

MEBL disappoints with miniscule growth in earnings... |SELL|

Meezan Bank dipatched its results for CY12 with a minor growth in earnings i.e. 3% depicting by PAT of Rs.3.3bn(EPS:Rs.3.75/sh) in CY11 in contrast to tally PAT of Rs.3.5bn(EPS:Rs.3.88/sh) in CY12. The company also announced 11% bonus and declared no dividend this year. However, the company has already announced dividend in 1HCY12 but it could have declared a token dividend in full year period in contrast to asset growth.

MEBL Rs.('000)	CY11	CY12	Chg.
Return on Financings	18,032,152	21,836,972	21%
Return on Deposits	8,665,622	11,384,534	31%
Net Spread Earned	9,366,530	10,452,438	12%
Provisions	1,389,155	451,191	-68%
Net Spread After Provision	7,977,375	10,001,247	25%
Oth. Inc.	2,504,755	2,398,590	-4%
Oth. Exp.	6,125,830	7,169,611	17%
PBT	4,356,300	5,230,226	20%
Tax	964,757	1,722,110	79%
PAT	3,391,543	3,508,116	3%
EPS	3.75	3.88	3%
Bonus(%)	12.5%	11%	-12%

Source: KSE Announcement

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Poor Growth in Core & Non-Core Income...

Overall, MEBL recorded 12% growth in core income and which is less than the average phenomenal growth in last periods dure to tight credit policy adopted. This also validates the criticism on Islamic banks that they are not rolling money in the economy which could be illustrated by the fact that the growth in deposits over CY11-12 i.e. 22% is not rolling over in advances which has been declined by 5% (based on 9MCY12 compared with CY11 figures). However, deposits are not seemed to shuffle into investments side as well which could be illustrated in Table 1.1.

Table 1.1

Years	CY05	CY06	CY07	CY08	CY09	CY10	CY11	CY12
Profit and Loss Statement								
Net Interest Income	768,811	1,240,107	2,121,784	3,714,879	5,132,144	5,684,075	9,366,530	10,452,438
Growth in Core Inc.		61%	71%	75%	38%	11%	65%	12%
Other Income	622,151	690,561	27,904	707,908	1,597,804	2,475,030	2,504,755	2,398,590
Growth in Non Core Inc.		11%	-98%	2437%	126%	55%	1%	-4%
Operating Profit	1,351,982	1,807,790	3,033,781	3,705,467	5,210,772	-	-	-
Profit Before Tax	633,116	780,023	1,269,188	992,311	1,739,723	2,126,960	4,356,300	5,230,226
Taxation	213,661	175,772	305,687	371,124	714,372	477,372	964,757	1,722,110
Profit After Tax	419,455	604,251	963,501	621,187	1,025,351	1,649,588	3,391,543	3,508,116
Dividend	-	-	-	-	-	-	10.00%	12.50%
Bonus	16.00%	10.00%	20.00%	8.60%	5.00%	15.00%	12.50%	11%
Right	20.00%	50.00%	-	-	35.00%	-	-	-
Balance Sheet								
Paid Up Capital	2,036,582	3,779,897	3,779,897	4,925,961	6,982,550	8,029,933	9,033,674	9,033,675
Total Equity	3,024,582	4,763,359	5,706,656	5,974,978	9,184,459	11,079,991	13,786,351	14,636,742
Total Liabilities	27,651,240	41,675,264	61,471,903	79,301,092	215,330,326	274,742,762	186,764,043	223,086,809
Total Assets	30,675,822	46,438,623	67,178,559	85,276,070	126,598,109	157,818,525	204,535,642	238,763,936
Asset Growth		51%	45%	27%	48%	25%	30%	17%
Advances	19,740,886	27,031,016	34,576,339	39,768,481	44,188,066	54,195,163	59,155,585	56,136,979
Growth in Advances		37%	28%	15%	11%	23%	9%	-5%
Deposits	22,769,262	34,449,441	54,582,353	70,233,875	100,333,051	5,829,296	170,030,431	207,554,158
Growth in Deposits		51%	58%	29%	43%	-94%	2817%	22%
Investments	1,606,490	2,877,554	10,535,186	14,286,949	23,290,309	54,966,907	98,488,574	147,071,126
Growth in Investments		79%	266%	36%	63%	136%	79%	49%
Total Capital Employed	27,433,376	41,590,183	5,706,656	80,210,557	109,517,510	142,150,319	-	-

Source: SCS Trade Research Portal

Valuation

MEBL yields a P/E of 7.2x & PBV of 1.7x (which is higher than other conventional bank). Other Islamic bank i.e BIPL which is yielding 8.8x & PBV 0.8x. However, based on high PBV we recommend SELL in MEBL.