

Wealth

Monthly Newsletter from Nabil Investment Banking Ltd. (Nabil Invest) Vol.7. Issue 3, Shrawan/Bhadra, 2075

NEPSE UPDATE

INDICATORS	Bhadra 7th, 075	Asadh End, 075	Increase/ Decrease (%)
NEPSE	1,178.50	1,212.36	(2.79)
SENSITIVE	248.99	255.20	(2.43)
BANKING	1,014.30	1,023.56	(0.90)
DEV. BANKS	1,431.93	1,434.16	(0.16)
FINANCE COs	608.81	605.67	0.52
LIFE INSURANCE COs	5,566.03	-	-
NON LIFE INSURANCE COs	5,766.63	-	-
HYDROPOWER	1,374.08	1,498.13	(8.28)
HOTELS	1,809.44	1,846.72	(2.02)
MANU. & PRO.	2,139.97	2,264.14	(5.48)
MICRO-FINANCE	1,479.23	1,607.08	(7.96)
OTHERS	717.59	707.89	1.37
TRADING	207.33	196.27	5.64
TOTAL SHARES TRADED ('000)	23,498.25	22,168.10	6.00

NEPSE Index witnessed a major decline of 33.86 points or 2.79% from Asadh End till 7th Bhadra, 2075 to end at 1,178.50 points. Sensitive Index which measures the performance of class 'A' stocks increased by 2.43% in comparison to Asadh end and closed at 248.99 points. During the review period, among the nine sectoral indices except Finance, others and trading index, all other indices has decreased. NEPSE has divided the insurance index into Life and Non life from the beginning of Shrawan due to which the change in these indices are not able to be derived for the review period. The market volume has also increased by 6% till the end of the review period.

The Nepalese stock market witnessed low volatility in index during the beginning of the review period. The market was in downtrend and it is mainly due to the prevalent of higher lending rates of BFIs, floatation of right and FPO shares in the market along with lack of any positive news for the stock market. The public still lack confidence and the bearish market is not able to attract new investors.

However, the market showed significant improvement from Shrawan 28 to Shrawan 31. The main reason for this improvement in the index is due to the outstanding financial performance published in the fourth quarter report of the listed companies and the slight decline in the interest rates of BFIs due to the ease of liquidity condition after the provisions made in monetary policy. This improvement had been viewed as the possible correction in the existing bearish trend observed in the current market. But this improvement did not sustain as the NEPSE declined from 1st of Bhadra to the end of the review period as the market has developed negative sentiment due to the prospect of BFIs focusing more distributing cash dividend rather than stock dividend from the earning made in FY 2074/75.

- **Nepal Rastra Bank paves way for commercial banks.....**
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- **Nepse index still in the doldrums**
Though both the government and Nepal Rastra.....[Read More](#)
- **Central bank, bankers at odds on lowering lending rates**
Nepal Rastra Bank and bankers have expressed.....[Read More](#)

Upcoming AGMs

The detailed information about upcoming AGMs is enclosed in Annexure.

Nabil Invest UPDATE

- Nabil Invest has been appointed as a Corporate Advisory partner for the issuance of Promoter Share under private placement basis being issued by Dordi Khola Jal Bidhyut Company Limited, a subsidiary company of CEDB Hydro Fund Limited.
- Nabil Invest as Issue Manager is issuing NIC Asia Debenture 2082/83 worth Rs 36.20 crores from Bhadra 21, 2075

Bullion UPDATE

Hallmark Gold NRs57,300/10 Gms.

Worked Gold NRs. 57,000/10 Gms.

Silver NRs. 725/10 Gms.

As of 02/09/2018



Quote of the Month

"In many ways, the stock market is like the weather in that if you don't like the current conditions all you have to do is wait a while."

– Lou Simpson
Chairman of SQ Advisors

Our Services:

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

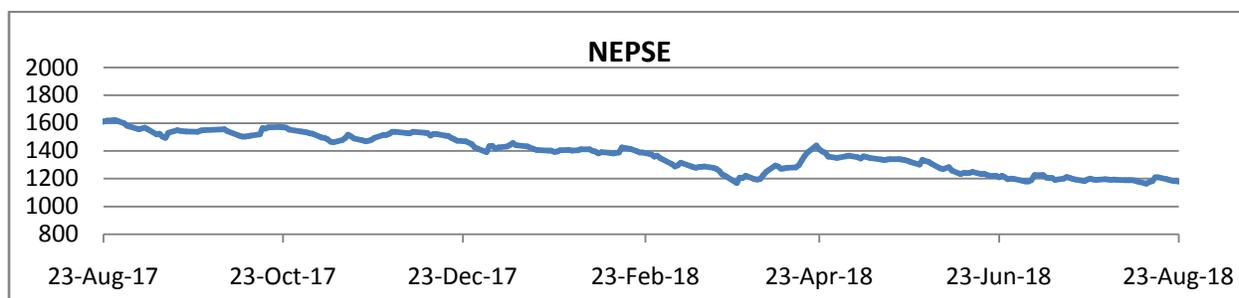
NEPSE – Technical Analysis

The Nepalese stock market is in the bearish trend and witnessed relatively sluggish decline with low volatility in the NEPSE index during the beginning of review period and declined down to 1,163.94 points on 12th August, 2018 when the market declined by a massive 16.69 points. This point was below the previous low point of 1168.88 points seen on 26th March, 2018 when the market had dropped by 3% within first hour and circuit breaker was applied. The public still lack confidence in the market and the bearish market is not able to attract new investors while the existing shareholders are not in the mood to further increase the risk due to which the investors adopted wait and watch position.

The market is still affected by the higher lending interest rate prevalent in the market, as even though the liquidity condition of the BFIs are improving and the interest rates offered on savings accounts and fixed deposits are gradually decreasing, significant decline in the deposit as well as lending rate can only be expected by the second quarter of this fiscal year. Besides this, the investors are still burdened with financing the right shares and there is prospect of oversupply of the shares after listing of bonus, right and FPO shares in the market.

However, the market observed improvement in the index from 13th August, 2018 to 16th August, 2018. On 15th August, 2018, the index gained a striking 28.73 points, highest recorded gain in the review period when the market closed at 1,209.71 points. The gradual decline in the interest rates offered by the BFIs along with the decent financial performance published in the fourth quarter report of the listed companies has provoked enthusiasm in the investors towards the stock market. Although the market showed improvement, the investors still seems to be indecisive as the market experienced high volatility on 16th August, 2018 and the market closed with a minor increment of 0.61 points.

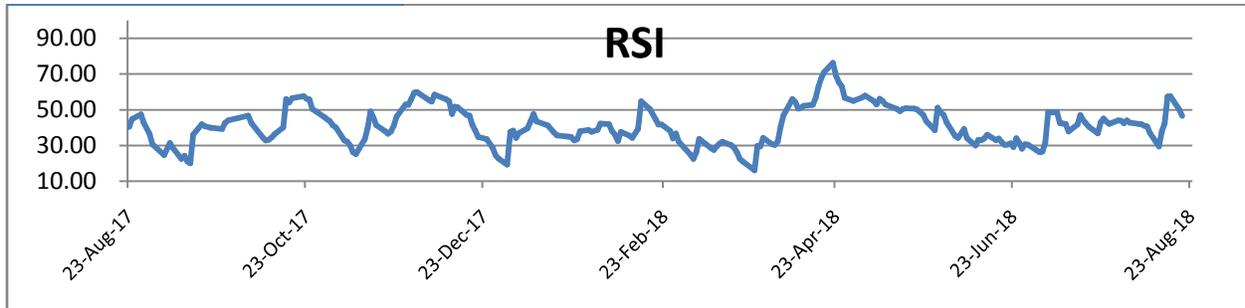
The improvement in the NEPSE index did not sustain as the market has been continuously declining from 17th August, 2018 till the end of the review period. With the fiscal year end, the investors are lured in the stock market with attractive dividend from the earnings made in the previous fiscal year. The investors in the Nepalese stock market prefer stock dividend over the cash dividend and as most of the listed companies have met the minimum paid up capital set by the respective regulators, the market perceived that the companies will focus more on cash dividend from the earnings made in FY 2074/75. Furthermore, the cash dividend announced by various companies confirmed the fear of the market due to which the market developed negative sentiment which contributed in the decline of the market at the end of the review period.



Relative Strength Index (RSI) Analysis

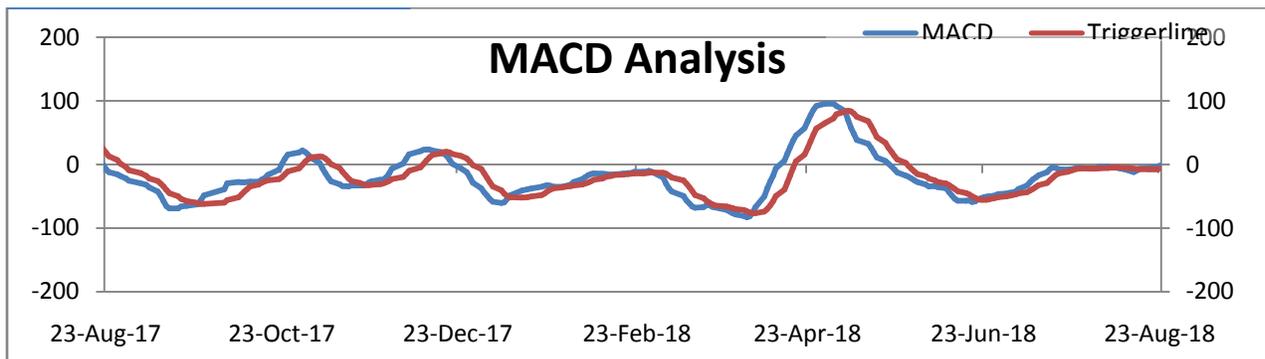
In the recent period, the 14-days RSI surged up to 57.58 on 16th August, 2018 and at the end of the review the RSI was 42.48 which is relatively near the oversold zone indicating the negative sentiments of the investors in the market. The RSI had declined up to the lowest of 29.44 on 13th August, 2018 when NEPSE declined by 16.69 points. The market had remained relatively in the oversold region throughout

the review period. The stock market which was relatively passive in the review period had improved when majority of the listed companies started publishing attractive financial reports but as some of the companies started announcing dividend focusing on cash dividend, the market reacted negatively with the prospect of such cash focused dividend by other BFIs as well. Generally, RSI below 30 is considered to be in “oversold” zone, which indicates a decent time to invest. Similarly, RSI above 70 is considered to be in “overbought” zone, indicating time to sell or hold the stocks. The RSI implies the opportunity for acquiring fundamentally decent stocks at discounted price. Although RSI is a very effective and widely used leading indicator in the trending market, it is not appropriate to take decision solely based on RSI. RSI only reflects the momentum of the market. To reflect better position, RSI is generally confirmed along with Moving Averages and Moving Average Convergence Divergence (MACD).



Moving Average Convergence Divergence (MACD)

As shown in the chart below, MACD line ended in the negative zone at -1.64 points at the end of the review period which is close to the neutral zero point. The MACD line has been improving in the recent period and has crossed the trigger line from below on 16th August, 2018 from below indicating the possible improvement in the NEPSE index in the coming days.



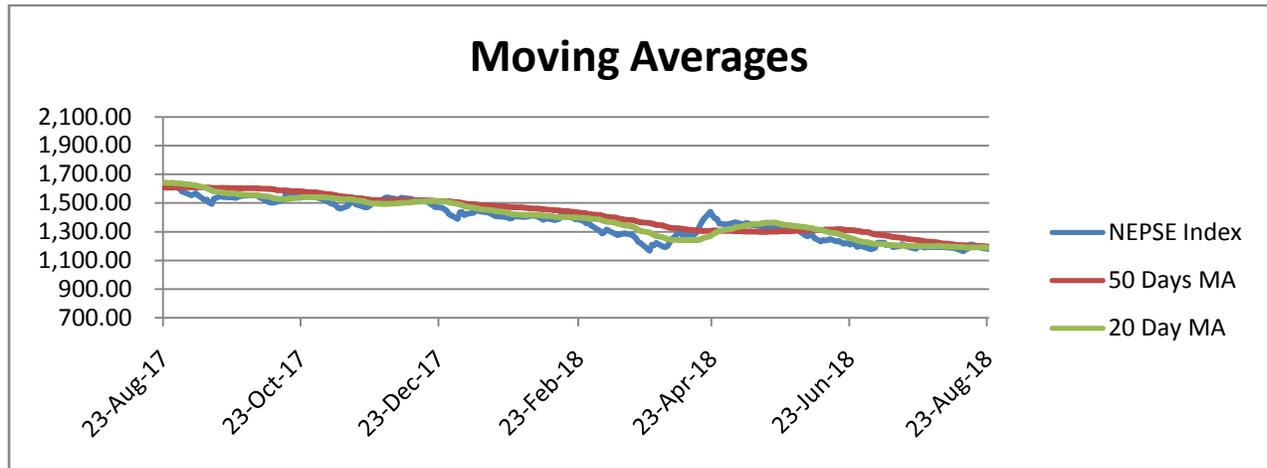
Moving Average Analysis

Moving Average 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 security is moving in an upward trend or a downward trend depending on the direction of the moving average.

20 days MA and 50 days MA analysis:

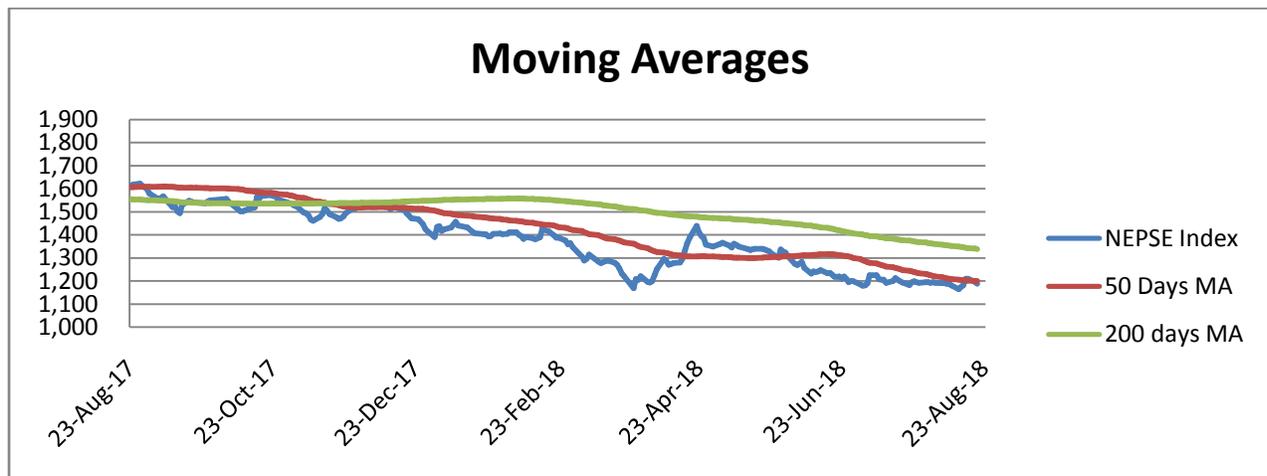
From the moving average chart below, it is apparent that the market is indicating the downward trend present in the market. The NEPSE index had crossed the 50 Days MA from above on 19th August, 2018 and 20 Days MA on 20th August, 2018 when NEPSE index was 1,196.29 and 1,190.50 respectively when

the market declined after the short term improvement observed in the market. Since, the NEPSE index is below the 20 Days MA and 50 Days MA, it indicates the continuation of downtrend in the short term.



50 Days MA and 200 days MA analysis:

If we look at the longer period moving averages, the 50 Days MA line has remained below the 200 Days MA line till the end of the review period. The 200 Days MA line is far above the NEPSE index which means that the long term trend is still bearish expressing the bearish sentiment in the market. However, at the end of the review period, the NEPSE index has crossed the 50 Days MA line from above which indicates that the long term trend is still bearish. So considering the broader prospect of the market, the sellers are still dominant in the present market.



Conclusion:

The stock market which had experience sluggish movement in terms of market turnover at the beginning of the review period, has improved at the end of the review period. The NEPSE index which had shown improvement towards the end of Shrawan did not uphold for long and is trading below the psychologically significant level of 1200 points (numerically) due to negative sentiments of the investors towards the market. At present, the investors are discouraged due to the prospects of the cash dividend focused strategy of the companies from the earnings made in the FY 2074/75 as the investors prefer stock dividend over the cash dividend. The market is not able to improve despite the sound financial

performance published in the fourth quarter report and the investors seem to be in wait and watch situation with the anticipation of the attractive dividend announcement of the listed companies.

The current technical support level for NEPSE index is 1163.7 and the current resistance point is at 1,230.08 point. The market has not breached the current support and resistance level. On breaching the current support level, the next support level is 1,135.95 point and if the market breaches the current resistance level, the next resistance is at 1,265.69 points.

Overall, looking at the market situation, the market is still providing time to buy the best stocks at lowest price and therefore, it is a crucial time for the investors to formulate smart investment strategy with portfolio for both long term as well as medium term investment according to their risk profile. Although most of the companies have met the minimum capital requirement set by the regulators, all of the companies may not give higher weightage to cash dividend. In the case of commercial banks, one needs to take into consideration the capital adequacy ratio and core capital, total risk weighted exposure and its growth, required capital to meet the next year business growth and past dividend distribution record to estimate the dividend distribution rate and type.

Therefore, accumulating fundamentally sound stocks at the price available currently along with keen eyes on the dividend announcement can be beneficial. The so-called "dividend cycle" has started and moderate return can be expected in trading at the time of stock dividend announcement. Besides, with the ease in the liquidity situation, the deposit as well as lending interest rates of BFIs is expected to decline by the end of the second quarter of FY 2075/76. The stock market is most likely to improve at that time as the investors will be attracted to stock market and the investors entering now can book decent profit in the bullish market.

Rating: BUY
Price (23rd Aug, NPR): 945.00
Short term Target Sell Price (NPR): 1000.00
Long term Target Sell Price (NPR): 1090.00
52-Week (high-low) 888-1368
Market Cap. (NPR): 76 Bn.
as on Q4 74/75

Share price since 2017



Stock Info Vs Industry (Annualized-F)

Stock Info (vs Industry)_F	
EPS_F	52.14
8.76	52.14
P/E_F	18.12
6.71	30.17
P/BV	3.64
0.69	5.3
ROE_F	22.23%
7.35%	22.23%
ROA_F	2.73%
0.93%	2.75%

Technical Indicators (Adj. Prices)

Relative Strength	4.59%
50 Day MA.vs 200 Day MA	-10.41%
Price vs 52 week High	-29.71%
RSI	61.98
MACD	8.39
Price Change	
1 week	-1.46%
4 weeks	3.85%
12 weeks	-3.57%
YTD	-11.27%

Technical Indicators of NABIL For Ahead

{NEPSE:NABIL}
RECOMMENDING BUY

Good fundamentals, good future prospects.

➤ **General Information:** Nabil Bank Limited is the nation's first private sector bank, commencing its business since July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 74 points of representation.

➤ **Financial Indicators:** P/BV (Price to Book Value) of 3.64, TP/E (Trailing Price to Earnings per Share) of 18.12 with closing price of Rs. 945 (23-Aug-2018), Earning Price per Share (EPS) of 52.14 and NWPS (Net Worth per Share) of 259.53 as of Q4 of FY 74/75. The Bank's beta ranges from 0.92 to 0.99 which explains that the stock of firm will follow the market trend and will rise in the recent market and monthly average VAR (Value at Risk) at 1% is -15.25 indicating that it is unlikely that the stock price will fall more than 15.25% in a month.

➤ **Catalyst: 1) Positioning:** NABIL is a stable commercial bank have its presence in major city area of the nation and is one of the renowned commercial banks in its region.

➤ **2) Financials of the quarter:** EPS of 52.14, NWPS of NPR 259.53, P/E of 18.12, ROE 22.23% and ROA 2.73%

➤ **3) Bank expansion:** NABIL has expanded its area of coverage by establishing 74 branches throughout the nation.

➤ **4) Target Price:** We have ascertained the fair price of the stock to be NPR. 995 per share for long term and NPR 975 per share for short term.

Financials & Non-Financial Highlights

Figure 2 – NABIL key indicators – Quarter to Quarter comparison

Particulars	As at Asadh End, FY 2072/73	As at Asadh End, FY 2073/74	As at Asadh End, FY 2074/75
EPS (in NPR)	59.32	58.54	52.14
Closing Market Price (in NPR)	2344.00	1523.00	921.00
P/E Ratio	39.52	26.02	17.66
NWPS (in NPR)	258.77	245.99	259.53
Net Profit (NPR)	2,821,564,000.00	3,620,821,000.00	4,194,007,000.00
Net Profit Growth (%)	34.45	28.33	15.83
Paid Up Capital (NPR)	4,756,570,000.00	6,185,507,000.00	8,043,221,000.00
Reserve & Surplus (NPR)	7,552,205,000.00	9,030,340,000.00	12,831,560,000.00
Deposit (NPR)	110,267,272,000.00	118,896,157,000.00	135,979,335,000.00
Loans and Advance (NPR)	77,730,401,000.00	91,491,252,000.00	112,651,661,000.00

Summary: Based on the time series analysis presented above, we can see that the Bank demonstrated good financial performance in Q4 FY 2074/75. Looking at the major financial indicators, the bank has shown significant level of growth on its profit in current FY Q4 compared to previous FY Q4 as we can observe a increased in net profit by around 15.38% in this Q4 compared to previous FY Q4. The bank has increased the paid capital by providing a stock dividend of 30% in previous FY. The Bank's EPS has been in between NPR 50-60 for the last three years. At the end of Q4 FY 2074/75, the EPS stands at NPR 52.14 and NWPS have slightly increased from NPR 245.99 at Q4 FY 2073/74 to NPR 259.53.

Financial Indicators

NABIL is one of the leading commercial banks of Nepal which has shown an attractive level of performance as compared to previous corresponding quarters as it was able to show 15.83% increment in its net profit level in current FY as compared to FY 2073/74 Q4. The Bank has earned NPR 4.19 Arba by Q4 of FY 2074/75, which was 3.62 Arba by Q4 of FY 2073/74. Compared to Nepal Investment Bank which earned NPR 3.96 Arba net profits and have EPS of NPR 37.23, the net profit of Everest Bank is NPR 2.77 Arba and has EPS of NPR 19.14, where the net profit of Himalayan Bank is NPR 2.61 Arba with EPS of NPR 32.22. Looking at the banks from the industry with similar level of paid-up value, we can have a general perception that the Bank is performing relatively better than other banks in the industry.

Fig 1: Net Profit

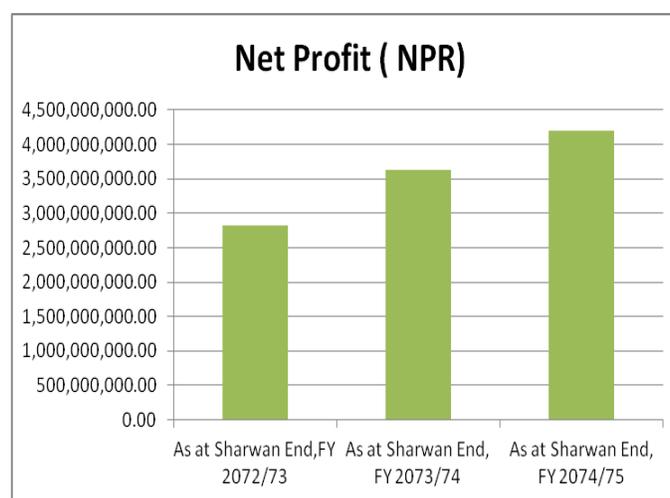
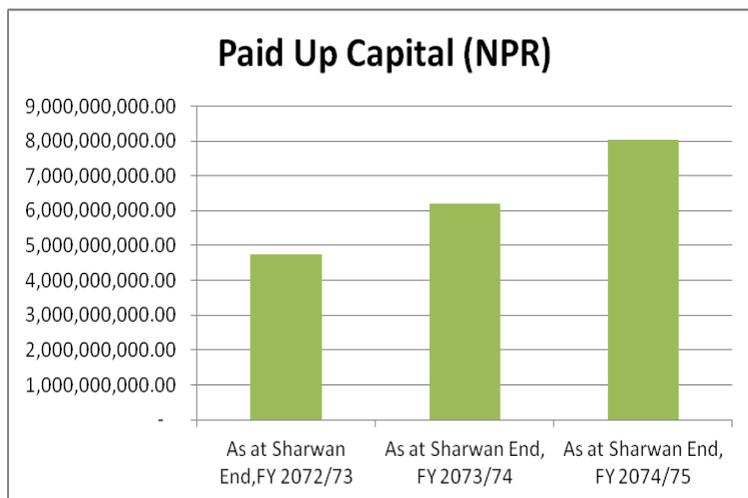
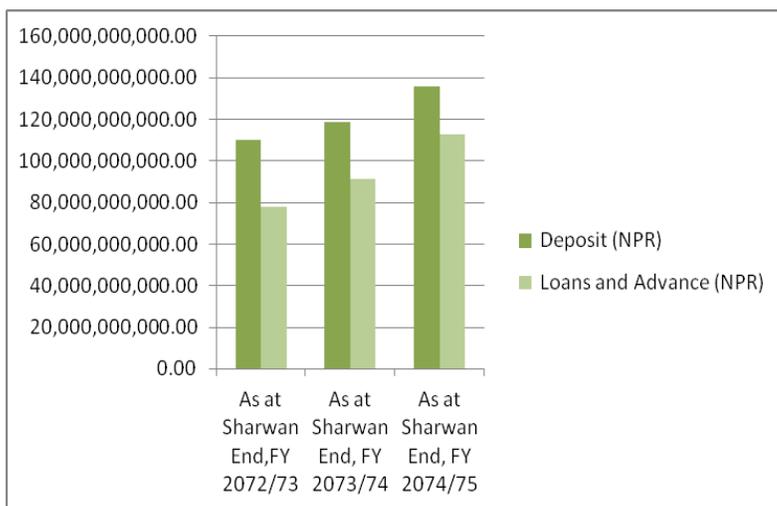


Fig 2: Paid Capital in NPR



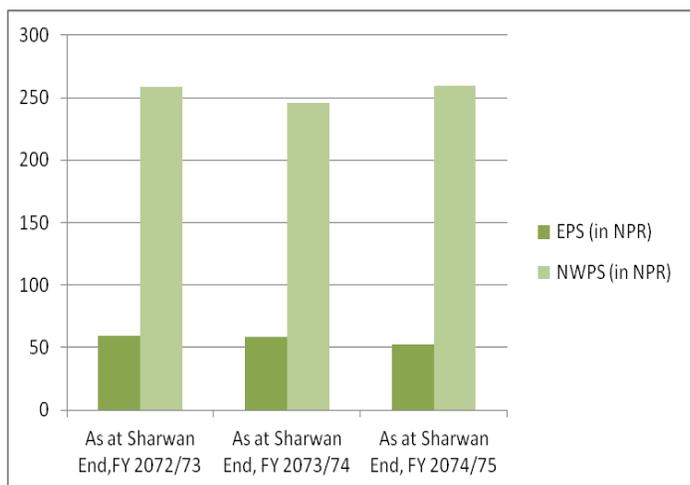
Nabil has been providing decent level of return to its investors since a long period of time. The Bank had provided a dividend of 30% for FY 73/74 to reach the minimum paid-up of NPR 8 Arba set by the NRB. NABIL was standing with the paid-up capital of NPR 6.18 Arba as per the Q4 of FY 2073/74 which has been increased to NPR 8.04 by the end of Q4 of FY 2074/75. We can expect a decent level of dividend in this FY as well.

Fig 3: Deposit and Loans



The Bank has large deposit base and variety of products such as home loan, auto loan, education loan, mortgage loan, personal overdraft, and share loan. The Bank has deposit of NPR 135.97 billion at the end of Q4 FY 2074/75 which was NPR 118.89 billion at the end of Q4 FY 2073/74. The Bank has been able to maintain the increasing deposits due to its various deposit products and different interest rates over such products. On the other side, the Bank has been able to maintain large loans and advance of NPR 112.65 Billion for Q4 FY 2074/75 as compared to corresponding quarter of FY 2073/74 which shows a figure of NPR 91.49 Billion.

Fig 4: EPS and NWPS



Currently the Earning per Share (EPS) of the Bank for Q4 2074/75 is NPR 52.14 and Net worth per Share (NWPS) is NPR 259.53 .The Bank has been able to provide good returns to its shareholders through the distribution of stock dividend over the years. The Bank has a recorded history of providing more than 30% stock dividend in the previous three Fiscal Years. The bank is capable to distribute around 30% from its reserve to its investors very comfortably.

EPS has decreased from NRP 59.32 in FY 2072/73 to NPR 52.14 in FY 2074/75. This is mainly due to increment in paid-up capital from NPR 4.75 Arba in FY 2072/73 to NPR 8.04 Arba in FY 2074/75. It is worth noting that in spite of 71%

increase in paid-up capital, EPS has only diluted by 12% indicating impressive turnover of capital to generate higher profit.

Valuation & Summary:

The various price details of the Bank are as follows:

- 1) **Multiples:** - Price obtained by P/E is NPR 751 per share and by P/B is NPR 477 per share. The average of P/E and P/B is NPR 614 per share.
- 2) **Net Worth per Share:** - The net worth of the Bank stands at NPR 259 per share as of Q4, 2074/75.
- 3) **180 days Moving Average:** - As per the data available in NEPSE, the 180 days weighted average price of NABIL is NPR. 967/share as on 23rd August, 2018.

In relation to price multiple, the Bank has positioned itself in the third quartile for EPS and ROE also P/BV lies in second quartile. These parameters indicate that the Bank is performing sideways to the industry average but trading above than industry adjusted price. After averaging the various methods of valuation on an equal weighted approach, the valuation of share comes to NPR 614 per share. Looking at the consistence dividend history in previous fiscal years we can expect the continuity of such trend in upcoming days as well. And with regard to the technical indicators the company is expected to have an uptrend in the medium and long run. However, the market price is above the said value. But looking at the performance, capital base, return rate to the investor, we recommend a buy for the stock in current market with short term sell target of price NPR 1,000 and long-term sell target of NPR 1,090.

All material included in this document is based on data / information gathered from various sources and is based on certain assumptions of Nabil Invest. Therefore, this study should not be solely relied upon for making any decision, investment or otherwise. The prospective user of this study is encouraged to carry out his / her own due diligence and gather any information he / she considers necessary for making an informed decision.

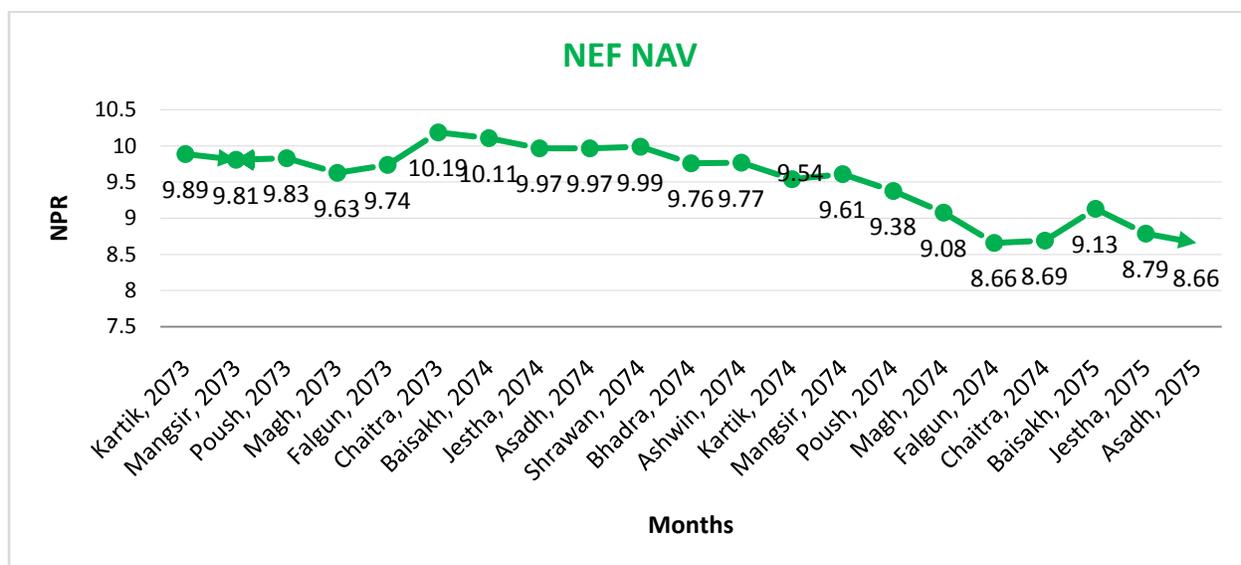
*The content of this study does not bind **Nabil Investment Banking Ltd.** in any legal or other form.*

NABIL Mutual Fund

NAV Summary of Nabil Equity Fund as Asad End, 2075

Investment	Amount (NPR)	Amount (NPR)2
Listed Securities		744,685,139.54
Shares	658,296,301.00	
Debentures	86,388,838.54	
Unlisted Securities		24,354,063.00
Shares	24,354,063.00	
Bond/Debentures	-	
Fixed Deposits	125,000,000.00	125,000,000.00
Total Investment		894,039,202.54
Current Assets		
Bank Balance	193,231,576.62	
Other Assets	9,526,122.86	
Total Assets		202,757,699.48
Current Liabilities		
Other Liabilities	3,262,983.83	
Accumulated Fees & Commission	11,051,844.42	
Total Liabilities		14,314,828.26
Gross Assets Value		1,082,482,073.76
Fund Managers Fees		-
Depository's Fees		-
Supervisors Fees		-
Net Assets Value (NAV)		1,082,482,073.76
No. of Units		125,000,000.00
NAV per Unit		8.66

Monthly NAV Trend of Nabil Equity Fund



UPCOMING events

ANNEXURE

Company's Name	Book Closure Date	AGM Date	Stock Dividend (%)	Cash Dividend (%)
Eastern Hydropower Limited	-	09/03/2018	-	-
Buddha Bhumi Nepal Hydropower Company Limited (SGM)	-	09/04/2018	-	5%
Ngadi Group Power Ltd.	08/30/2018	09/20/2018	-	10%
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	-	09/21/2018	-	-

NABILINVEST

“तपाईंको लगानीको व्यवस्थापन कसले गर्छ ?”



हामी छौं यहाँ तपाईंका लागि

नबिल इन्भेष्ट प्रस्तुत गर्दछ -
लगानी व्यवस्थापन सेवाहरू

नबिल इन्भेष्टमा तपाईंले “नेपाल धितोपत्र बोर्ड” बाट मान्यता प्राप्त लगानी व्यवस्थापन सेवा प्राप्त गर्न सक्नुहुनेछ । हाम्रा विशेषज्ञहरूले तपाईंको सम्पत्ति स्तरीय ढङ्गले विभिन्न क्षेत्रमा लगानी गरी जोषिम कम गर्नुको साथै तपाईंको वित्तीय उद्देश्य हासिल गर्न पनि सहयोग पुऱ्याउँदछन् ।

थप जानकारीको लागि हाम्रो वेबसाइट
www.nabilinvest.com.np हेर्नुहोस् वा हामीलाई
सम्पर्क राख्नुहोस् ।

Nabil Investment Banking Ltd., 3rd Floor, Central Plaza, Narayanchaur, Naxal, Kathmandu

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धितोपत्र हितग्राही खाता (Demat Account) खोल्नुहोस्



NABIL INVEST

हामी छौं यहाँ तपाईंका लागि

धितोपत्रहरूको सहज कारोवार गर्नका लागि
आजै नबिल इन्भेस्टमा गई धितोपत्र निक्षेप खाता खोल्नुहोस् ।

हाम्रा सेवाहरू:

हितग्राही खाता (डिम्याट एकाउन्ट) खोल्ने । अभौतिकीकरण/भौतिकीकरण गर्ने ।
धितोपत्रहरूको-निक्षेप, भुक्तानी, हस्तान्तरण, रोक्का/रोक्का फुकुवा गर्ने ।
गैह्र मौद्रिक संस्थागत लाभहरू जम्मा गर्ने आदि ।

NABIL INVESTMENT BANKING LTD.

(A subsidiary of Nabil Bank Ltd.)

नबिल इन्भेस्टमेन्ट बैंकिङ लिमिटेड

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

फोन नं.: ८८११६०८, ८८११७३३ | फ्याक्स नं.: ८८१०५५८

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