	5398.89	6490.27
Total Assets	8294.10	8284.75	9373.30
Net profit	39.15	56.37	56.03
Gross Income	173.59	351.03	515.65
Gross Expenses	137.33	265.62	387.78
Interest Income	163.22	326.52	469.55
Interest Expenses	91.84	172.87	246.18
Operating Expenses	92.75	92.75	141.60
Employee Expenses	20	44.15	65.62
MPS (in NPR)	218	186	225
Total Branches	36	36	36
Number Of Employee	325	325	325

### Shareholding Patterns:

Company Category	B-class national level Development Bank	
Ownership Structure	Public Limited	
Current Shareholdings	Promoter shares	51%
	General Public	49 %
	-	-
	-	-

## 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 two times higher than industry average of 2.30%

The bank has gradual decline in the growth of net profit margin and ROE level is less than industry average of 15.56%. CRR that measure the bank's liquidity is in declining trend which indicates that bank has exposure to greater financial risk as compared to industry average.

Networth/share (NPS) has increased to Rs. 131.84 in Q3 and it is increasing trend with the rise in profit and reserves fund. The fair valuation would be around NPR 392.5 as per NPS. However, the market sentiments and company's future prospects lead its price in the multiple of 3.48 times.

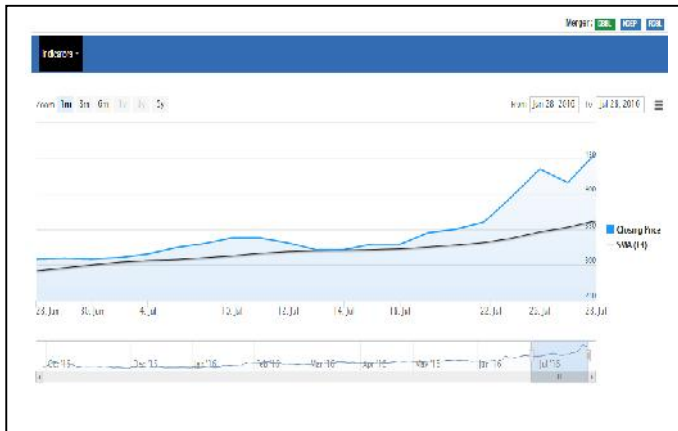
The PE ratio indicates stock is overvalued as compared to industry average. The Company has EPS in declining trend and there is only one time the bank has provided dividend to its shareholders.

## Key Financial Ratios:

Particular	FY70/71	FY71/72	Q1-FY 72/73	Q2-FY 72/73	Q3-FY 72/73
Capital Adequacy %	12.75	15.32	15.92	16.01	13.97
NPL to TL %	2.23	1.82	4.65	4.79	4.96
LLP to NPL %	-	-	93.86	95.48	90.2
Net Profit Margin %	-30.33	49.21	22.55	16.06	10.87
ROE %	-32.50	24.63	14.74	10.45	6.93
ROA %	-2.98	3.17	1.89	1.36	0.8
CRR %	11.32	14.15	11.2	10.4	9.18
Loan to Deposit %	53.98	72.64	75.30	79.35	88.74
Liquidity%	-	-	-	-	-
Networth/Share in NPR	82.25	114.04	128.85	131.88	131.84
EPS in NPR	-26.73	28.09	19.14	13.78	9.13
EPS Growth	-24.90	-205.6	-31.84	-28.01	-33.74
PE Ratio	-6.58	6.27	45.55	26.99	32.85
PB Ratio	2.14	1.54	1.68	1.41	1.71
DPS (including Bonus share) %	0	7.7	-	-	-
Cash Dividend %	0	0	-	-	-
Dividend Payout	0	27.41	-	-	-
Employee Exp to Operating Exp.%	41.84	46.70	21.56	47.60	46.34

## Technical Analysis:

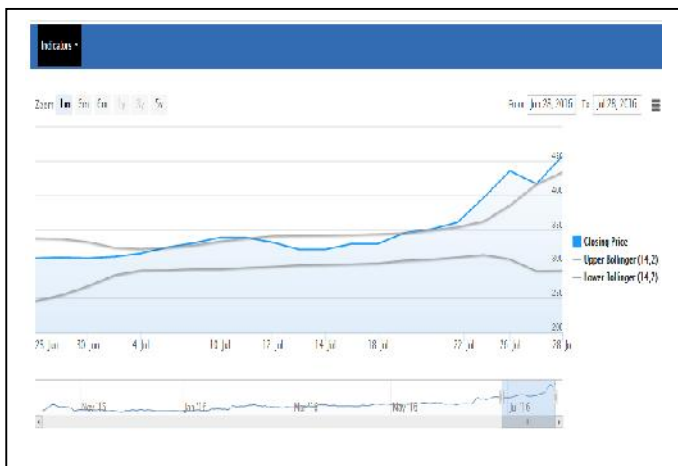
### Moving Average line



### MACD line



### Bollinger Band



### RSI



The short term moving avg. is above long term; MACD is above Signal line, Closing price lies above Upper Band indicating overbought condition, RSI is Neutral zone. Although the fundamental of the banks are not so appealing with the context, these technical indicators indicate bullish scenario for stock due to investors demand.