

Result Preview

Bank Al-Habib: Bloating NIM and trade financing business to increase financial performance ; BUY | TP-Rs 39.5

BAHL Statistics

Last Trade	21-Aug-13
Avg Volume (52 Weeks)	708,753.78
Close	35.33
52 Weeks High	36
52 Weeks Low	24.5
Market Capitalization	32.35bn
Beta	0.75
Total No of Shares	1.01bn
Free-Float Shares	402.7mn

Source: www.scstrade.com

Key Ratios as on Q1CY13

Bank	Advances to Deposits	Investment to deposit	Equity to Advances
BAHL	41.0%	73.8%	15.3%
BOP	51.3%	43.0%	8.9%
BAFL	51.7%	41.5%	12.0%
FABL	72.2%	36.0%	12.1%
AKBL	50.0%	53.0%	13.3%

Source: www.scstrade.com

BAHL

Profit & Loss statement

(Rupees in million)	Q1CY13A	Q2CY13E	H1CY13E
Interest earned	9,685	11,622	21,306
Interest expensed	6,156	7,388	13,544
Net interest income	3,528	4,234	7,762
Provision against NPL	162	195	357
Net income after provisions	3,366	4,039	7,405
Non-Interest income	801	1,042	1,843
Non-Interest expenses	2,408	2,889	5,297
PBT	1,760	2,192	3,951
Taxation	604	724	1,328
PAT	1,156	1,467	2,623
EPS	1.14	1.46	2.60

Source: Company data & SCS research

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1HCY13 preview: Earnings to sustain

We expect BAHL to report 1HCY13 EPS of Rs 2.60 for 1HCY13 to Rs against Rs 2.48 in 1HCY12, which is 5% higher on YoY basis.

The interest income could increase in 2Q to Rs 4.2bn from Rs 3.5 bn reported in 1Q. Cumulative net profit for 1HCY13 to reach Rs 2.6bn since bank's noncore income to spur as BAHL has edge in trade financing business over peers.

NIM to increase:

We see net interest margin of banks to expand in the post MPS scenario. Hence core interest earned in 2H13 to increase, which will add additional profitability for BAHL. Interest on saving account is also to be revised, and it will go down at same rate of 5%, which will expand the net interest margin for commercial banks, and we see a positive sign for BAHL.

Investment in defensive securities:

With strong investment to deposit ratio of 74%, BAHL has investment in debt especially marketable securities, and any possible increase of interest rate by 100bps will increase the worth of debt and earnings to spur for Q4CY13, so we see BAHL as a value

1QCY13 financials outlook

BAHL reported NPAT of Rs 1.15bn in 1Q as against Rs 1.2bn in the same period last year; resulting an EPS of Rs 1.14 against Rs 1.2 reported in the corresponding last year.

Currently BAHL yield a PBV of 1.5x which is higher than other middle tier banks. But an expected incremental interest rate caught our attention since BAHL is an interest sensitive business model. Though, it may reactivate equity books.

Valuation:

BAHL yields PE multiple of 6.7x, we expect BAHL's dividend yield could also enhance for CY13 i.e. 10.5%. We expect a cash dividend of Rs.3.5 in full year CY13. We maintain BUY stance with our already published target price of Rs.39.5/sh.