

## Introduction of Company

Nepal Infrastructure Bank Limited was established on 25<sup>th</sup> Jestha 2075 as per the company act 2063. It was licensed by Nepal Rastra Bank on 2075/10/28. The company has been operating as a national level infrastructure bank since 2075/11/22. Registered office of the company is situated at New Banehwor-10, Kathmandu, Nepal. The main objective of this company is utilizing financial resources for sustainable economic development of the country.

Issue Details	Particulars
Issue Sizes (Units)	80,000,000
Price Per Share (NRs.)	100
Issue Open Date	2077/10/02
Issue Close Date	2077/10/06
Issue to Staff (Units)	160,000
Issue to Mutual Fund (Units)	4,000,000
General Public (Units)	75,840,000
Issue Manager	NIBL Ace Capital Limited
Collection Centers	All BFIs with ASBA and Mero-share
Min. Application (Units)	10
Max. Application (Units)	20,000,000
Credit Rating	CARE NP IPO Grade 4+

## Board of Directors

S.N	Name	Holding (Units)	Qualification	Profile	Experience
1	Mr. Anuj Agrawal	1,500,000	MBA	Chairman	Long term experience in Several Organization
2	Mr. Shreekrishna Nepal	20,000,000	Masters	Director	Retired employee of Government
3	Mr. Chandra Prasad Dhakal	1,000,000	Bachelors	Director	Chairman of Global IME Bank Ltd
4	Mr. Lal Mani Joshi	2,500,000	MBA	Director	Retired employee of Government
5	Mr. Ram Krishna Khatiwada	762,740	Bachelors	Director	Long term experience in various Industry in Account Department.

## Key Persons

S.N	Name	Current Position
1	Mr. Bhupendra Pandey	Acting Chief Executive Officer
2	Mr. Surya Bahadur Tamang	Deputy General Manager
3	Mr. Binaya Nath Neupane	Deputy General Manager
4	Mr. Suwarn Kumar Singh	Head-Risk Management
5	Mr. Rabin Shrestha	Head-Infrastructure Financing

## Capital Structure After IPO

Group	Shareholder	Share Units	Capital Structure	Paid up Amount
A	Promoters	12,00,00,000	60%	12,00,00,00,000
B	Public (incl. mutual funds and staffs)	8,00,00,000	40%	8,00,00,00,000
	Total	20,00,00,000	100%	20,00,00,00,000



## Future Plan and Strategy

1. Establish as a national level infrastructure bank for developing infrastructure of the country.
2. To implement Viability Gap Funding Model and Hybrid Annuity Model.
3. To issue on-shore and off-shore bond.
4. Coordinate with international corporate bodies to collect long term funds.
5. To manage bank related risk such as market risk, interest risk, liquidity risk, etc.

## Composition of Board of Directors

As per Article 27 of the Article of Association of Company, the Board shall constitute 7 members. The tenure of directors shall be 4 years. Minimum 100 units is required to be qualified as a director.

Composition	No of Members
Representing Promoters	4 members
Representing Ordinary Shareholders	2 members
Independent Director	1 member

Utilization of IPO Proceeds	Amount
Loan Payment	NPR. 4,320,000,000
Investment	NPR. 3,680,000,000

### General Introduction to Balance Sheet Figures

(In '000')

Particular	Audited		Unaudited(Q1)		Projected		
	2074/75	2075/76	2076/77	2077/78	2077/78	2078/79	2079/80
Paid Up Capital	6,000,000	12,000,000	12,000,000	12,000,000	20,000,000	21,600,000	22,900,000
Reserve and Surplus	119,700	788971	1634826	1,814,706	2,299,345	2276052	2,931,272
Total Assets	6,148,538	13,151,415	13,968,428	14,230,446	23,374,542	32,777,738	41,294,492
Net Worth Per Share	51.00	106.57	113.62	115.12	117.69	110.54	112.80

The paid-up capital of the company is expected to increase to Rs 22.90 Arba till the FY 2079/80. The Reserve and Surplus is projected to increase to NPR. 2.93 Arba over the next three years. Total Assets is projected to increase at 2.01 % CAGR over the next three years.

### Excerpts from Income Statements

(In '000)

Particulars	Audited		Unaudited(Q1)		Projected		
	2074/75	2075/76	2076/77	2077/78	2077/78	2078/79	2079/80
Interest Income	179,410	1,135,791	1,253,682	289,579	1,355,446	3,084,197	3,943,733
Interest expense	-	2,351,370	23,018,496	5,994	66,885	602,413	966,809
Operating Profit	161,249	961,414	1,101,697	257,642	1,039,239	2,370,108	2,890,157
Net Profit	119,700	669,270	847,145	180,122	725,219	1,656,705	2,020,220
EPS	2.00	6.1	7.06	6.00	5.58	7.67	8.82

The company's Interest Income is projected to grow annually at 139 % during the next three years. Interest expense is projected to increase annually at 444.34% Operating Profit is projected to grow annually at 123.85% during the next three years. Net Profit is projected to increase annually at 123.84% CAGR over three years.

### Comparison with Industry Figures (2077/78 Q1)

(in '000)

Indicator	Industry Average	Nepal Infrastructure Bank Limited
EPS (Rs.)	5.38	6.00
BVPS (Rs.)	107.91	115.12
ROA (%)	0.3	1.26
ROE (%)	5	1.30

- BVPS of the company stands at NPR. 115.12, whereas industry average BVPS is NPR. 107.91.
- Company's annualized ROA is 1.26%, whereas industry average is 0.3%% suggesting that the company capital intensity is highly efficient compared to its industry.
- The company annualized ROE is 1.30% whereas industry average is 5% suggesting that the company management ability is strong when comparing to its industry average.

### Valuation of Company

#### Relative Valuation Model

The idea of relative valuation is that, similar assets should sell at similar prices. The application of relative valuation is called the method of comparable.

It estimates an asset's value relative to that of another asset (benchmark). The model helps to check whether a particular stock is overvalued, undervalued or fairly valued in terms of measures like earnings, book value, cash flow, sales per shares by comparing the industry multiples.

Here, we value the company based on P/E and P/B based multiples. P/E Ratio shows the amount investors are willing

P/B Valuation			
Projected Year	Industry P/B	BVPS (NRs)	Value of shares (NRs)
2077/78	2.28	117.69	268.33
2078/79	2.28	110.54	252.03
2079/80	2.28	112.80	257.18

\*Industry P/B is assumed constant for the next three years

P/E Valuation			
Projected Year	Industry P/E	EPS (NRs)	Value of shares (NRs)
2077/78	64.69	5.58	360.92
2078/79	64.69	7.67	496.17
2079/80	64.69	8.82	570.56

\*Industry PE is assumed constant for the next three years

to pay for each rupee earnings of the company.

P/B Ratio shows the amount investors are willing to pay for each rupee of company's tangible assets.

The industry average PE ratio of the others companies stands at 64.69 while the industry average price to book ratio stands at 2.28. Based on P/E valuation the company share value is expected to be 360.92, 496.17 and 570.56 in the FY 2077/78, 2078/79, and 2079/80 respectively. Based on price to book valuation, the company share price is expected to be 268.33, 252.03, and 257.18 in the FY , 2077/78, 2078/79 and 2079/80 respectively.

### Tentative Allotment Module

Chapter 5, Article 30 of Securities Issue and Allotment Guidelines 2074 provides the new guidelines for allotment of securities under which every valid applicant shall be allotted 10 units shares on the very first round of allotment and the round following then, provided the units available are sufficient for allotment to each eligible applicant. Otherwise, lottery system will be followed.

For the estimation of expected number of applicants, the reference has been taken from the recent IPO of Chandragiri Hills Limited. In Chandragiri Hill's IPO around 1,251,938 applicants applied for the IPO. Upon analyzing the recent growth of the IPO applicants and several other factors, the number of applicants is expected to reach 1,500,000 in the IPO of NIFRA. Even if each applicants demand for more than 50 units on an average, the tentative allotment will be 50 units per applicant because the available share units to the general public is 75,840,000.

### Listing of Shares of Nepal Infrastructure Bank Ltd

The book value per share of the company as on FY 2076/77 was Rs. 113.62. Therefore, the listing range of the share should be in the range of Rs. 113.62 (lower range) and

three times of lower range i.e. NPR.340.56 (upper range).

### Trading Prices

The share price of the company can be expected to trade around the valuations indicated by the PE and P/B valuation as indicated above.

### Recommendation : Apply

The company is a newly established national level infrastructure bank licensed by Nepal Rastra Bank .CRNL has assigned [CARNP] IPO Grade 4 to its initial public offering which denotes the below average fundamentals. The past trend of the IPO suggests that the shares of the companies after IPO trade at multiples of their book value. Hence, the issue is recommend to apply.

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**Keeping a Watchful Eye**

**SO YOU DON'T NEED TO**