

Chhimek Laghubitta Bikash Bank [CBBL]

ACCUMULATE

Stock Summary

CBBL has always been most in demand stocks among microfinance group. It has always attracted in investors with the offering of extensive bonus shares in terms of dividend. The stock price has good prospect to rise as the bank's 4th quarter financial expected to introduce the profit growth by almost 40-50%. The bank is among the top microfinance of the country in terms of profit generation and market capitalization. Besides the cap on spread rates might have discouraged the industry but the scaling up of the stock price yet to stop. The stock is considered to be fairly valued according to industry average having equity return of 89%.

Company Profile

CBBL is a 'D' class BFI started its operation since 2058 BS as national level microfinance. The bank was established by the Neighborhood Society Service Centre (NSSC), which conducted its own microfinance activities in Mahottari and Chitwan District of Nepal. In addition, the company has been promoted by various commercial banks such as NABIL, HBL and Bank of Kathmandu Lumbini Ltd. The bank has been offering range of financial products such as deposits, loans, securities to diverse group of rural and under privileged areas of the nation. Besides, it also conducts various workshops, grants, literacy and training program to diverse group of society for their socio-economic development. It has three regional office located in Butwal, Hetauda and Ithari. It enjoys 35% of market shares on deposits in microfinance industry.

Future Plans:

- To improve the socio-economic condition of the general public from deprived sectors by availing easy saving and lending services.
- To continue to develop products and services that reduces the cost of funds and limits the spread rate as per the regulatory norms.
- To introduce innovative technology to improve the product offerings and service delivery.
- to increase its paid-up capital requirement by issuing rights or bonus shares.
- to prioritize agriculture sectors for their microcredit activities to generate new business opportunities.

Key Stock Performance Indicators:

Share Type	Ordinary		
Share Units	5,957,476		
LTP in NPR	2230 (28.07.2016)	20 (0.90%)	▲
Market Cap.(NPR)	13,285,171,480		
52 weeks High (NPR)	2585	1179 diff.	
52 weeks Low (NPR)	1406		
Beta Coefficient	0.70		
Correlation to NEPSE	0.23		
Volatility	Medium		
Risk	Average		
Target Buy (NPR)	2198		
Target Sell (NPR)	2257		
Industry	Microfinance	D class BFI	

Quarterly Financial Performance

NPR in Million.

Financial Summary	Q1-2072/73	Q2-2072/73	Q3-2072/73
Paid-up capital	422.79	595.75	595.75
Reserve and surplus	624.45	598.25	796.39
Net worth	1,047.24	1,194.00	1,392.13
No. of shares	4.23	5.96	5.96
Total Deposit	5,262.38	5,660.58	6,078.84
Total Loan and advances	8,087.89	8,622.30	9,286.86
Total Assets	10,240.15	10,931.16	12,088.15
Net profit	105.40	206.25	330.26
Gross Income	440.44	878.95	1,355.67
Gross Expenses	270.01	536.41	802.21
Interest Income	411.37	817.81	1,257.59
Interest Expenses	160.54	325.11	503.38
Operating Expenses	211.30	211.30	298.84
Employee Expenses	75.32	141.92	203.25
MPS (in NPR)	1665	1721	1810
Total Branches	78	78	78

Shareholding Patterns:

Company Category	A- grade national level Commercial Bank	
Ownership Structure	Public Limited	
Current Shareholdings	NSSC	19%
	NABIL	12%
	HBL	
	BOK Lumbini	39%
	Others Individual Stakes	
General Public	30%	

Ratio and Valuation Analysis

The bank has adequate capital adequacy and has met the mandatory requirements of NRB. The profitability profile has remained good and steady over past 5 years and quarterly reports also show the constant growth in Net profit margin.

The bank has low level of credit provisioning warranted to good assets quality measured by NPL to TL ratio which is minimal at 0.24%. Besides, the bank has maintained its liquidity at 22.57% till Q3 and Loan to Deposit ratio remains higher than industry average which also position bank to financial risk.

Although MFI portfolio is susceptible to higher vulnerability arising from unsecured nature of loan book and inferior borrower profile, the same is mitigated to some extent by healthy deposit base.

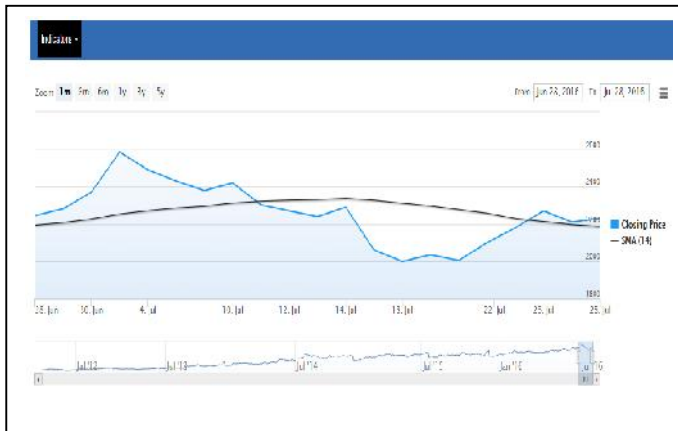
Net worth/share (NPS) has increased to Rs. 233.68 in Q3 and it is increasing trend with the rise in profit and reserves fund. The fair valuation would be around NPR 701.8 as per NPS. However the market sentiments and company's future prospects lead its price in the multiple of 7.75 times Rs. 1810 in Q3. The PE ratio indicates stock is slightly Overpriced. The Company has EPS higher than industry average Rs. 73.91 and DPS indicates the company has good dividend distribution history.

Key Financial Ratios:

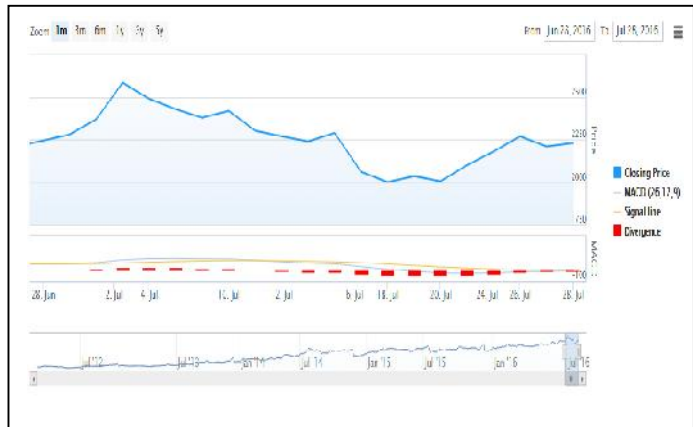
Particular	Q1-FY 72/73	Q2-FY 72/73	Q3-FY 72/73
Capital Adequacy %	12.85	13.75	14.72
NPL to TL %	0.02	0.42	0.24
LLP to NPL %	29.53	56.75	175.51
Net Profit Margin %	23.93	23.47	24.36
ROE %	40.26	34.55	31.63
ROA %	4.12	3.77	3.64
CRR %	20.31	20.45	22.57
Loan to Deposit %	153.69	152.32	152.77
Networth/Share in NPR	247.70	200.42	233.68
EPS in NPR	99.72	69.24	73.91
EPS Growth	-	-30.56	6.75
PE Ratio	66.79	49.71	32.65
PB Ratio	6.72	8.59	7.75
DPS (including Bonus share) % (last 3 years)	48.23	45	52.7
Cash Dividend % (last 3 years)	15	10	12.7
Dividend Payout %	48.36	64.99	71
Employee Exp to Operating Exp. %	35.65	67.17	68.01

Technical Analysis:

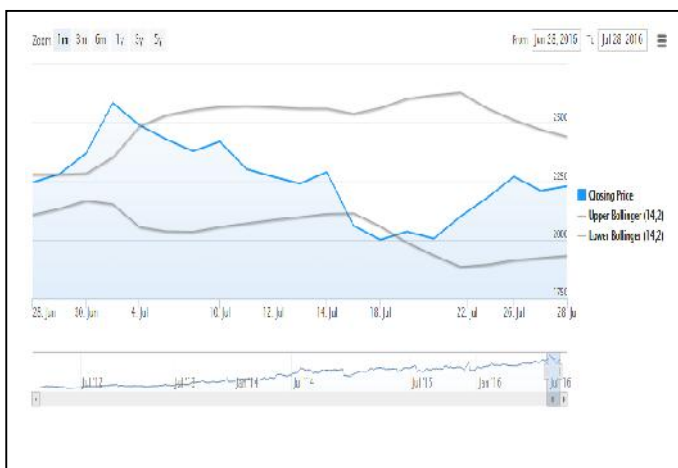
Moving Average line



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, and the increasing divergence indicates the stocks is volatile. RSI is Neutral zone. These technical indicators indicates bullish scenario for stock.