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.

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|  | **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% |  |
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| **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:

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| --- | --- | --- | --- | --- | --- | --- |
|  | **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%*** |

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| --- | --- | --- | --- | --- | --- | --- |
| **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%*** |

PROFITABLITY RATIOS

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| --- | --- | --- | --- | --- | --- | --- |
|  | **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

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| --- | --- | --- | --- | --- | --- | --- |
|  | **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%*** |

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| **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.

OTHERS

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 |

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| **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 |

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| 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 |