



IPO Note on

IPO Note - NRB Commercial Bank Limited

IPO Size: 1,200 mn

Public Offer Price: BDT 10

DSE Ticker: NRBCBANK

Sector: Bank

120 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	1,200
IPO Size (Shares in mn)	120
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	10,000
Pre-IPO Paid up Capital (BDT mn)	5,825
Post IPO Paid up Capital (BDT mn)	7,025
Year End	June
Operating Income in 2020, Q3 (BDT mn)	1,863.67
Net Profit in 2020, Q3 (BDT mn)	1,406.42
Total Assets 2020, Q3 (BDT mn)	112,448.84
Retained Earnings 2018-19 (BDT mn)	1,482.42
Annualized. Post-IPO EPS (2020E)	2.67
Post-IPO NAV per Share (2020E)	14.98
Issue Manager: Asian Tiger Capital Partners Investments Limited & AFC Capital Limited	

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT (mn)	As (%)
Govt. Securities	1100.00	91.67%
Secondary Market	60.52	5.04%
IPO Expenses	39.48	3.29%
IPO Proceed	1,200	100%

Source: BASL Research and Company Prospectus

The IPO plan will be implemented within 6 months from receiving IPO Fund.

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	EI, MF & CIS (40%)	48,000,000
General Public	Gen. Public (50%) NRBs (10%)	60,000,000 12,000,000
Total		120,000,000

Source: BASL Research and Company Prospectus

Company Overview

NRB Commercial Bank Limited (NRBC Bank) was incorporated on February 20, 2013 and started operation on 02 April 2013 having initial capital base of Tk. 4,446.06 million (Paid up Capital) by converting the hard-earned foreign currency of 53 (Fifty-three) qualified NRBs from business persons, community leaders, scientists, educationists, living in across the globe which includes USA, Canada, UK, Russia, Italy, Germany, UAE and Kuwait. The bank currently has 75 branches, 42 Sub Branches, 23 BRTA Collection Booths, 13 land registration sub branches, 229 land registration booths, 23 BRTA booths and 583 agent banking partners all over the country.

Corporate Profile

Incorporation	November 18, 2001
Commercial Operation	November 18, 2006

Chairman

MR. S.M. PARVEZ TAMAL

Mr. S.M. Parvez Tamal, a qualified engineer, successful entrepreneur, philanthropist and a visionary, Mr. Parvez Tamal is a young entrepreneur from Bangladesh who is also a citizen of Russian Federation. He is the Chairman of the Board of Directors of NRB Commercial Bank.. He is also the President of Russia Bangladesh Chamber of Commerce and industry, the General Secretary of Bangabandhu Parishad, Russia and Member of the General Body of Federation of Bangladesh Chambers of Commerce and industries (FBCCI). Mr. Tamal is engaged in IT distribution, real estate Holdings, Manufacturing of Household Product & Logistic consultations in Russia.

Managing Director

MD. MUKHTER HOSSAIN

Mr. Md. Mukhter Hossain is presently serving as the Managing Director of NRBC Bank Limited. He started his banking career as a Probationary Officer with National Bank Ltd. in 1984. Later, he had served The Prime Bank Ltd., Shahjalal Islami Bank Ltd. and EXIM Bank Ltd. Before joining NRBC Bank Ltd. on March 29, 2018 he was the Deputy Managing Director of EXIM Bank Ltd. During his career he worked in different capacities and attended various training, workshops and seminars at home and abroad. He obtained his BA (Hons.) and MA in History from Dhaka University.

Registered Address

Red Crescent Jashim Trade Centre, 114 Motijheel C/A, Dhaka-1000, Bangladesh

Source: BASL Research and Company Prospectus

Products

Retail Banking:

NRBC Bank offers a complete range of retail and personal banking products and services through its network across the country.

SME Banking:

NRBC Bank is offering various financial product and services to the Small and Medium Enterprises for sustainable growth since the inception of the bank.

Corporate Banking:

NRBC Bank offers a wide range of corporate finance products ranging from traditional working capital finance to project finance. The Bank's clients include multinational and domestic companies engaged in activities across all sectors of the economy such as contracting, trading, shipping, real estate and international trading.

Agent Banking:

NRBC is the owner of several outlets which conducts banking transactions on behalf of a bank.

SMS Banking:

NRBC Bank provides Balance Enquiry, Mini Statement and Pin Change services through mobile SMS.

BASEL III implementation

The Bank has laid out strategies for full implementation of BASEL III by 31st Dec, 2019. The Bank is maintaining its Capital which was BDT 890.73 crore against 664.62 crore requirement. i.e. CRAR was 13.50% (SOLO) against 12.50% requirement in Dec, 2019. The Bank continues its comfort by maintaining its CRAR as 13.68% against 12.50% as on 31st March, 2020 and 12.53% against 12.50% as on 30th June, 2020.

Operating Income Composition (June 30, 2020)

Particulars	BDT (mn)	As (%)
Loans & Advances Products	3,377,293,440	69.86 %
Investment in Treasury Bond & Share Market	946,255,471	19.57%

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	No. of Shares	% held
Mr. S.M.Parvez Tamal	33,025,241	4.70%
Engr. Farasath Ali	10,877,931	1.55%
Dr.Toufique Rahman Chowdhury	13,101,874	1.86%
Mr. Tanwir M.O. Rahman Chowdhury	8,369,863	1.19%
Mr. ABM Abdul Mannan	39,847,516	5.67%
Mr. Mohammed Oliur Rahman	24,640,199	3.51%
Mr. Mohammed Enayet Hossain	32,866,051	4.68%
Mr. Md. Amir Hossain	26,240,564	3.74%
Mr. Abu Mohammad Tushar Iqbal Rahman	1,737,583	0.25%
Mr. Firoz Haider Khan	178,321	0.03%
Mrs. Kamrun Nahar Sakhi	17,431,781	2.48%
Mr. Abu Bakr Chowdhury	26,903,750	3.83%
Mr. Mohammad Shahid Islam	25,071,550	3.57%
Mr. Loquit Ullah	26,666,547	3.80%
Mr. Rafikul Islam Mia Arzoo	30,463,619	4.34%
Mr. Mohammed Nazim	26,725,932	3.80%
Engr. Syed Munsif Ali	12,169,660	1.73%
Mrs. Shamimatun Nasim	1,263,281	0.18%
Mr. Mohammed Adnan Imam,FCCA	16,434,137	2.34%
Dr. Nizam Mohammad Meah	13,101,874	1.86%
Dr. Nuran Nabi	2,620,374	0.37%
Mrs.Kaniz Farzana Rashed	38,172	0.01%
Dr. Rafiqul Islam Khan	5,164,976	0.74%
Dr. Shahanara Begum Ali	13,757,099	1.96%
Mr. Sarwar Zaman Chaudri	8,835,509	1.26%
Mr. Mohammad Zakaria Khan	14,151,792	2.01%
Mr. Shabbir Ahmed Mubin	5,917,513	0.84%
Mr. Izaharul Islam Halder	6,550,936	0.93%
Mr. Mostafisur Prince Rahman	5,385,392	0.77%
Mr. Nahid Ahmed Chowdhury	1,331,411	0.19%
Mr. Tohel Ahmed	1,713,855	0.24%
Mr. Azadul Haq	1,330,233	0.19%
Mr. Mohammad Iqbal Rashed	1,353,159	0.19%
Mr. Mohammed Jahangir Alam	324,532	0.05%
Mrs. Nazni Mansur	1,332,852	0.19%
Mr. Anwar Hossain	1,377,791	0.20%
Mr. Sunahwar Ali	251,031	0.04%
Mr. Mohammed Sabbir Ahmed	116,998	0.02%
Mr. Mohammad Kashem	65,246	0.01%
Mr. Mohammed Tanvir Ahmed	65,246	0.01%
Dr. Abul M. Ibrahim	1,329,708	0.19%
Mr. S.M. Gulam Robbani Chowdhury	1,311,496	0.19%
Mr. A K M Mostafizur Rahman	19,797,295	2.82%
Mr. Abu Mohammad Saidur Rahman	18,369,486	2.61%
Total	515,048,214	73.31%

Shareholding Structure

Product	Pre-IPO No. of Stocks	Post-IPO No. of Stocks	Pre-IPO % of Stocks	Post- IPO % of Stocks
Director & Sponsor	515,048,214	515,048,214	88.42%	73.31%
Institutional		36,000,000	0%	5%
Mutual Funds and CIS		12,000,000	0%	2%
Individual	67,468,784	127,468,784	11.58%	18%
NRBs		12,000,000	0%	2%
Total	582,516,998	702,516,998	100%	100%

Source: BASL Research and Company Prospectus

Lock-In Free Shares & Period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	515,048,214	March 22, 2024
Other Key shareholders	49,450,327	March 22, 2024
Private Placement Holders	18,018,457	March 22, 2023
Institution & MF (Post-IPO)	48,000,000	March 22, 2021
Public (Post-IPO)	72,000,000	March 22, 2021
Total	702,516,998	

Source: BASL Research and Company Prospectus

Industry Insights

There are 60 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

State Owned Commercial Banks (SOCBs): There are 6 SOCBs which are fully or majorly owned by the Government of Bangladesh.

Specialized Banks (SDBs): 3 specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh.

Private Commercial Banks (PCBs): There are 42 private commercial banks which are majorly owned by individuals/the private entities. PCBs can be categorized into two groups:

Conventional PCBs: 34 conventional PCBs are now operating in the industry. They perform the banking functions in conventional fashion i.e. interest-based operations.

Islami Shariah based PCBs: There are 8 Islami Shariah based PCBs in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.

Foreign Commercial Banks (FCBs): 9 FCBs are operating in Bangladesh as the branches of the banks which are incorporated in abroad.

The banking system in Bangladesh appeared to be mostly resilient in 2019. A modest asset growth, primarily supported by considerable growth in deposit, was observed during the review year. The banking sector recorded a notable asset growth in CY19 backed by a significant rise in deposit growth. Moreover, deposit growth surpassed the loan growth. Private commercial banks (PCBs) held the major portion of earning assets of the industry, which might enhance banking sector stability through better management of their asset quality.

The deposit growth rate (excluding interbank) of 12.4 percent for the first time in several years exceeded the growth rate of loans (11.9 percent) in CY19. As a result, the gap between outstanding deposit and loans widened to BDT 1,305 billion in CY19 from BDT 1,113 billion in CY18. This improved liquidity scenario also indicates that banking system had a reasonable liquid fund to satisfy the growing loan demand.

The overall deposit growth in the country's banking sector rose but slightly in the first-half (H1) of the 2020 following a higher remittance inflow. Lower sales of national savings certificates (NSCs) in the recent months also helped push up the volume of bank deposits during the period under review, bankers said. The growth of deposits, on a year-on-year basis, rose to 11.48% as of June 30 last from 11.07% six months ago, according to the central bank statistics. The deposit growth was 10.96% as of March 28, 2019. All banks' deposits, excluding inter-bank balance, rose to Tk 9,772.11 billion as of June 30 last, from Tk 9,246.36 billion as of December 31, 2018. The figure was Tk 9,365.63 billion as of March 28, 2019.

Financial Highlights (BDT mn)-

Financials	FY17	FY18	FY19	FY20
Operating Income	4,718	5,802	7,037	6,572
Operating Profit	1,842	1,904	2,603	2,485
Profit After Tax	929	938	1,154	1,879
Assets	57,529	67,143	90,227	112,449
Liabilities	51,119	60,049	81,985	103,081
Equity	6,411	7,094	8,242	9,368
Margin Ratio (%)				
Gross Profit	33%	38%	36%	16%
Operating Profit	75%	65%	70%	86%
Other Operating Income	41%	27%	33%	52%
Net Profit	30%	27%	29%	33%
Growth (%)				
Operating Income	21%	23%	21%	-7%
Gross Profit	51%	39%	17%	-58%
Other Operating Income	-1%	-20%	50%	46%
Operating Profit	17%	6%	31%	15%
Net Profit	7%	12%	31%	63%
Profitability (%)				
ROA	2%	1%	1%	1%
ROE	14%	13%	14%	15%
Valuation				
Rstd. EPS(BDT)	1.32	1.33	1.64	2.01
Post-IPO NAVPS	9.1	10.1	11.7	13.3

Source: BASL Research and Company Prospectus

Stock Pricing	
Pricing Sensitivity at Different PE	Value
Stock at 15x PE	40
Stock at 20x PE	53
Stock at 25x PE	67
Stock at 30x PE	80
Stock at 35x PE	93
Stock at 40x PE	107

First Three Days Circuit Breaker and Price		
Day	Circuit	Price
First Day	50%	15.00
Second Day	50%	22.50
Third Day	10%	66.70

Source: BASL Research and Company Prospectus

As per un-audited Q3 financial statements: NRB Commercial Bank Limited: (Q3): As per un-audited Q3 consolidated financial statements, profit after tax is Tk. 1,044.60 million and basic EPS of Tk. 1.793 for the 3 (three) months (July-September 2020) period ended on 30 September 2020 against profit after tax of Tk. 0.36 million and basic EPS of Tk. 0.001 for the same period of the previous year. However, Post-IPO basic EPS for the 3 (three) months (July-September 2020) period ended on 30 September 2020 would be Tk. 1.487.

Moreover, profit after tax is Tk. 1,406.42 million and basic EPS of Tk. 2.414 for the 9 (nine) months (January-September 2020) period ended on 30 September 2020 against profit after tax of Tk. 220.11 million and basic EPS of Tk. 0.378 for the same period of the previous year. However, Post-IPO EPS would be Tk. 2.002 for 9 (nine) months (January-September 2020) period ended on 30 September 2020.

Pre-IPO Net Asset Value (NAV) per share with revaluation (considering Pre-IPO paid up shares) would be Tk. 16.01 as on 30 September 2020 and the same would be Tk. 14.98 (considering Post-IPO paid up shares). Q3 Financials of NRB Commercial Bank Limited: Pre-IPO weighted average paid-up number of shares for 3 (three) months (July-September 2020) and 9 (nine) months (January-September 2020) period ended on 30 September 2020 was 582,516,998 which was same for the same period of the previous year and Post-IPO paid-up number of shares would be 702,516,998.

Source: Dhaka Stock Exchange Ltd

Statement of Financial Position

Financials	FY16	FY17	FY18	FY19	FY20 (Sep)
Property and Assets:					
Cash	3,094,050,159	3,942,276,626	4,087,776,033	5,880,401,321	4,821,075,216
Balance with other banks and financial institutions	4,005,293,035	1,559,463,234	2,568,821,364	2,040,422,739	3,081,910,604
Money at call and short notice			1,296,500,000	856,700,000	247,400,000
Investments	7,527,581,121	6,864,132,102	8,276,747,100	15,625,662,093	25,425,013,882
Loans and Advances/investments	37,408,284,100	43,000,279,756	48,151,880,309	62,059,563,385	73,729,554,381
Fixed Assets including premises, furniture and fixtures	560,097,478	487,228,251	481,956,568	513,295,067	577,486,250
Other Assets	1,023,795,024	1,675,974,829	2,279,183,504	3,251,215,194	4,566,401,011
Total Assets	53,619,100,917	57,529,354,798	67,142,864,878	90,227,259,799	112,448,841,344
Shareholders' Equity & Liabilities:					
Shareholders' Equity					
Share Capital	4,579,440,770	4,900,001,460	5,145,001,340	5,710,951,240	5,825,169,980
Statutory reserve	462,771,400	737,865,685	1,050,341,869	1,458,843,141	1,780,580,053
Other reserve	17,988,187	82,723	10,945,329	5,009,947	235,626,254
Retained Earnings	627,860,945	730,507,645	847,351,860	1,025,940,050	1,482,415,349
Non-Controlling Interest	40,674,612	42,339,549	40,670,409	41,200,993	43,951,189
Liabilities:					
Borrowings from other banks, financial institutions and Agents	763,427,007	1,280,722,753	299,272,717	1,290,232,047	3,517,927,547
Deposits And other Accounts	44,143,280,310	45,236,437,765	54,085,640,209	71,879,793,228	89,013,890,237
Other liabilities	2,983,657,684	4,601,397,219	5,663,641,146	8,815,289,154	10,549,280,737
Total Liabilities:	47,890,365,001	51,118,557,737	60,048,554,072	81,985,314,429	103,081,098,521
Total Shareholders' Equity & Liabilities:	53,619,100,915	57,529,354,799	67,142,864,879	90,227,259,800	112,448,841,346
Post-IPO NAVPS (BDT)	8.15	9.13	10.10	11.73	13.33

Source: BASL Research and Company Prospectus

Statement of Profit or Loss and Other Comprehensive Income

Financials	FY16	FY17	FY18	FY19	FY20 (Sep)
Interest Income	3,905,390,379	4,717,816,839	5,801,721,900	7,037,315,965	4,929,014,808
Interest Paid for Deposit and Borrowing	2,868,142,089	3,146,943,116	3,621,488,207	4,487,310,491	4,119,588,812
Net Interest Income	1,037,248,290	1,570,873,723	2,180,233,693	2,550,005,474	809,425,996
Other Operating Income	1,974,610,841	1,954,975,703	1,563,492,143	2,341,742,152	3,419,326,118
Total Operating Income	3,011,859,131	3,525,849,426	3,743,725,836	4,891,747,626	4,228,752,114
Operating Expenses	1,474,335,630	1,683,927,903	1,839,568,359	2,288,593,857	2,365,083,335
Profit Before Provision/Operating Profit	1,537,523,501	1,841,921,523	1,904,157,477	2,603,153,769	1,863,668,779
Provision	229,625,968	444,099,179	334,265,092	551,390,693	220,742,138
Net Profit Before Tax	1,307,897,533	1,397,822,344	1,569,892,385	2,051,763,076	1,642,926,641
Income Tax	438,865,563	468,883,529	632,240,984	898,192,882	233,759,600
Net Profit after Tax	869,031,970	928,938,815	937,651,401	1,153,570,194	1,409,167,041
Restated Earnings Per Share (EPS)	1.24	1.32	1.33	1.64	2.01

Source: BASL Research and Company Prospectus



IPO Note on IPO Note - NRB Commercial Bank Limited

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