

# Wealth *plus*

Monthly Newsletter from Nabil Investment Banking Ltd. (Nabil Invest) Vol.4. Issue 11, Falgun, 2072

## NEPSE UPDATE

INDICATORS	Magh End, 072	Poush End, 072	Increase/Decrease (%)
NEPSE	1263.72	1,190.16	6.18
SENSITIVE	272.45	255.83	6.50
BANKING	1150.55	1,080.42	6.49
DEV. BANKS	1261.60	1140.18	10.65
FINANCE COs	603.17	585.64	2.99
INSURANCE COs	5567.66	5375.74	3.57
HYDROPOWER	2319.73	2164.29	7.18
HOTELS	1749.94	1726.79	1.34
MANU. & PRO.	1950.88	1843.1	5.85
OTHERS	821.2	787.13	4.33
TRADING	201.38	201.38	0.00
MARKET CAP (NPR MILLION)	1,360,508.77	1,282,864.15	6.05
VOLUME (000)	538,832.66	570,855.22	-5.61

NEPSE Index increased by 73.56 points or 6.18% month-on-month to end at 1263.72 points at the end of the Magh 2072. Sensitive Index, which measures the performance of class 'A' stocks followed the same trend and increased by 6.50% in comparison to the previous month and closed at 272.45 points. Among the nine sectorial index, all sector except Trading ended in green zone. Trading sector remained constant.

Market Volume contracted by 5.61%. The market observed bullish trend during the review period as the agitating political parties withdrew their strike program and the unofficial blockade held by India also eased out.

The market opened for 18 trading days during the review month.

## Market UPDATE

- Country's inflation rose to 12.1pc in January  
Consumer prices went up by 12.1 per cent.....[Read More](#)
- Nepal, India sign crucial agreements  
Nepal and India, today, signed four crucial.....[Read More](#)
- Banks profit remains unaffected by recent turmoil  
Commercial banks have posted solid profit .....[Read More](#)
- Factories struggling to resume full-fledged ops  
The five-month-long Terai unrest.... .....[Read More](#)

## Upcoming AGMs

The detailed information about upcoming AGMs is enclosed in annexure.

## Nabil Invest UPDATE

- Nabil Invest as an Issue Manager of 10:2 right share of Prabhu Bank Ltd. opened its right offering from 28th, February 2016 to 3rd, April 2016.
- Nabil Invest has allotted 42,611.65 promoter shares and 233,983.79 ordinary shares to applicant who applied under auction for unsubscribing right shares of Machhapuchchhre Bank Limited.
- Nabil Invest has entered in to an issue management agreement with Radhi Bidyut Company Limited for managing upcoming public offer (Locals of project affected area & general public) of 1,025,000 Ordinary Shares.

## Bullion Desk UPDATE

Hallmark Gold NRs. 56,000/10 Gms.

Worked Gold NRs. 55,750/10 Gms.

Silver NRs.725/10 Gms.

As of 28/02/2016

## Quote of the Month

*"The market does not trade upon what everybody knows, but upon what those with the best information can foresee."*

– William Hamilton

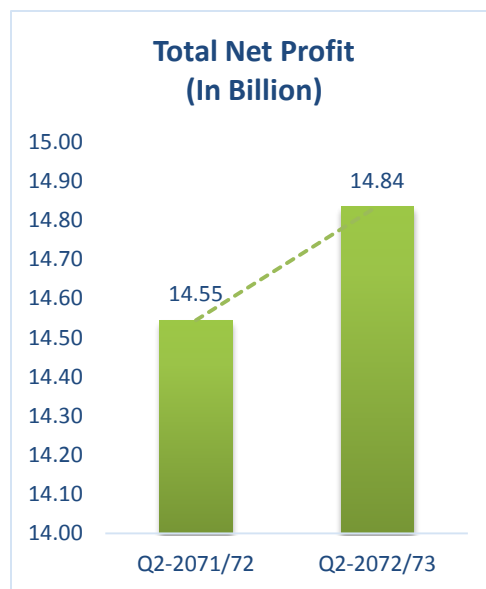


## Our Services:

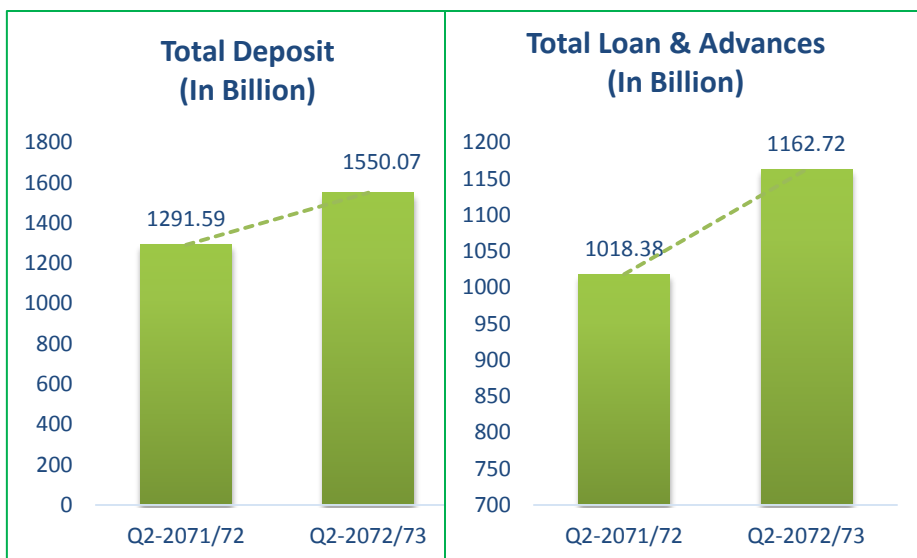
Issue Management | Underwriting | Registrar to Share/Depository Participant | Portfolio Management | Corporate Advisory | Fund Manager and Depository for Nabil Mutual Fund

## Comparative Analysis of Commercial Banks- Q2 FY 2072/73

With marginal growth in net interest income and write back of provision for possible losses, commercial banks reported notable rise in financial result during the second quarter of the current F.Y. 2072/73. The recent circular (Circular\_12 FY 2072/73-Extension of Relaxation in Credit Regulation and CRR) issued by NRB on 14.01.2016 regarding loan loss provision supported BFIs to decrease provision for possible losses by 18.96%. Political unrest in terai region and the undeclared economic blockade by India caused negative impact over national economy. Nevertheless, commercial banks reported a nominal increase in Net Profit by 2.00% to reach NPR 14.83 billion compared to NPR 14.54 billion in the same period of previous fiscal year. The said growth was 55.07% in corresponding FY. This is mainly due to the reduction of nonperforming loan to total loan by 2.49%, increment of net interest income by 11.97% and write back of provision for possible losses by 11.81% during the review period. However, a notable growth in liquidity ratio by 9.72% to remain at 27.69% was observed and average interest spread rate remained at 4.15% in comparison to 4.38% in the same quarter of previous fiscal year.



Nabil Bank Ltd., Nepal Investment Bank Ltd., Rastriya Banijaya Bank Ltd., Nepal Bank Ltd., and Himalayan Bank Ltd. are the leading top five commercial banks in terms of earning highest Net Profit in Q2 of FY 2072/73 with net profit of NPR 1351.27, NPR 1078.18, NPR 1071.96, NPR 1048.18 and NPR 802.21 respectively ( in millions). In the review period, Janata Bank Ltd., which is in the process of being merged with Machhapuchchhre Bank Ltd., reported net profit of NPR 138.020 Million and remained at the bottom of the list.

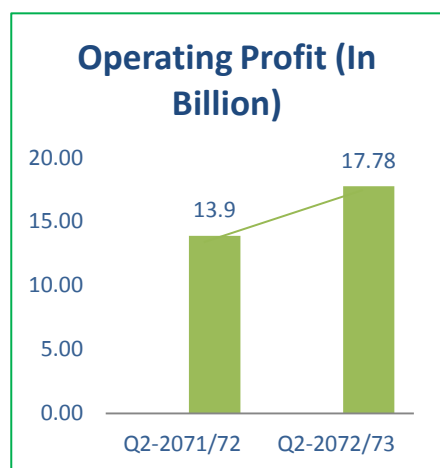


Deposits as well as Loans and Advances reported a double digit growth of 20.01% and 14.17% respectively compared to the Q2 of previous fiscal year. Decreasing growth rate of lending in contrast to increasing growth rate of deposit reflects the

prospect of higher liquidity in banking sector. The unofficial economic blockade by India and the political unrest in Terai region was the vital cause for the higher liquidity since all major economic activities remained static or underperformed. Total Deposits of the commercial banks in Q2 of FY 2072/73 reached NPR 1,550.07 Billion. Meanwhile, total Loan and Advances reached NPR 1,162.72 billion. These figures were NPR 1,291.59 billion and NPR 1,018.37 billion in the Q2 of FY 2071/72.

Rastriya Banijya Bank Ltd., Nabil Bank Ltd., Nepal Investment Bank., Agricultural Development Bank Ltd. and Himalayan Bank Ltd. are the top five banks that reported the highest deposits. These five banks hold approximately 33% (thirty three Percent) of total deposits of the commercial banking sector.

On the other hand, Nepal Investment Bank Ltd., Rastriya Banijya Bank Ltd., Agricultural Development Bank Ltd., Nabil Bank Limited and Himalayan Bank Ltd. are leading the market in term of Loans & Advances. These 5 banks shared approx. 30% (thirty percent) of total loans and advances of commercial banks.

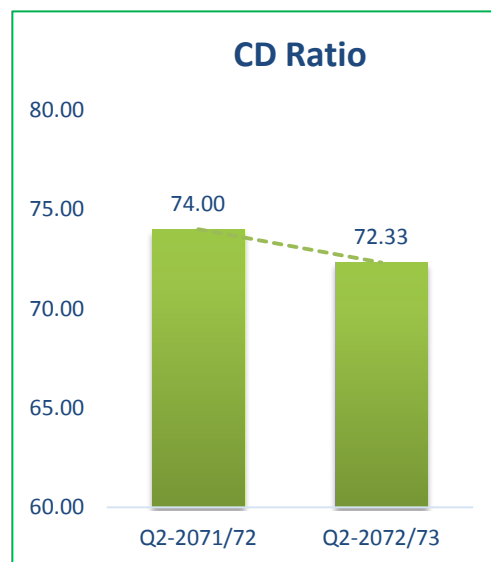


Total loan loss provision of the commercial banking sector during the review period decreased by 18.96% to reach NPR 3.90 billion from NPR 4.81 billion compared to the previous year's Q2 report.

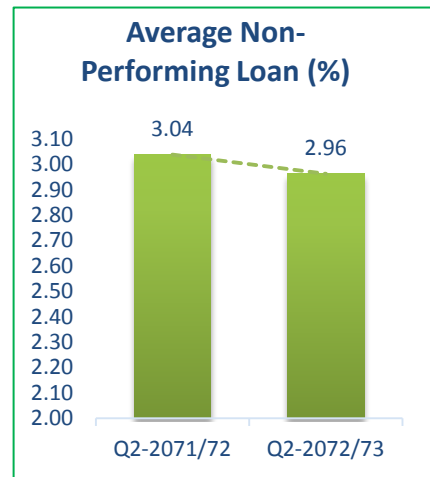


Total operating profit before provision increased by 15.49% from previous FY 2071/72 at same quarter reaching the figure of NPR 21.68 billion, with increase of approx NPR 2.90 billion from previous year FY at same quarter. This reflects that the banks were able to marginally increase their revenue from the core business.

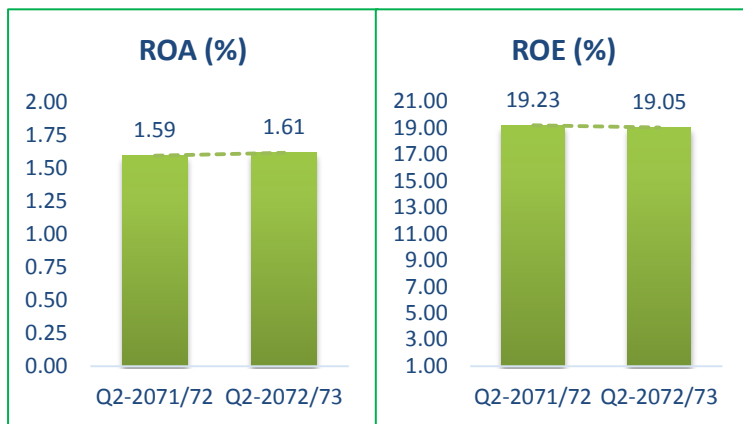
The average CD ratio of the commercial banks decreased to 72.33% which was 74.00% in the same period of previous year. According to the NRB Regulations, BFIs need to maintain a CD ratio of up to 80%. In general, decrease in CD ratio indicates that banks have decreased its lending as compared to its deposits collected. Despite the current scenario of political unrest in Terai and the undeclared economic blockade, Banks were able to maintain the CD Ratio in line with the CD ratio of previous FY. However, it is expected to increase more as the agitating political parties withdrew strikes and blockade was eased.



The average non-performing loan to total loan (NPL) at the end of Q2 of FY 2072/73 is 2.96% compared to 3.04% in the same period of previous fiscal year. It decreased by 2.63% during the review period. Amongst the banks Grand Bank Ltd, Prabhu Bank Ltd., Agricultural Development Bank, Bank of Kathmandu Ltd., Nepal Bank Ltd., Rastriya Banijya Bank Ltd. and Himalayan Bank Ltd's NPL is more than 3%. NPL of less than 3% is considered as proper utilization of loan portfolio. Amongst the Banks, Grand Bank Ltd. has highest NPL with 34.53% followed by Prabhu Bank Ltd. with 5.53%, Agricultural Development Bank with 5.36% making overall industry average to 2.96%. Whereas, Sanima Bank Ltd., Nepal SBI Bank Ltd. and Standard Chartered Bank



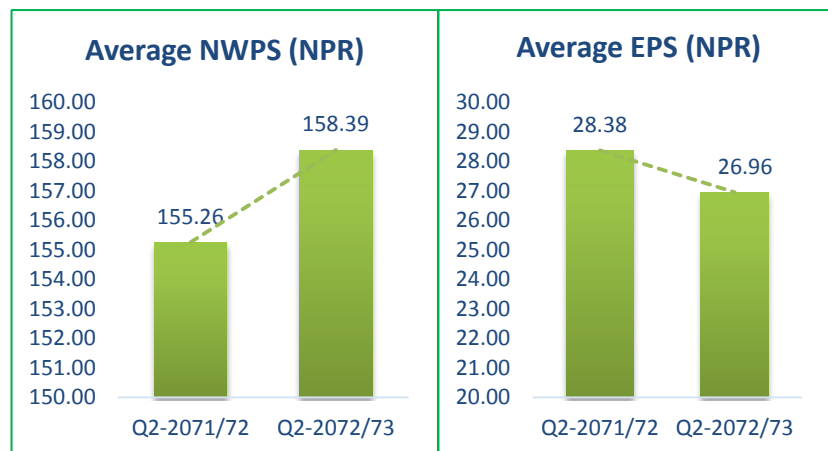
Ltd. has the lowest NPL of 0.05%, 0.17% and 0.41% respectively.



Annualized Return on Equity (ROE) reached 19.05 % compared to 19.23% ( Witnessing approx. 0.91% deficit) from previous Q2 of FY 2071/72. Nonetheless Return on Assets (ROA) increased by 1.34% during the same period to reach 1.61%, indicating strengthening efficiency in utilizing assets to generate revenue or in other words, banks succeeded to

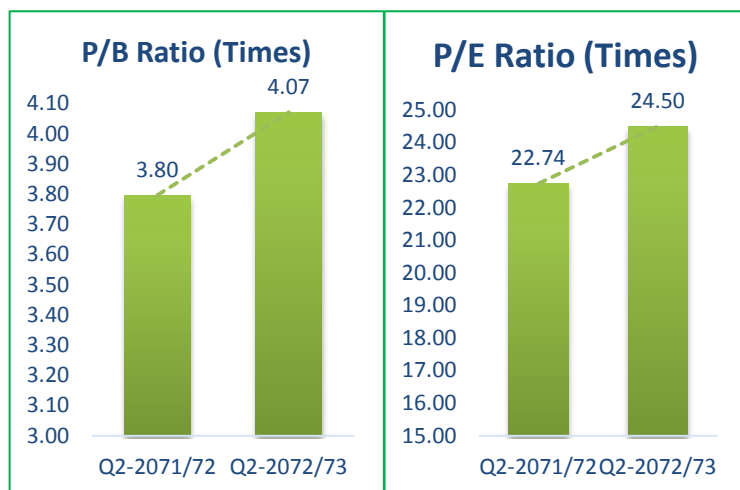
increase returns in proportion to increase in total assets.

There was an increase in Reserves and Surplus by 24.78%, average Net Worth per Share (NWPS) of the Commercial Banks increased to NPR 158.39 during the review period from NPR 155.26, mainly due to increase in reserve & surplus by 24.78%. Company having higher NWPS is preferred by the investors in the capital market. Everest Bank Ltd., Standard Chartered Bank Nepal Ltd., Nabil Bank Ltd., Agricultural Development Bank Ltd. and Siddhartha Bank Ltd. are top five banks with the highest NWPS. Likewise, Grand Bank Nepal Ltd., Nepal Bank Ltd., Rastriya Banijya Bank Ltd., Mega Bank Ltd. and Civil Bank Ltd. have the lowest NWPS. Grand Bank, Nepal Bank and Rastriya Banijya Bank's NWPS is still below its par value.



Earnings per Share (EPS) is another important financial indicator to watch the performance of the company. Higher EPS is preferable while making an investment decision. The average EPS of commercial

banks stands at NPR 26.96 which was NPR 28.38 in the same period of previous year, a decline of 5.00%. Everest Bank Ltd. has the highest EPS of NPR 57.48 in the review period followed by NABIL Bank Ltd., Standard Chartered Bank Ltd., Nepal SBI Bank Ltd. and Siddhartha Bank Ltd. with the EPS of NPR 56.99, NPR 54.45, NPR 40.81 and NPR 39.99 respectively.



Average P/E ratio of commercial bank stood at 24.50 times compared to 22.74 times of previous fiscal year's 2<sup>nd</sup> Quarter indicating increase in confidence of investors. Higher P/E ratio indicates that investors are willing to pay more for the company's earnings in the review period.

In general, stocks having a P/E ratio of more than 17 times are considered to be overvalued. In this context, most of the stocks of commercial banks in Nepal seem to be overvalued. However, it also shows

the investor's attraction towards the commercial banks scrips. Thus, P/E ratio doesn't tell a whole by itself and is usually useful while we compare companies in the same industry or a company's own historical P/Es. Standard Chartered Bank Nepal Ltd., Agricultural Development Bank Ltd., Everest Bank Ltd., Nepal SBI Bank Ltd. and Nabil Bank Ltd. are the top five banks with highest P/E ratio.

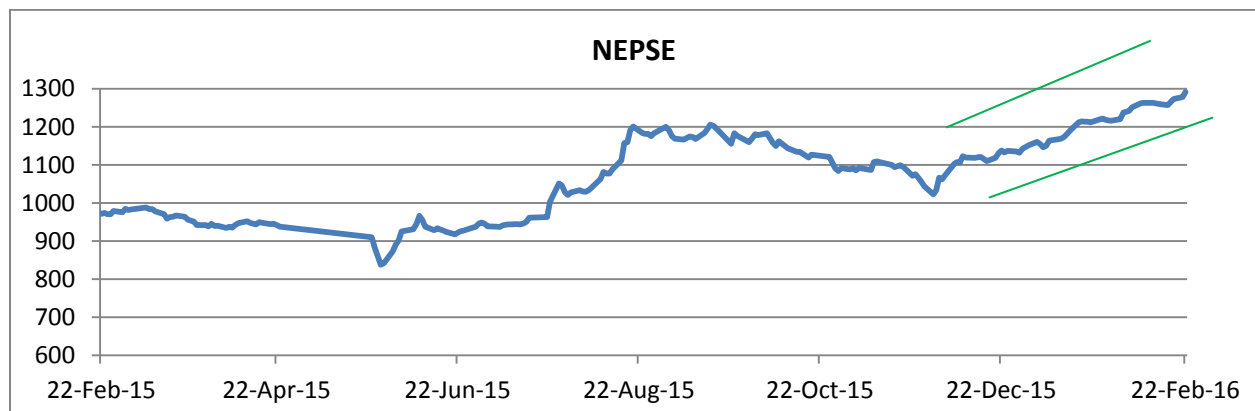
Similarly, average Price to Book Value (P/B) ratio of commercial banks in Q2 of FY 2071/72 is 3.80 times. The figure increased by 7.11% from last FY's similar period to reach of 4.07 times in the review period. This growth indicates that commercial banks stock price is going high.

At the end of Q2 of FY 2072/73, Civil Bank Ltd. had the lowest P/B ratio of 2.10 times followed by Agricultural Development Bank Ltd. (2.12) and Nepal Credit and Commercial Bank Ltd. (2.30). Standard Chartered Bank Nepal Ltd. has the highest P/B ratio of 9.42 times followed by Nepal SBI Bank Ltd. (7.58) and Nabil Bank Ltd. (6.65). Among 30 commercial banks as of review period, 8 banks' P/B ratio is less than 3 and 21 bank's P/B ratio is greater than 3. Rastriya Banijya Bank, a state owned bank, is yet to issue its shares to public. Stocks with lesser P/B ratio is referred as undervalued stock and referred to buy, whereas stocks having higher P/B ratio is regarded as overvalued stock and referred for sale.

# NEPSE – Technical Analysis

## Trend Analysis

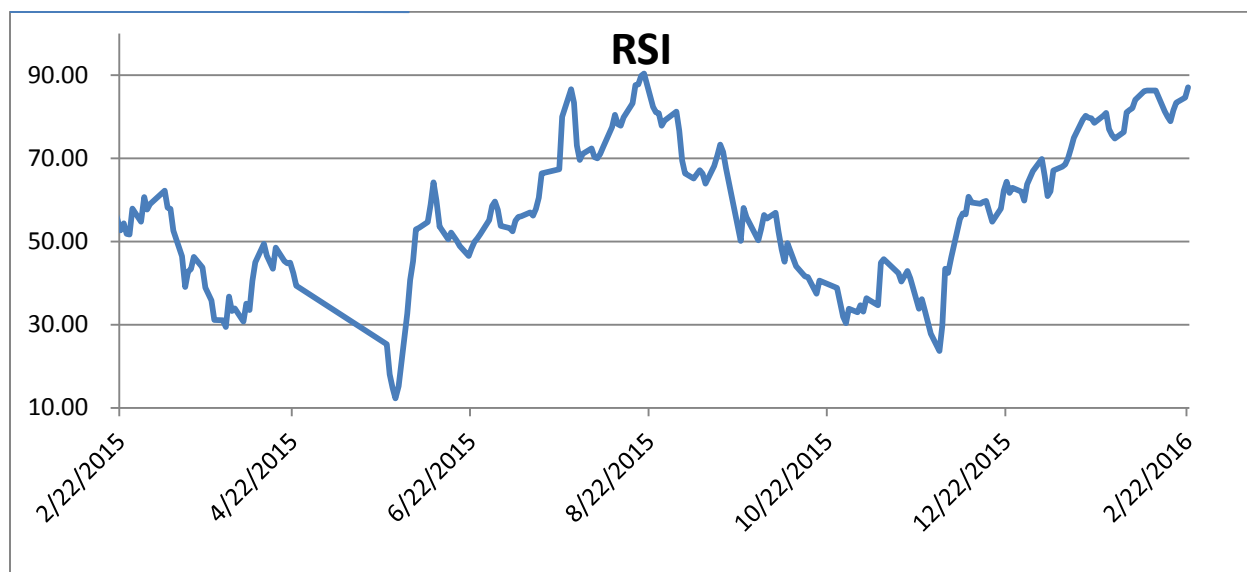
Post the announcement of Constitution followed by Terai unrest and unofficial economic blockade by India in Nepal, the benchmark index of the only stock exchange of the country- NEPSE followed downward trend since 15<sup>th</sup> September 2015 and stood at 1022.77 on 29<sup>th</sup> November, 2015 and remained in upward trend till the end of the review period of Falgun (Mid- February to Mid- March). NEPSE index in the review period ranged from 1,022.77 to 1,291.81 closing at 1,291.81 points on 22<sup>nd</sup> February, 2016. NEPSE index showed bullish trend since 30<sup>th</sup> November, 2015. The main reason behind this increasing trend is the increase in investors' confidence because of positive political situation, removal of the unofficial economic blockade by India and issue of bonus and right shares by BFIs as per their capital plan submitted to NRB.



## Relative Strength Index (RSI) Analysis

RSI is a technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset. RSI oscillates between zero and 100. RSI is considered overbought zone when above 70 and therefore likely to become overvalued of share price and oversold zone when below 30 and likely to become undervalued.

The 14-days RSI in the review month dropped down to 23.70 on 29<sup>th</sup> November, 2015 and surged up to 87.09 on 22<sup>nd</sup> February, 2016, to close at 87.09 point on 22<sup>nd</sup> February, 2016. The RSI is in overbought zone indicating that the buying pressure is high in the market. Though RSI is a very effective and widely used leading indicator, in the trending market, it is not appropriate to take decision solely on RSI. RSI only reflects the momentum of the market. One should be aware that large surge and drop in the price of an asset will affect the RSI by creating false buy or sell signals. To reflect better position, RSI is generally confirmed with Moving Averages and Moving Average Convergence Divergence (MACD).



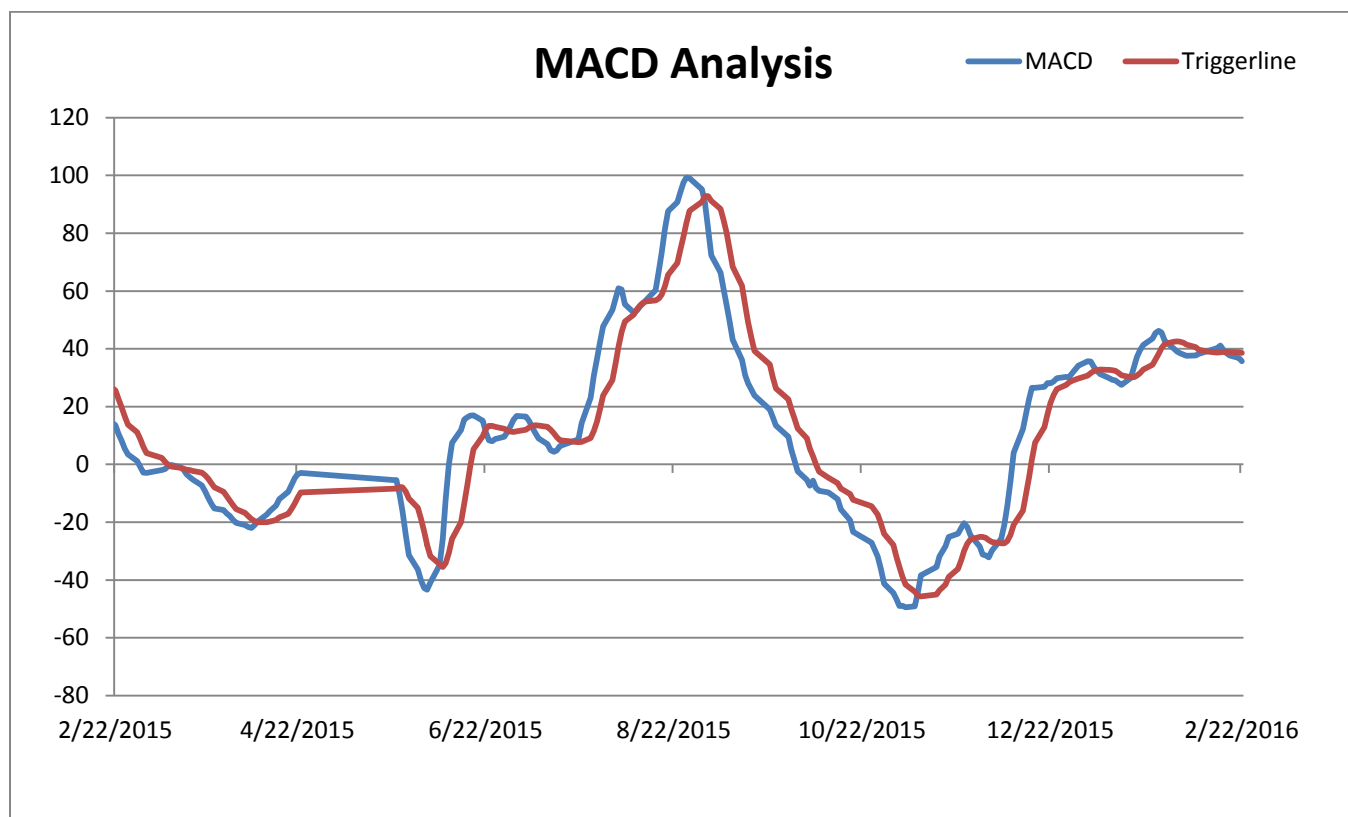
### Moving Average Convergence Divergence (MACD)

Moving Average Convergence Divergence (MACD) is a technical indicator that uses the difference between short term and long term price trends to anticipate future movements. Moreover, MACD is good for confirming the change in signals. It is considered a bullish signal and indicates a time to buy when MACD crosses its trigger line from below and vice-versa. As shown in the chart below, during the end of the review period MACD crossed the trigger line from above and lies below the trigger line, indicating bearish signal marking the downward trend of the price of the assets and a time for selling. MACD line crossed the trigger line from above when NPESE index was at 1266.08 points (17<sup>th</sup> February, 2016).

Traders should also observe whether MACD line is above or below the zero line, because this signals the position of short term and long term averages. When the MACD is above zero, the short-term average is above the long-term average, which signals upward momentum. The opposite is true when the MACD is below zero. In the below chart, MACD indicator increased from -5.78 on 9<sup>th</sup> December, 2015 (middle of the review period) to 35.70 on 22<sup>nd</sup> February, 2016 (End of review period). Increasing MACD values suggest that the upward trend is getting stronger and there are fewer chances of corrections in market index in the coming days. In addition to that the increasing MACD values are in the range more than zero, which indicates that it might be an ideal time to buy.

It gives traders the ability to quickly and easily identify the short-term trend direction. The clear transaction signals help minimize the subjectivity involved in trading, and the crosses over the signal line make it easy for traders to ensure that they are trading in the direction of momentum. Investors also watch for a move above or below the zero line because this signals the position of the short-term average relative to the long-term average. When the MACD is above zero, the short-term average is above the long-term average, which signals upward momentum. The opposite is true when the MACD is below zero. As we can see from the chart below, the zero line often acts as an area of support and resistance for the indicator.





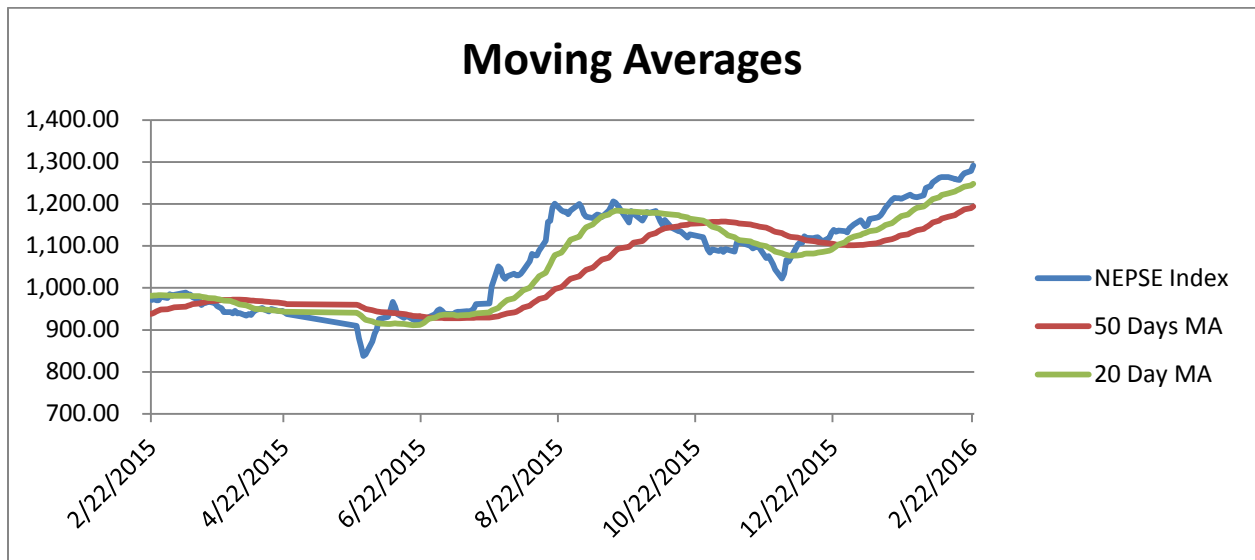
### Moving Average Analysis

Moving Averages lines are used to identify current trends and trend reversals as well as to set up support and resistance levels. Further, moving averages can be used to quickly identify whether a security is moving in an uptrend or a downtrend depending on the direction of the moving average.

#### 50 days MA and 20 days MA analysis:

From the moving average chart below, it is apparent that 20 days MA line crossed 50 days MA line from below on 23<sup>rd</sup> December, 2015 when index was at 1,137.03 points indicating bullish signal. Since, then the 20 days MA line has remained above 50 days MA line. Thus it indicates that the Market is following a bullish trend in the short run and seems to continue same trend for short term in the future. Also the 50 days MA line is below the Neps index line during the whole phase of the review period indicating upward trend.

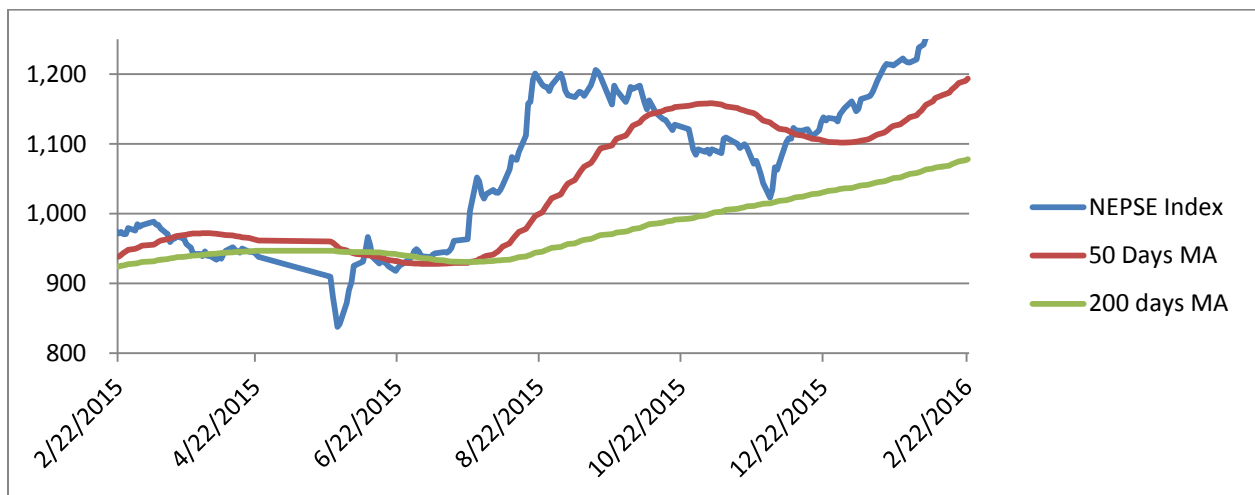




**50 Days MA and 200 days MA analysis:**

If we look at the longer period moving averages, 50 days MA line crossed the 200 days MA line from below on July 26, 2015 and has remained above the 200 days MA line till the end of the review period. This indicates a bullish trend in the long run. Additionally, if we look at the 50 days MA line and the NEPSE index, NEPSE index line crossed 50 days MA line from below on 8<sup>th</sup> December, 2015 and has remained above the 50 days MA line till the end of the review period, which indicates bullish signal in the short run.

The touching point between the 50 days MA and NEPSE lines can act as a support level. From the chart below the support level of NEPSE is seen at 1,116.67, and NEPSE seems to show upward trend after support point also mainly due to positive sentiment and optimistic trend of investors.

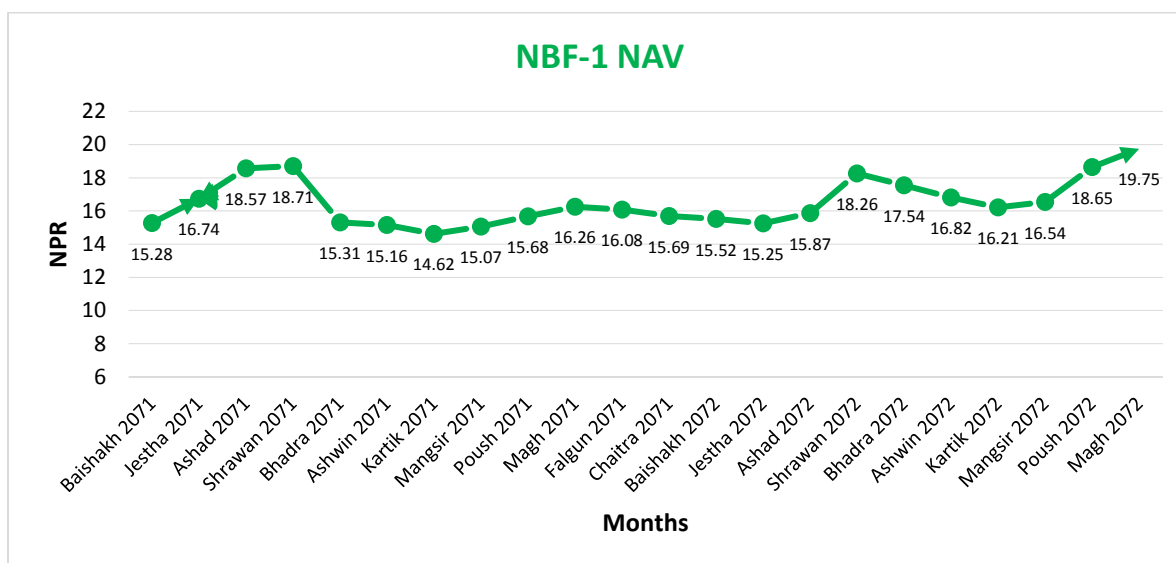


# NABIL Mutual Fund

## NAV Summary of Nabil Balanced Fund I as on Magh End 2072

Investment	Amount (NPR)	Amount (NPR)2
<b>Listed Securities</b>		<b>1,117,891,622.00</b>
Shares	1,003,461,342.00	
Debentures	114,430,280.00	
<b>Unlisted Securities</b>		<b>192,194,566.00</b>
Shares	192,194,566.00	
Bond/Debentures		
Fixed Deposits	75,000,000.00	<b>75,000,000.00</b>
<b>Total Investment</b>		<b>1,385,086,188.00</b>
<b>Current Assets</b>		
Bank Balance	99,198,501.50	
Other Assets	7,452,116.02	
<b>Total</b>		<b>106,650,617.52</b>
<b>Current Liabilities</b>		
Other Liabilities	7,048,577.95	
Accumulated Fees & Commission	-	
<b>Total</b>		<b>7,048,577.95</b>
<b>Gross Assets Value</b>		<b>1,484,688,227.57</b>
Fund Managers Fees		2,359,230.61
Depository's Fees		589,807.65
Supervisors Fees		589,807.65
<b>Net Assets Value (NAV)</b>		<b>1,481,149,381.66</b>
<b>No. of Units</b>		<b>75,000,000</b>
<b>NAV per Unit</b>		<b>19.75</b>

## Monthly NAV Trend of Nabil Balanced Fund –I



## UPCOMING events

Company's Name	Book Close Date	AGM Date	Stock Dividend (%)	Cash Dividend (%)
Shangrila Development Bank Ltd.	4-Feb-16	26-Feb-16	20.85	-
Deva Bikash Bank Ltd.	17-Feb-16	2-Mar-16	7.69	0.405
International Development Bank Ltd.	27-Nov-15	3-Mar-16	9.50	0.50
Araniko Development Bank Ltd.	3-Dec-15	4-Mar-16	10.00	0.53
Nepal Express Finance Ltd.	9-Nov-15	4-Mar-16	13.00	0.68
Nagbela Laghubitta Bikas Bank Ltd.	17-Feb-16	4-Mar-16	-	-
Karnali Development Bank Ltd.	17-Feb-16	5-Mar-16	-	-
Sunrise Bank Ltd.	26-Feb-16	6-Mar-16	21.50	1.13
Lumbini General Insurance Ltd.	12-Feb-16	6-Mar-16	13.06	-
Bhaktapur Finance Co. Ltd.	22-Feb-16	9-Mar-16	5.50	0.28
Kumari Bank Ltd.	14-Jan-16	11-Mar-16	11.00	0.58
Nepal Credit & Commerce Bank Ltd.	29-Nov-15	11-Mar-16	16.00	0.84
Saptakoshi Development Bank Ltd.	26-Feb-16	11-Mar-16	-	-
Mission Development Bank Ltd.	28-Feb-16	13-Mar-16	-	-
Citizen Investment Trust	28-Feb-16	17-Mar-16	35.00	6.84
ILFCO Microfinance Bittiya Sanstha Ltd.	18-Feb-16	18-Mar-16	-	-
Kalika Microfinance Development Bank Ltd.	26-Feb-16	19-Mar-16	-	-
Lumbini Finance & Leasing Co. Ltd.	14-Mar-16	25-Mar-16	21.618	1.14

# धितोपत्र हितग्राही खाता (Demat Account) खोल्नुहोस्



**NABIL INVEST**

हामी छौं यहाँ तपाईंका लागि

धितोपत्रहरूको सहज कारोबार गर्नका लागि  
आउँ नबिल इन्भेस्टमा आई धितोपत्र निक्षेप खाता खोल्नुहोस् ।

**हाम्रा सेवाहरू:**

हितग्राही खाता (डिमाट एकाउन्ट) खोल्ने । अधीतकीकरण/भौतिकीकरण गर्ने ।  
धितोपत्रहरूको-निक्षेप, भुक्तानी, हस्तान्तरण, रोक्का/रोक्का फुकुवा गर्ने ।  
गैर मौद्रिक सस्थागत लाभहरू जम्मा गर्ने आदि ।

**NABIL INVESTMENT BANKING LTD.**

(A subsidiary of Nabil Bank Ltd.)

नबिल इन्भेस्टमेन्ट बैंकिङ लिमिटेड

तेस्रो तल्ला, सेन्ट्रल प्लाजा, नारायणचौर, नक्सल, काठमाडौं, नेपाल

फोन नं.: ८८९९६०८, ८८९९७३३ | फ्याक्स नं.: ८८९०५५८

इमेल: [nabilinvest@nabilbank.com](mailto:nabilinvest@nabilbank.com) | वेब: [www.nabilinvest.com.np](http://www.nabilinvest.com.np)

# तपाईंको लगानीको व्यवस्थापन कसले गर्छ ?



**NABIL INVEST**

हामी छौं यहाँ तपाईंका लागि

नबिल इन्भेस्ट प्रस्तुत गर्दछ -

**लगानी व्यवस्थापन सेवाहरू**

**NABIL INVESTMENT BANKING LTD.**

(A subsidiary of Nabil Bank Ltd.)

नबिल इन्भेस्टमेन्ट बैंकिङ लिमिटेड

तेस्रो तल्ला, सेन्ट्रल प्लाजा, नारायणचौर, नक्सल, काठमाडौं, नेपाल

फोन नं.: ८८९९६०८, ८८९९७३३ | फ्याक्स नं.: ८८९०५५८

इमेल: [nabilinvest@nabilbank.com](mailto:nabilinvest@nabilbank.com) | वेब: [www.nabilinvest.com.np](http://www.nabilinvest.com.np)

**Disclaimer and important information:** This document has been prepared by Nabil Investment Banking Ltd. (Nabil Invest) for information and illustration purpose only. The information provided in this document is subject to change. While this information has been obtained from sources believed to be reliable, Nabil Invest is not liable for erroneous information obtained from the sources. Nabil Invest, its directors and employees are not liable/responsible for any direct, indirect or consequential loss arising from use of this document or its contents. Past performance is no indication of future results. Nabil Invest is regulated by Securities Board of Nepal. This document may not be reproduced, distributed or published by any person for any purpose without Nabil Invests' prior written consent.

**Nabil Investment Banking Ltd., 3<sup>rd</sup> Floor, Central Plaza, Narayanchaur, Naxal, Kathmandu**  
Phone: 01-4411604, 4411733 | Fax: 01-4410554 | [nabilinvest@nabilbank.com](mailto:nabilinvest@nabilbank.com) | <http://www.nabilinvest.com.np/> |  
[www.facebook.com/NabilInvest](http://www.facebook.com/NabilInvest)