

Company Synopsis:

Company Category	C- class national level Financial Institution	
Ownership Structure	Public Limited	
Area of operation	National level	
Share holding pattern	Promoter	60%
	General Public	40%
	Total	100%

Company Overview:

Pokhara Finance Limited is National Level Finance established in 2053 B.S. Currently, the company has an Authorized Capital of NPR 940million and Paid Up/Issued Capital of NPR 491.11 million. Its head office is situated at New road, Pokhara-9, Kaski. The company has an ownership of 60% with 40% shares owned by the public. The company is amongst the oldest finance companies currently operating in Pokhara.

Capital Increment Plan

Current Capital Status						
Authorized capital		2,500,000,000.00				
Issued Capital		491,119,000.00				
Paid-up Capital		491,119,000.00				
Fiscal year	Bonus share (%)	Bonus Share(Rs)	FPO (9%) @Rs200	Right issues	Right (Rs)	Total capital
2070/71						330,720,000.00
2071/72	48.50	160,399,200.00				491,119,200.00
2072/73	15.00	73,667,880.00				564,787,080.00
2073/74	12.00	67,774,450.00	101,661,674.00	15.00	84,718,062.00	818,941,266.00

Note: The bank has kept priority to merge with other favorable BFIs, hence may undergo merge in FY 2072/73 or FY2073/74 to increase paid-up capital

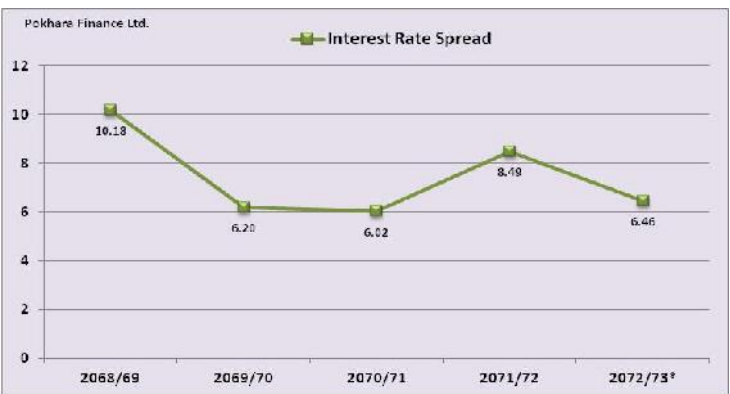
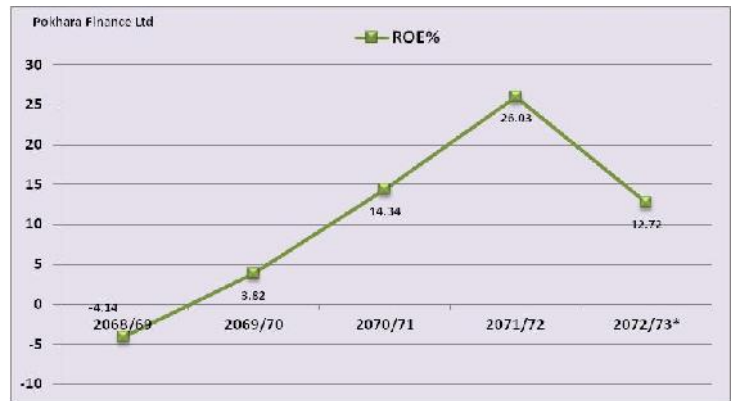
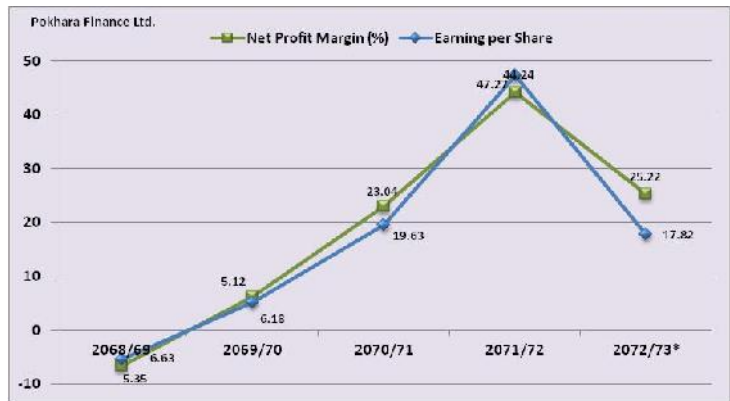
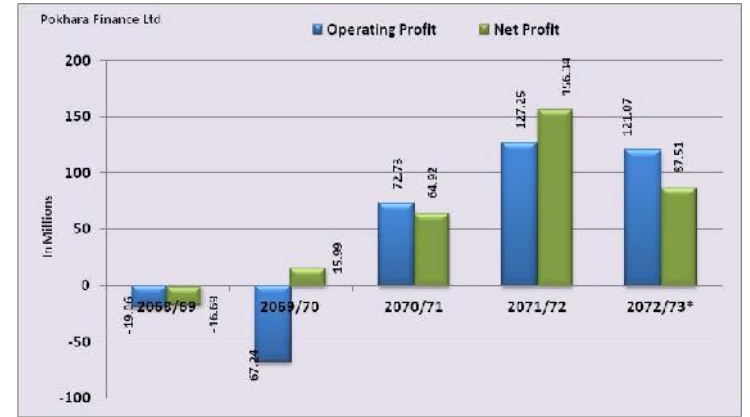
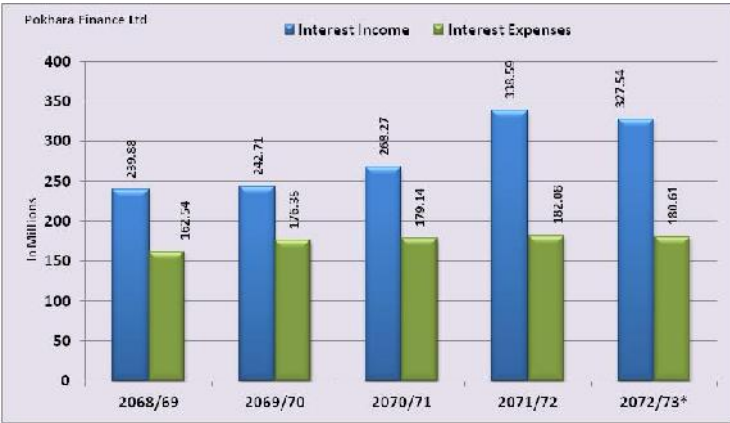
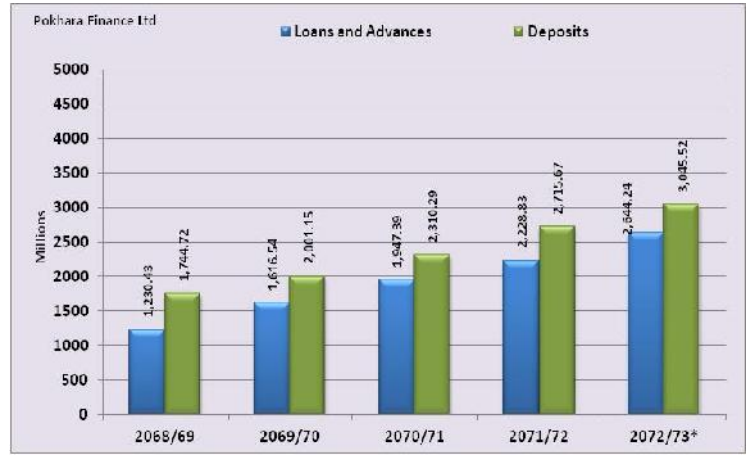
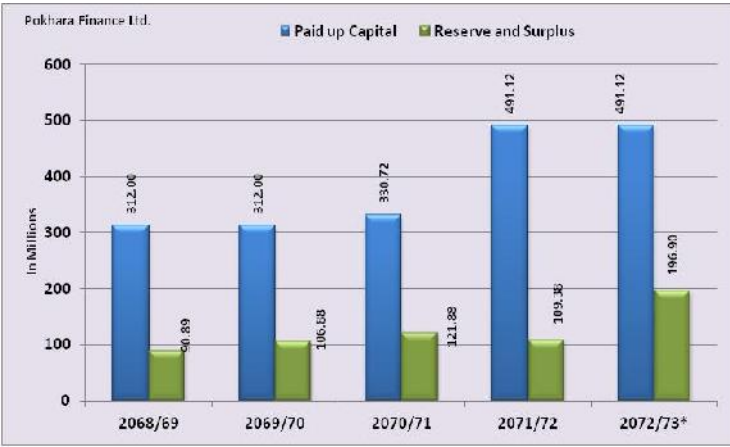
Financial Summary

Particulars	Actual				Unaudited
	2068/69	2069/70	2070/71	2071/72	2072/73*
Paid up Capital	312,000,000.00	312,000,000.00	330,720,000.00	491,119,200.00	491,119,000.00
Reserve and Surplus	90,894,772.00	106,880,221.00	121,884,666.00	109,382,567.00	196,895,000.00
Net Worth	402,894,772.00	418,880,221.00	452,604,666.00	600,501,767.00	688,014,000.00
No. of Shares	3,120,000.00	3,120,000.00	3,307,200.00	4,911,192.00	4,911,190.00
Total Liabilities	1,781,718,652.00	2,097,915,483.00	2,467,681,378.00	2,797,560,815.00	3,308,640,000.00
Total Assets	2,184,613,424.00	2,516,795,704.00	2,920,286,044.00	3,398,062,582.00	3,996,654,000.00
Borrowings	0.00	0.00	0.00	0.00	0.00
Deposits	1,744,719,432.00	2,001,154,919.00	2,310,288,687.00	2,715,672,124.00	3,045,521,000.00
Loans and Advances	1,230,429,309.00	1,616,542,081.00	1,947,387,517.00	2,228,834,496.00	2,644,237,000.00
Gross Income	251,675,618.00	258,535,124.00	281,851,124.00	353,402,928.00	347,022,000.00
Gross Expenses	182,894,989.00	201,284,187.00	209,122,571.00	216,357,669.00	225,949,000.00
Interest Income	239,882,208.00	242,709,751.00	268,270,804.00	338,594,929.00	327,544,000.00
Interest Expenses	162,543,004.00	176,345,920.00	179,137,374.00	182,082,823.00	180,612,000.00
Operating Expenses	20,351,985.00	24,938,267.00	29,985,197.00	34,274,846.00	45,337,000.00
Employee Expenses	9,126,373.00	10,625,878.00	13,167,118.00	17,004,554.00	22,982,000.00
Operating Profit	(19,059,386.00)	(67,235,660.00)	72,728,553.00	127,253,574.00	121,073,000.00
Net Profit	(16,687,996.00)	15,985,448.00	64,924,444.00	156,339,165.00	87,512,000.00
Cash Dividend	-	0.00	31,200,000.00	8,442,063.00	0.00
Increase/decrease in Reserve	-	15,985,449.00	15,004,445.00	(12,502,099.00)	87,512,433.00

Key Financial Indicators

S.N.		Actual				Unaudited
		2068/69	2069/70	2070/71	2071/72	2072/73*
1	Capital Adequacy Ratio (C)					
	Capital Fund To RWA (%)	23.92	19.85	17.19	20.78	22.2
2	Assets Quality/Efficiency Ratio (A)					
	NPL to Total Loan and Advances	10.85	3.65	2.25	2.22	1.67
	LLP to NPL				153.04	161.31
3	Management Efficiency Ratio					
	Employee Expenses/Operating Expenses	44.84	42.61	43.91	49.61	50.69
	Cost of Fund				7.13	5.44
4	Profitability Ratio					
	Net Profit Margin(Net Profit After Tax / Gross Income)%	-6.63	6.18	23.04	44.24	25.22
	ROE%	-4.14	3.82	14.34	26.03	12.72
	Net Profit / Total Assets	-0.76	0.64	2.22	4.60	2.19
	Net Profit / Loan and Advances	-1.36	0.99	3.33	7.01	3.31
	Interest income/ Loan and Advances (A)	19.50	15.01	13.78	15.19	12.39
	Interest expenses/ Deposit (B)	9.32	8.81	7.75	6.70	5.93
	Interest Rate Spread (A- B)	10.18	6.20	6.02	8.49	6.46
	Weighted Average Interest Rate	4.84	4.02	5.93	4.82	5.75
5	Liquidity Ratios (L)					
	CRR	8.35	2.93	6.17	2.22	8.78
	Loan and Advances / Deposit (calculated)	70.52	80.78	84.29	82.07	86.82
	CD Ratio (as per NRB)		71.13	73.75	70.53	70.82
	Debt To Equity Ratio	4.42	5.01	5.45	4.66	4.81
6	Sensitive to Market Ratios (S)					
	Net worth per share	129.13	134.26	136.85	122.27	140.09
	Share Price (Fiscal Year End)	128.00	92.00	240.00	338.00	353.00
	Earning per Share	-5.35	5.12	19.63	47.27	17.82
	PE Ratio	-23.93	17.96	12.23	7.15	19.81
	PB Ratio	0.99	0.69	1.75	2.76	2.52
	EPS Growth		195.79	283.16	140.79	-62.30
	Bonus Share			10.00	48.50	15.00
	Cash Dividend per share			6.00	2.55	0.75
	Dividend payout Ratio	0.00	0.00	30.56	108.00	88.39
	Retention Ratio	100.00	100.00	69.44	-8.00	11.61

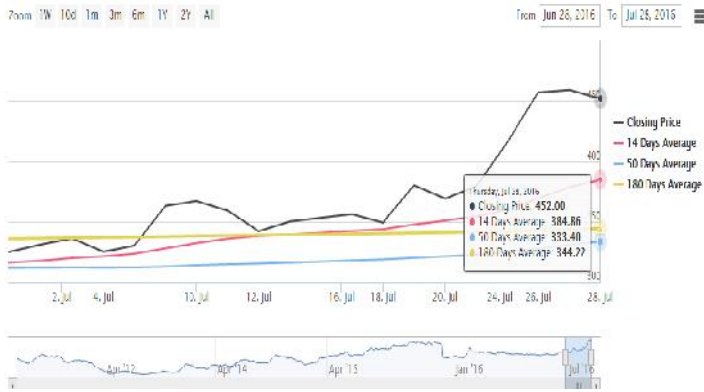
Financial Charts



Ratio Analysis

- Capital Adequacy Ratio is well above the NRB requirement that accounts 22.2% at end of FY 2072/73 that adequate opportunity to expand its business and provides sufficient cushion for creditors.
- The credit portfolio has grown to Rs. 2.644billions at the end of FY 2072/73, which was Rs. 2.22 billion in previous year with 18.63% surge. The credit portfolio is concentrated towards Term loan (27.17%), followed by overdraft loan (21.26%), real estate loan (12.77%) and personal home loan (12.38%)
- There is considerable improvement in asset quality as NPL has declined to 1.67% of total loan portfolio in FY 2072/73, which was 2.22% in FY 2071/72, and once 10.85% in FY 2068/69. Similarly, the bank has maintained adequate loan loss provisions to NPL (161.31%) showing admirable loan portfolio management.
- Employee Expenses covers 50% of operating expenses in FY 2072/73, which is moderately high compare to industry average, which drives attention towards management efficiency.
- The profitability of the bank remains at satisfactory level as it generated profit of 87.512 million in FY 2072/73, however the profit decline by 44% compare to FY 2071/72 as there was tremendous provision write back of 114.68 million previous year. The unaudited income statement of FY 2072/73 however does not include provision write back hence there might be surge in net profit in audited income statement as justified by decreased NPL (-0.55%).
- Net profit margin is found to be 25.22%, and ROE accounts for 12.72% for FY2072/73 that is moderately satisfactory compare to industry average.
- CRR is projected to be well above NRB mandatory hence low possibilities of liquidity crisis. Similarly, the bank has maintained its CD ratio around 70% that is as per NRB mandatory.
- The interest income to total loan & advances for the bank hovers around 12% where interest expenses to total loan float about 6% overall creating interest spread below 6% which is as per NRB requirements.
- The bank has its debt to equity ratio around 4% to 5% hence the company is highly leveraged.
- The net worth per share for FY 2072/73 accounts for 140.09 that was 122.27 in previous year with 14.57% increment.
- EPS calculated based on unaudited income statement for FY 2072/73 is found to be 17.28 hence the company has capacity to distribute at most 15% bonus share as stated in its capital plan. However, unaudited income statement has not shown write back provisions as there is decrease of 0.55% NPL hence there might be surge in net profit in audited income statement (around 10 to 14 million) that could increase EPS to 20%.

Technical Analysis



Technical Indicators

Indicators	Value	Suggestions
MA14	384	Buy
MA50	333	Sell
MA180	334	Sell
MACD	30.81	Buy
Signal	20.31	
RSI	76.66	overbought

The short term MA14 is above long term MA50 and MA180, MACD is above Signal line, Closing price is align to Upper BB, These indicators indicate bullish trend. However, MA50 indicates bearish outlook and RSI indicate overbought scenario.

Stock performance

LTP (2016-07-28)	452	-7.00 (-1.53%)
High-low price (52-week)	459-270	189 difference
Market Cap	20,299,858,784	
Beta coefficient	0.47	
NEPSE return	83.87%	
Equity Return	65.53%	
Volatility	Medium	
Risk	Average	
Target Buy	380	
Target Sell	450	

From the business size, market share and financial position of the institution the stock is more likely to classify into small-cap side, which exhibit the characteristics of high volatility and riskiness in relation to market condition. Although the company has not performed as expected in FY 2072/73 as stated by unaudited financial highlights, the dividend declaration in near future along with expected rights and FPO may trigger price high in FY 2073/74.