

**NBI Ind. Finance Co. Ltd. ₹4095****Hidden Gem !!!****Buy**

Mar 24, 2017

**Company Background**

NBI Industrial Finance (NBI) was incorporated in 1936 by the name "The New Bank Limited". The name was subsequently changed to "The New Bank of India Limited". The company was into banking business at that time. The banking business was taken over by the Govt. of India in 1980. After nationalization of the banking business NBI changed name to present name i.e. N.B.I. Industrial Finance Co. Limited & since then the company has been carrying on business as a "Non Banking Financial Company" (NBFC). The company is presently engaged mainly in investment in shares in securities & financial activity. There has not been any reorganization, reconstruction or amalgamation after 1981.

**Key Highlights**

- ➔ NBI controls 8.91% stake in Shree Cement, 2.44% directly & 6.47% through the cross-holding in other Group Companies, in which NBI is invested. NBI holds shares in 11 other investment companies of Bangur Group and together these 12 Companies hold 58.4% shares in Shree Cement.
- ➔ NBI is largely an investment company. It is investment holding Companies of Bangurs (BG Bangur Family) & interalia controls promoters' holding in Shree Cement. NBI's 60% equity is owned by Bangurs. NBI along with other Bangur Group companies hold the promoters' stake of 64.79% in Shree Cement Ltd.

**Valuation of Direct Investments (Rs. mn)**

Name of List. Co.	FV	Shares Held	Last Price	Value
Agrotech	10	1,500	530	0.80
Bata	10	1,000	540	0.54
Clarient Chem	10	4,150	660	2.74
HDFC Bank	2	4,700	1430	6.72
Motherson Sumi	1	49,950	365	18.23
Shree Cement	10	8,49,450	16,300	1,3846.04
Foseco	10	8,887	1330	11.82
GSK Consumer	10	3,905	5250	20.50
India Nippon	10	5,032	550	2.77
<b>Total value of Direct Investments</b>				<b>1,3910.15</b>

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Income (INR mn)	29	49.4	38.3
Income Growth (%)	2.01	5.92	(5.48)
EBITDA (INR mn)	24.4	43	33.2
Net Profit (INR mn)	24.6	38.5	34.0
Shares Outstanding (mn)	1.23	1.23	1.23
EPS (INR)	19.93	31.33	27.78
EPS Growth (%)	0.99	2.27	(1.11)
P/E (x)	-	-	-
RONW (%)	13.62	18.22	13.77
ROCE (%)	13.39	20.08	13.27

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**Info Codes**

Reuters	: NBI0I.NS
Bloomberg	: NBI:IN
NSE	: NBIFIN

**Market Data**

52 Wk Range (₹)	: 270 / 4840
Shares in Issue (mn)	: 1.23
Mkt. Cap (₹ bn)	: 5.03
Net Asset Value (₹ bn)	: 50.66 +
NSE 2 Wk Avg Vol	: 703

**Share Holding Pattern (%)**

Promoters Holding	: 60.00
Corporate Holding	: 13.18
Domestic Institution	: 00.07
Foreign Institution	: 00.00
Public & Others	: 26.75

**Investment Theme**

The theme for investing in Investment Company started somewhere in the end of last year with BBTC, Florence, Kama Pilani, Vindhyachal, Bengal & Assam etc. leading the pack. Investment companies are generally undervalued comparing the market cap of their investment and their own market cap. NBI Industrial Finance is one such company which actually is amongst the most hidden of such gems. We today initiate a Buy call on the company by uncovering its hidden potential. While we take today's closing market prices of the quoted investments of the company and its cross holdings, we found while the total Valuation of its quoted investment stands at Rs. 50.66 bn while the market cap still stands at Rs 5 bn. Taking into consideration the 40% general trend of discount. We feel today NBI still is undervalued by 4 times. So get in the wagon and buy really quick.

**Holding Company : Theme of 2017!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Operating Income	29.0	49.4	5.9	38.3	(5.5)
Other Income	0.0	0.0	0.0	0.0	0.0
Total Income	29.0	49.4	5.9	38.3	(5.5)
Operating Expenses	1.5	2.7	0.0	1.1	0.0
Employee Expense	2.9	3.6	0.0	4.0	0.0
Interest	0.1	0.0	0.0	0.0	0.0
Total Expenditure	4.5	6.3	0.1	5.1	(0.1)
Gross Profit	24.5	43.1	4.6	33.2	(4.3)
Depreciation	0.0	0.0	0.0	0.0	0.0
PBIT	24.5	43.1	4.6	33.2	(4.3)
Tax	(0.1)	4.6	0.0	(0.8)	(0.2)
Net Profit	24.6	38.5	3.4	34.0	(1.7)
Extraordinary Items	0.0	0.0	0.0	0.0	0.0
Adjusted Net Profit	24.6	38.5	3.4	34.0	(1.7)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>Sources of Fund</b>	<b>169.3</b>	<b>195.2</b>	<b>233.1</b>	<b>267.3</b>
Equity Share Capital	12.3	12.3	12.3	12.3
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	155.3	179.8	218.3	252.4
Long Term Loans	0.1	1.2	0.3	0
Short Term Loans	1.6	1.9	2.2	2.6
<b>Uses of Funds</b>	<b>169.3</b>	<b>195.2</b>	<b>233.1</b>	<b>267.3</b>
Gross Block	0.1	0.2	0.2	0.2
Less : Accumulated Depreciation	0.1	0.1	0.1	0.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Net Block	0.0	0.1	0.1	0.0
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	147.7	176.6	214.0	221.0
Current Assets	19.2	18.2	18.7	45.7
Less : Current Liabilities	0.3	0.3	0.4	0.4
Total Net Current Assets	18.9	17.9	18.3	45.3
Other Assets	2.7	0.6	0.7	1.0
<b>NOTE</b>				
Book Value of Unquoted Investments	78.5	126.5	124.4	149.3
Market Value of Quoted Investments	3516.1	4877.8	9302.1	10654.7
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	0.0	0.0	0.0	0.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Operating Income	21.7	2.1	30.6	1.7
Operating Expense	1.1	4.3	1.7	2
Operating Profit	20.6	(2.2)	28.9	(0.3)
Other Income	0.0	0.0	0.0	0.0
PBIT	20.6	(2.2)	28.9	(0.3)
Interest	0.0	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0	0.0
Other Writeoffs	0.0	0.0	0.0	0.0
Adjusted PBT	20.6	(2.2)	28.9	(0.3)
Taxes	(0.8)	0.0	2.5	(0.2)
Adjusted PAT	21.4	(2.2)	26.4	(0.1)
Non Recurring Adj.	0.0	0.0	0.0	0.0
Non Cash Items	0.0	0.0	0.0	0.0
Net Profit	21.4	(2.2)	26.4	(0.1)

## 52 Week Index Relative Percentage Appreciation



NBI (newly listed) vs SENSEX

## Valuation of Indirect Investment by NBI in Shree Cement (Figures in Rs. mn) (Shree Cement Price 16,300)

Name of Company in which NBI has Invested in	No. of shares of Company held by NBI	No of shares of Shree Cement held by the Co.	Total Value of Investment of Co. in Shree	Share % in Co. held by NBI	Inv. Value Attributable to NBI
Western India Comm. Co. Ltd.	2,105	2,00,650	3,270.60	11.69	382.33
Asish Creations Pvt Ltd.	42,400	86,137	1,404.03	5.44	76.38
Didu Investments P. Ltd.	81,333	11,70,909	19,085.82	4.21	803.51
Digvijay Finlease Ltd.	2,82,501	42,34,780	69,026.91	2.70	1,863.73
Mannakrishna Investments Ltd.	2,66,666	20,42,824	33,298.03	9.04	3,010.14
Newa Investments Pvt. Ltd.	1,50,000	13,76,270	22,433.20	8.43	1,891.12
Ragini Finance Ltd.	2,21,000	12,68,882	20,682.78	13.39	2,769.42
Rajesh Vanijya Pvt. Ltd.	4,42,000	3,96,226	6,458.48	13.35	862.21
Shree Capital Services Ltd.	2,47,860	89,84,155	1,46,441.73	15.38	22,522.74
The Laxmi Salt Co. Ltd.	1,50,000	1,24,600	2,030.98	23.81	483.58
The Venktesh Co. Ltd.	1,16,550	4,60,030	7,498.49	27.75	2,080.83
<b>Total Value of Indirect Inv.</b>		<b>203,45,463</b>	<b>3,31,631.05</b>		<b>36,745.99</b>

**In a Nutshell**

NBI Industrial Finance is company from the pre-independence era which has undergone metamorphosis twice to become an NBFC which currently operates as an investment company of the Bangur's specifically for the Company Shree Cement. The Company is primarily engaged in the business of investment in shares and securities, and financial activity. It controls 8.91% stake in Shree Cement, 2.44% directly & 6.47% through the cross-holding in other Group Companies, which happen to be in the Investment Portfolio of NBI. Out of the many investment companies of Bangur Group NBI is a shareholder in 11 Companies and together with these it holds hold 58.4% shares in Shree Cement. NBI' in itself has 60% of its equity owned by Bangurs and NBI along with other Bangur Group companies hold the promoters' stake of 64.79% in Shree Cement Ltd. Since the start of the holding company investment trends in 2016 end we were on the lookout for a hidden gem in the area. Presto! we found NBI. The net market capitalisation of only the quoted equity part of NBI either directly or through its cross holding companies stands 10 times of its current market cap. There is a general trend followed in Investment companies to discount 40% of its holding value to get the real value of the company. Even going by this rule NBI is 4 to 6 times undervalued than its actual market valuation. We feel the real value of the company stands at somewhere around the price of 12,000 to 18,000 while the company price still hovers around 4,000 currently. We feel though the company has already appreciated from 270 on listing to 4000 currently, there is still a large amount of scope left in its actual market price. Recently the scrip stands illiquid but available with a 2 week average market volume at 700 plus. This is the right time to buy and accumulate the scrip. Specifically when there is a slight profit booking from traders going on in the scrip. Long term investors do not have to worry they can still hold if they have bought it earlier.

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**Rating Interpretation**

<b>Buy</b> : Expected to appreciate 20% or more over 12-months	<b>Reduce</b> : Expected to depreciate up to 10% over 12-months
<b>Accumulate</b> : Expected to appreciate 10% to 20% over 12-months	<b>Sell</b> : Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b> : Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b> : Expected to depreciate more than 10% over 45-days

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