

MUKTINATH BIKAS BANK LTD. (MNBBL)

INTRODUCTION

Muktinath Bikas Bank Limited is a National Level Development Bank. It was established in 2007 as a 3-district development, upgraded to 10 district in 2012 and finally upgraded to national level development bank in 2015. It has a network of 97 branches spread across 35 districts.

NEWS

- It is constructing its own building at Lazimpat.
- It is establishing subsidiary company “Muktinath Krishi Co. Ltd.” with 10 crore investment. It has already invested 5 crore.
- It changed its CEO last year from Bharat Raj Dhakal to Pradhyuman Pokhrel. Bharat Raj Dhakal had been with the bank from its establishment.

BALANCE SHEET ITEMS

As of FY 2017/18, MNBBL has a paid-up capital of Rs. 3 arba and 46 crore. It has proposed to give 18.25% bonus dividend and 10:2 right share after which its paid-up capital will reach Rs. 3 arba and 68 crore.

Similarly, its reserves and surplus as of Q1 FY 2018/19 is Rs. 1 arba and 15 crore which is a 155% increase. Reserves have been growing at an average rate of 50% from FY 2013/14 to FY 2017/18.

As of Q1 2018/19, deposits is 33 arba and 26 crore; loans and advances is 28 arba and 85 crore.

	2017/18	2016/17	2015/16	2014/15	2013/14	Avg.
Deposits	30,354,844.68	16,775,223	11,276,653.13	7,781,557.59	5,197,885.49	
	81%	49%	45%	50%		50%
Loans	25,003,027.78	15,159,395	9,798,613.58	6,625,259.80	4,377,596.10	
	65%	55%	48%	51%		56%
CD Ratio	74.57%	70.52%	78.63%	76.37%	76.56%	

Liquid Assets	8,325,575.53	3,804,056.00	2,669,730.60	2,125,766.43	1,462,766.46	
Investments	660,972.98	156,888	114,959.67	103,471.55	85,768.94	
% of Total Assets						
Deposits	88%	86%	87%	86%	86%	88%
Loans	72%	77%	76%	74%	73%	72%
Liquid Assets	24%	19%	21%	24%	24%	24%
Investments	2%	1%	1%	1%	1%	2%

INCOME STATEMENT ITEMS

In Q1 FY 2018/19, MNBBL earned interest income of Rs. 1 arba and 5 crore while incurring interest expenses of Rs. 62.81 crore. Operating profit was Rs. 31 crore while net profit was Rs. 20 crore. Last 5 years key income statement are as follows:

	2017/18	2016/17	2015/16	2014/15	2013/14	Avg.
Interest Income	3,100,549.47	1,881,953.00	1,174,796.00	836,242.93	613,759.15	
	65%	60%	40%	36%		50%
Interest Expenses	1,842,410.08	850,138.00	483,905.43	350,796.22	286,956.15	
	117%	76%	38%	22%		63%
NII/II	41%	55%	59%	58%	53%	53%
OI	426,109.17	260,252.00	204,365.00	120,009.29	100,814.45	
	64%	27%	70%	19%		45%
OE	720,712.18	525,025.00	337,313.62	260,467.15	189,115.71	
	37%	56%	30%	38%		40%
Provision for Possible Losses	138,379.37	69,937.00	39,453.52	29,505.43	21,579.14	
	98%	77%	34%	37%		61%
Operating Profit	887,984.60	728,002	528,608.81	330,459.48	227,292.16	
	22%	38%	60%	45%		41%

Net Income	575,528.64	486,933.00	361,368.50	217,644.34	151,845.17	
	18%	35%	66%	43%		41%
% of Total Operating Income						
Interest Income	186%	150%	138%	142%	147%	153%
Interest Expenses	111%	68%	57%	60%	69%	73%
OI	26%	21%	24%	20%	24%	23%
OE	43%	42%	40%	44%	45%	43%
Provision for Possible Losses	8%	6%	5%	5%	5%	6%
Operating Profit	53%	58%	62%	56%	55%	57%
Net Income	35%	39%	42%	37%	36%	38%

PROFITABILITY RATIOS

	2017/18	2016/17	2015/16	2014/15	2013/14	Avg.
ROE	16.4%	21.3%	26.9%	22.4%	25.5%	22.5%
ROA	1.7%	2.5%	2.8%	2.4%	2.5%	2.4%
EM	9.86	8.56	9.62	9.26	10.12	9.48
PM	35%	39%	42%	37%	36%	37.8%
AU	0.05	0.06	0.07	0.07	0.07	0.06
NIM	5%	7%	7%	7%	7%	7%

Assets utilization has declined in the past two years. Similarly, is the case with profit margin. As a result, return on assets has also declined. Although equity multiplier had increased, due to reduced ROA, MNBBL's ROE has also declined from 21.3% to 16.4% in FY 2017/18.

KEY BANKING RATIOS

	2017/18	2016/17	2015/16	2014/15	2013/14	Avg.
CAR	14.25%	14.96%	12.11%	13.52%	12.66%	13.50%
NPL/TL	0.0044%	0.02%	0.09%	0.19%	0.44%	0.15%

LLP	23213%	5433.48%	1165.35%	625.52%	321.03%	5151.68%
CoF	9.03%	7.66%	4.97%	5.99%	6.19%	6.77%
W.Avg. Interest Spread	6%	7.75%	7.57%	8.60%	9.76%	7.94%

MNBBL has always maintained adequate CAR ratio. It has been in increasing trend. Similarly, MNBBL is effective in maintaining good asset quality as shown by its decreasing NPL/TL which has also helped increased its loan loss provision. The concerning matters are that its Cost of Funds has been increasing which has resulted in low interest spreads.

STOCK SUMMARY

LTP	347 (1/3/2019)
52 Week High-Low	460-320
Q1 EPS	30.93
P/E Ratio	11.21x
Q1 NWPS	144.31
P/B Ratio	2.4x

OTHERS

CASA Mix	59.96%
Highest Loan: Sector-wise	Wholesale & Retailer (19%), Construction (13%), Others (16%)
Highest Loan: Product-wise	Deprived Sector Loan (27%), Term Loan (19%), Overdraft (18%)
Highest Loan: Collateral-wise	Fixed Assets (77%)
Liquid Assets/Total Deposits	27%

BOARD MEMBERS

Khim Prakash Malla	Chairman
Chudamani Kadel	Director

Gajendra Man Shrestha	Director
Narayan Kumar Shrestha	Director
Narayan Prasad Poudel	Director

MANAGEMENT

Pradhyuman Pokhrel	CEO
Til Bahadur Gurung	Asst. CEO
Govinda Bahadur Raut	Asst. CEO
Tara Manandhar	Deputy CEO