

**NBI Industrial Finance****₹1350***Invest for your life...!!!***Buy**

Sep 14, 2018

**Company Background**

Company was originally incorporated on December 21, 1936 in the name of The New Bank Limited. Name of the company was subsequently changed to The New Bank of India Limited with effect from 4th November, 1941. It was carrying on banking business at that time. The banking business of the company was taken over by the Government of India in the year 1980. After nationalization of the banking business the company changed this name to N.B.I. Industrial Finance Co. Ltd. with effect from May 26, 1951 & since then it has been carrying on business as a Non Banking Financial Company. It is registered with Reserve Bank of India as NBFC. Presently it engaged mainly in investment in shares in securities & financial activity. The operation of the company during the year was centered in dividend income; interest income and Share Trading. Main income of the company is dividend income on long-term investments & interest on fixed deposit and profit from sale of investments. It is, being into finance & investment activity, the impact of stock market movements will affect it's profitability.

**Key Highlights**

- ➔ Company has 3 main income sources such as Profit on sale of investment, dividend and Interest. For FY 2017 it has nearly 89.62 % of income from profit on sale of investment, 10.02 % from dividend and 0.36 % from interest.
- ➔ For FY 2017 cost of investments rose by 627.82 % to ₹ 52.33 cr and market value of investment increased by 3.70 % to ₹ 1,435.48 cr, for FY 2017 investment has drastically rose.
- ➔ Company is monitored on regular basis about the execution of the investment transactions and its target price.
- ➔ Reserve Bank of India has allowed NBFC to access foreign capital through external commercial borrowing and channel it to infrastructure projects.
- ➔ The gross loans of India's Non-Banking Finance Company Microfinance Institutions increased 24 % year-on-year in Q2 FY18 to ₹ 38,288 crore.
- ➔ NBFCs have served the unbanked customers by pioneering into retail asset-backed lending, lending against securities & microfinance. NBFCs aspire to emerge as a one-stop shop for all financial services.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	49.4	38.3	1,008.9
Rev. growth (%)	70.34	(22.47)	2,534.20
EBITDA (INR mn)	43.0	33.2	997.9
Net profit (INR mn)	38.5	34.1	806.8
Shares outstanding (mn)	2.5	2.5	2.5
EPS (INR)	31.3	27.8	656.6
EPS growth (%)	57.20	(11.33)	2263.43
P/E (x)	0.00	0.00	2.13
RONW (%)	18.22	13.77	120.90
ROCE (%)	20.08	13.27	148.88

**Nishant Chopra**

nishantc@indiratrade.com

**Info Codes**

Reuters	: N/A
Bloomberg	: NBI IN
NSE	: NBIFIN
BSE	: N/A

**Market Data**

52 Wk Range (₹)	: 1092/1638
Shares in Issue (mn)	: 2.5
Market. Cap ( bn)	: 1.34
NSE 2 Wk Avg Vol	: 831

**Share Holding Pattern (%)**

Promoters Holding	: 60.00
Public & Others	: 25.98
Corporate Holding	: 13.30
Foreign Institution	: 00.65
Institutions	: 00.07
Govt Holding	: 00.00

**Investment Theme**

Country's financial services sector consists of the capital markets, insurance sector & non-banking financial companies. RBI has allowed 100 % foreign investment under the automatic route in other financial services. Government policies and regulatory changes will enlarge the scope of the opportunities for the financial sector. Company is a investment company in shares & securities. It has 3 different income sources, out all profit on sale of Investment is a major income source, it contributes nearly 90 % of total revenue. Company is trying many options to improve its margins by doing tight control over expenses and it has investment policy where in it invests in those securities which have easy liquidity, better yield and price appreciation in the long term. Overall the investment sector is good.

**Relationship beyond Banking...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Operating Income	49.4	38.3	(22.5)	1,008.9	2534.2
Other Income	0.0	0.0	0.0	0.0	0.0
Total Income	49.4	38.3	(22.5)	1,008.9	2534.2
Operating & Admin Exp	1.0	1.0	0.0	3.2	220.0
Miscellaneous Exp	1.7	0.1	(94.1)	2.6	2500.0
Interest	0.0	0.0	0.0	0.0	0.0
Employee Exp	3.6	4.0	11.1	5.1	27.5
Total Exp	6.3	5.1	(19.0)	10.9	113.7
Gross Profit	43.1	33.2	(23.0)	998.0	2906.0
Dep	0.0	0.0	0.0	0.0	0.0
PBT	43.1	33.2	(23.0)	998.0	2906.0
Tax	4.6	(0.8)	(117.4)	191.3	(24012.5)
Deferred Tax	(0.1)	(0.1)	0.0	(0.2)	100.0
Net Profit	38.5	34.1	(11.4)	806.8	2266.0

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>195.2</b>	<b>233.1</b>	<b>267.3</b>	<b>1,073.2</b>
Equity Share capital	12.3	12.3	12.3	12.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	179.8	218.3	252.4	1,057.7
Secured Loans	1.2	0.3	0.0	0.0
Unsecured Loans	1.9	2.2	2.6	3.2
<b>USES OF FUNDS</b>	<b>195.2</b>	<b>233.1</b>	<b>267.3</b>	<b>1,073.2</b>
Gross Block	0.2	0.2	0.2	0.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	0.1	0.1	0.2	0.2
Net Block	0.1	0.1	0.0	0.1
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	176.6	214.0	221.0	917.6
Current Assets	18.2	18.7	45.7	141.4
Less : Current Liabilities	0.3	0.4	0.4	2.9
Total Net Current Assets	17.9	18.3	45.3	138.5
Misc. Expenses not writtenoff	0.6	0.7	1.0	17.0
<b>NOTE</b>				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	4,877.8	9,302.1	10,654.7	15,075.9
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	0.0	0.0	0.0	10.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Sep 17	Dec 17	Mar 18	Jun 18
Operating Income	27.5	1.2	18.3	31.4
Other Operating Income	0.0	0.0	0.0	0.0
Other Income	0.0	0.0	0.0	0.0
Total Income	27.5	1.2	18.3	31.4
Interest	0.0	0.0	0.0	0.0
Employee Expenses	1.7	1.3	1.1	1.3
Selling & Admin Exp	0.2	0.0	6.1	0.1
Other Expenses	0.6	1.3	4.6	4.9
Total Operating Exp	2.5	2.6	11.8	6.3
Operating Profit	25.0	-1.4	6.5	25.2
PBT	24.9	-1.4	6.5	25.2
Tax	0.0	0.0	0.0	5.1
Deferred Tax	0.0	0.0	0.0	0.0
Net Profit	24.9	-1.4	6.5	20.1

**52 Week Index Relative Percentage Appreciation**

**NBI vs Nifty**
**Risks Associated**

- ➔ Company's income arises from investment and trading operations, hence profits are largely dependent on the favourable condition of the stock market. If there are any negative developments, that leads to stock market losses and finally company's income also effect.
- ➔ Investments are mainly depend on economic growth and other factors like inflation, domestic savings and rising portfolio investments into India. If any unusual developments in the global economy may impact emerging economy like India.

**Scope of Growth**

- ➔ NBFCs are rapidly gaining prominence as intermediaries in the retail finance space and NBFCs finance is more than 80 % of equipment leasing and hire purchase activities in India. New RBI guidelines on NBFCs with regard to capital requirements, provisioning norms & enhanced disclosure requirements are expected to benefit in the near future.
- ➔ The public deposit of NBFCs increased from \$ 293.78 mn in FY 09 to \$ 6,089.52 mn in FY 17, registering a compound annual growth rate of 46.10 %.
- ➔ NBFCs are giving tough competition to banks in India, especially public sector banks, eating up their market share, according to a report by the Boston Consulting Group. Between calendar years 2014 and 2017, the share of NBFCs in total loans is estimated to have increased from 21 % to 44 %, whereas, for public sector banks, it fell from 49% to 28%.
- ➔ Sector has played a critical role in stimulating the growth of the Indian economy & have made a significant contribution towards supporting the government's agenda of extending financial inclusion. In fact, NBFCs have emerged as key financiers to businesses, especially the high-potential, credit-hungry MSME sector.

**In a Nutshell****Company's Investments & it's Value**

<b>Company Name</b>	<b>No of Equity Shares</b>	<b>Cost of Investments</b>	<b>Market Value</b>
Procter & Gamble Hygiene	19,970	14.20	18.61
Ricoh India	1,24,131	2.40	2.40
Shree Cement	8,49,450	2.40	1370.67
United Spirits	9,100	2.14	3.01
Foseco India	8,887	0.29	1.24
GlaxoSmithkline	29,176	13.42	18.88
HDFC Bank	4,700	0.50	0.97
Huhtamaki PPL	1,22,050	1.03	3.69
Kansai Nerolac Paints	6,200	0.22	0.29
Lupin	10,000	1.46	0.77
Motherson Sumi Systems	49,950	1.25	1.55
Nestle India	2,030	1.30	1.98
Whirlpool of India	30,000	3.76	4.70
Agro Tech Foods	1,500	0.07	0.10
Bata India	1,000	0.05	0.08
Blue Dart Express	6,350	2.75	2.25
Bosch	1,932	4.43	3.66
Colgate-Palmolive (India)	5,000	0.50	0.62
Eicher Motors	4	0.00	0.01
<b>Total</b>		<b>52.33 Cr</b>	<b>1435.48 Cr</b>

**Indira Group Offices**

**Registered Office** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224202 **Fax** : 022-66224201 **Email** : [ie@indiratrade.com](mailto:ie@indiratrade.com)

**Administrative Office** : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

**Tel** : 0731-4097170 **Fax** : 0731-4215999 **Email** : [customercare@indiratrade.com](mailto:customercare@indiratrade.com)

**Institutional Dealing Unit** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224209 **Fax** : 022-66224201 **Email** : [ie@indiratrade.com](mailto:ie@indiratrade.com)

**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Reduce** : Expected to depreciate up to 10% over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Trade Sell** : Expected to depreciate more than 10% over 45-days

**Disclaimer**

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.