



समाजिक उत्तरदायित्वपूर्ण वित्त (Socially Responsible Finance)

गरिमा क्यापिटल लिमिटेड  
GARIMA CAPITAL LIMITED

(A Subsidiary of GARIMA BIRAL BANK LIMITED)

समृद्धिको साधनी

# THE ANALYTICS

## MONTHLY GARIMA INSIGHT

KARTIK 2080  
(18 OCTOBER 2023 - 15 NOVEMBER 2023)  
VOL: 2, ISSUE 4



Headwinds and Tailwinds  
of Market Ahead



NEPSE SCANNER



MACROECONOMIC  
FACTORS



MARKET SCANNER

Market Update:

# Headwinds and Tailwinds Of Market Ahead



## SYNOPSIS:

As expected, most of the banks have decreased interest rate on FD and the market, in response, has stopped falling further. The BFIs have divulged the Q1 report and the report does not paint a good picture for the financial institutions. The banks have not been able to keep the NPL level in check and the business growth has also been negatively affected. The average NPL in the banking system has gone well above 3% and the recent circular, that bars the BFI's from classifying bad loan as good loans unless the interest servicing is done for two consecutive quarters, is likely to ensure that NPL level remains sticky if not worse. The upward revision by NRB on Loan to Value ratio in context of Real Estate Loan can provide a much-needed push to the ailing real estate sector but its effect will be felt only after a certain time window. We opine that that BFI's are likely to post weak financials in the 2nd quarter as well because of the NPL fiasco that still has not manifested to the fullest and the spread has contracted to 4% only. On the other hand, Hydropower companies have also posted discouraging results because of the damage sustained during the Q4. On the brighter side, Hotel sector has been able to outperform other sectors and they are likely to post even better results in the Q2 which is the peak season for tourists' arrivals.

## Tailwinds:

1. As per the recent macroeconomic data published by Nepal Rastra Bank, remittance figure until the third month stood at Rs. 365 Arba. Notwithstanding the endogenous factors, we are in a sound position in terms of external macroeconomic situation.
2. The oil price continues to remain volatile but right now the price is in our favor as the oil price has fallen to around \$ 80 per barrel
3. Until the month of October, more than 8 lakh tourists have arrived which signifies a massive YoY growth of around 71%.
4. NRNs formally received citizenship from the Prime Minister. With this, NRNs can exercise economic and social rights. This has also paved way for them to invest into the capital market. The influx of fresh funds in the market can easily usher the market beyond 2200 pts.

5. Since the end of Asadh 2080, deposit has increased by more than 178 Arba. At a present index level, market participants are willing to avail margin lending facility and inject fresh funds in the market if they witness any positive signs in the market.

### Headwinds:

1. The NPL of BFI's has increased in the Q1 and it is expected to remain sticky due to the recent circular which states that the non-performing loan can be promoted as good loan only after the continuous repayment of loan and interest for 6 months post the clearance of loan overdue.
2. Even though three months has passed since the ending of last fiscal year, the contractors have still not been able to receive the rightful payment. People are in a cranky mood right now due to negative business climate and the failure of government to take decisive steps.
3. The volume has dried up significantly in the recent period and the next significant event could be the quarterly report by BFI's. It is very much possible that we might need to wait for a month or two to witness a significant upward rally.
4. Even though the lending has increased by more than 124 Arba since the end of Asadh 2080, the CD ratio is a tad below 81.5% which was around 83.5% in mid-August. This means that in relative terms lending growth is still suppressed.

### Concluding Remark:

By and large, the banks have decreased the interest rate on FD for the 2nd time, which means that this has increased the possibility of further decline in the lending rate by BFI's. The challenge now for BFI's is to increase the lending and the recent increase in the Loan to Value ratio on real estate loans along with the upward revision on margin lending will stimulate the suppressed credit demand and facilitate banks to make further lending. Our external indicators are getting stronger by the day and the sharp decline in oil price is also making the conditions conducive. For instance: the remittance has increased by leaps and bounds right around the festival season as Nepal has received remittance amounting to 365 Arba in the first three months. Similarly, the expected tourists arrival this year is expected to reach nearly 11 lakhs. There are reasons to be optimistic in the subsequent in the quarters as hotel sector is performing as anticipated and the entire focus of BFIs is going to be on recovery which means that NPL level will not grow beyond this level. With abundance of liquidity in the system, the interest rate is expected to fall even further. To conclude, while the market might not go northwards and the possibility of market falling below 1800 is remote.

# WHERE DO THE FACTORS STAND?



## Inflation Rate (CPI)-7.50%

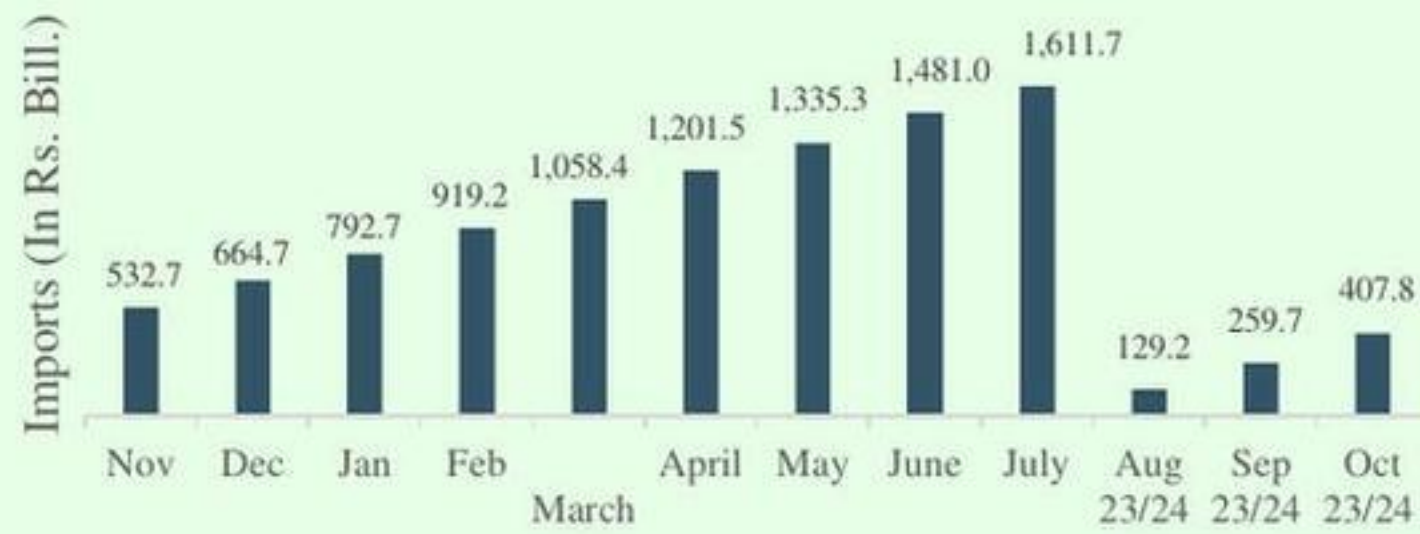


## Monthly Remittance Inflow- 30%



## Liquidity Indicators (As on 10<sup>th</sup> November 2023):

- ❖ BFI's Deposits: NPR. 5,916 billion
- ❖ BFI's Lending: NPR. 4,984 billion
- ❖ CD Ratio: 81.35%
- ❖ Inter-bank Interest Rate: 2.80%

**Total Import (+1.7% Y-o-Y)**

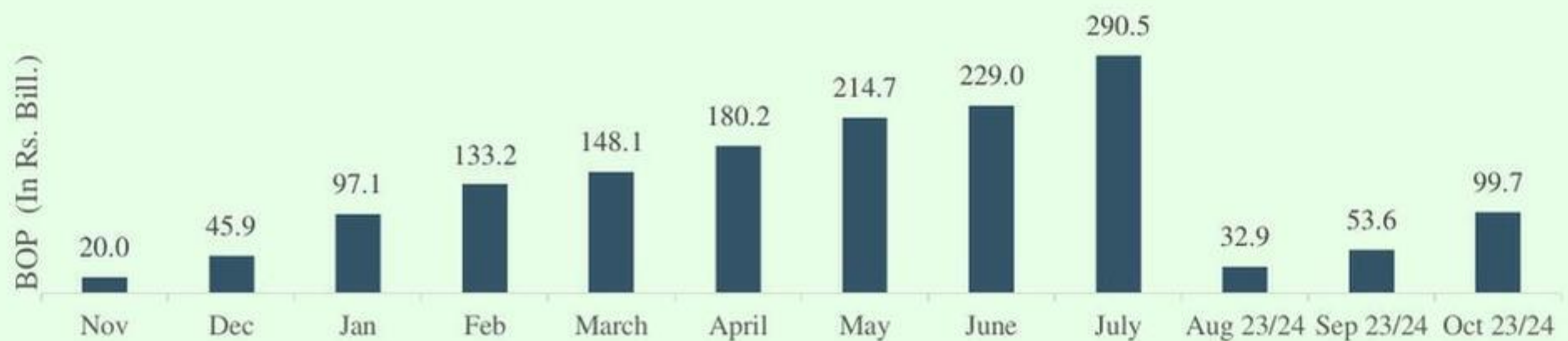
Fiscal Year-Month (2023/24 - Mid of October)

**Total Export (-2.3% Y-o-Y)**

Fiscal Year-Month (2023/24 - Mid of October)

**Trade Deficit (+2.1% Y-o-Y)**

Fiscal Year-Month (2023/24 - Mid of October)

**Balance of Payments (Surplus)**

Fiscal Year-Month (2023/24 - Mid of October)

**Gross Forex Reserve (+30%)**

Fiscal Year-Month (2023/24 - Mid of October)

 Gross Foreign Exchange Reserves (USD In million)
  Growth Rate

**Govt. Revenue**

Fiscal Year-Month (2022/23 - Mid of October)

**Govt. Expenditure**

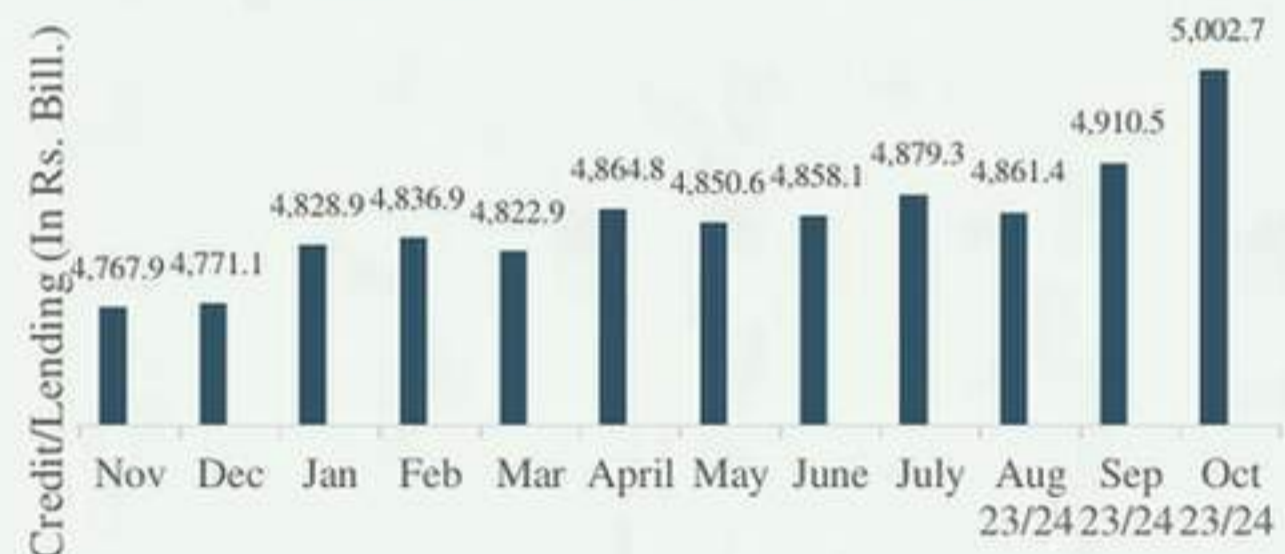
Fiscal Year-Month (2023/24 - Mid of October)

**Fiscal Surplus/Deficit**

Fiscal Year-Month (2023/24 - Mid of October)

**Deposit (+14.9% Y-O-Y)**

Fiscal Year-Month (2023/24 - Mid of October)

**Credit /Lending(+4.8% Y-O-Y)**

Fiscal Year-Month (2023/24 - Mid of October)

**Market Interest Rates****Short-term Interest Rates (As on 21<sup>st</sup> November 2023):**

❖ 28 days: 2.48%

❖ 91 days: 3.91%

❖ 364 days: 5.70%

*Market Update:***NEPSE  
SCANNER****Kartik Performance**

- NEPSE stood at 1,852.08 level from 1,864.62 (previous month end), losing merely 12.54 points (0.67%); it peaked the high of 1,915.98 and bottomed the low of 1,817.76 in the review month.
- Sensitive, float, and sensitive float index simultaneously plunged by 0.50%, 1.05%, and 1.14% respectively.
- By the Month end, the turnover, volumes and transaction size, all witnessed decline of 17.10%, 25.69%, and 38.74% respectively as compared to the month end of previous period. Monthly average of these metrics computes to Rs. 0.85 billion (-45.18%), Rs. 3.32 million (-41.79%), and Rs. 38.02 thousand (-41.01%) respectively.
- Market cap decreased by 0.3% to Rs. 2.85 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 0.5% decline and the size of Float and Sensitive float market cap sank by 0.64% & 1.13% respectively.

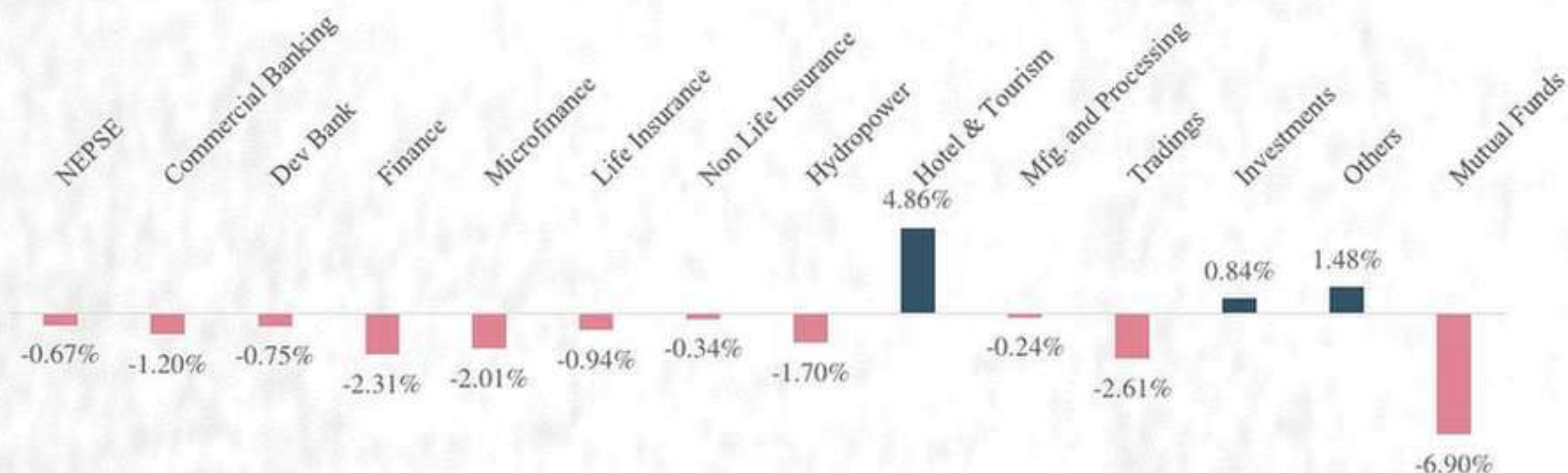
Metrics	09.11.23	17.10.23	Monthly Change
NEPSE	1,852.08	1,864.62	-0.67%
Sensitive	357.04	358.83	-0.50%
Float	128.07	129.43	-1.05%
Sensitive Float	116.48	117.82	-1.14%
Turnover (Million)	836.01	1,008.44	-17.10%
Shares Volumes	2,833,731	3,813,233	-25.69%
Total Transactions	27,845	45,456	-38.74%
Total Scrips Traded	282	289	-2.42%
Market Cap (Rs. Million)	2,853,013.95	2,861,524.32	-0.30%
Sensitive Market Cap (Rs. Million)	1,088,683.90	1,094,134.33	-0.50%
Float Market Cap (Rs. Million)	996,737.62	1,003,141.59	-0.64%
Sensitive Float Market Cap (Rs. Million)	370,847.91	375,077.81	-1.13%
Average Return	11.99%	12.33%	-0.35%
Std. Deviation	24.09%	24.19%	-0.10%
10 Day 10% VAR	-6.34%	-6.36%	0.02%
Market Cap / GDP Ratio	53.02%	53.18%	-0.16%

- Avg. market return decreased to 11.99% from 12.33%, Standard Deviation reduced faintly to 24.09% (10 basis point drop) and 10-day 10% VAR stood at 6.34%.
- Market is under-valued as per Market capitalization to GDP ratio (Buffett Indicator).
- In the review period, market traded for only 12 days due to Dashain holiday. Last month, number of trading days was 19.

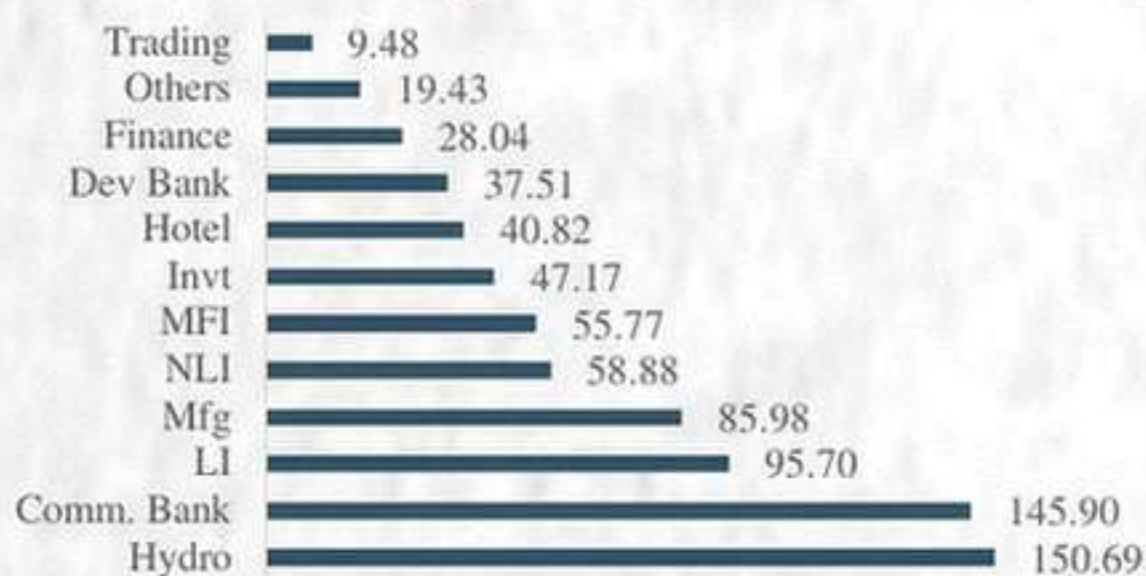


## SECTOR SCANNER

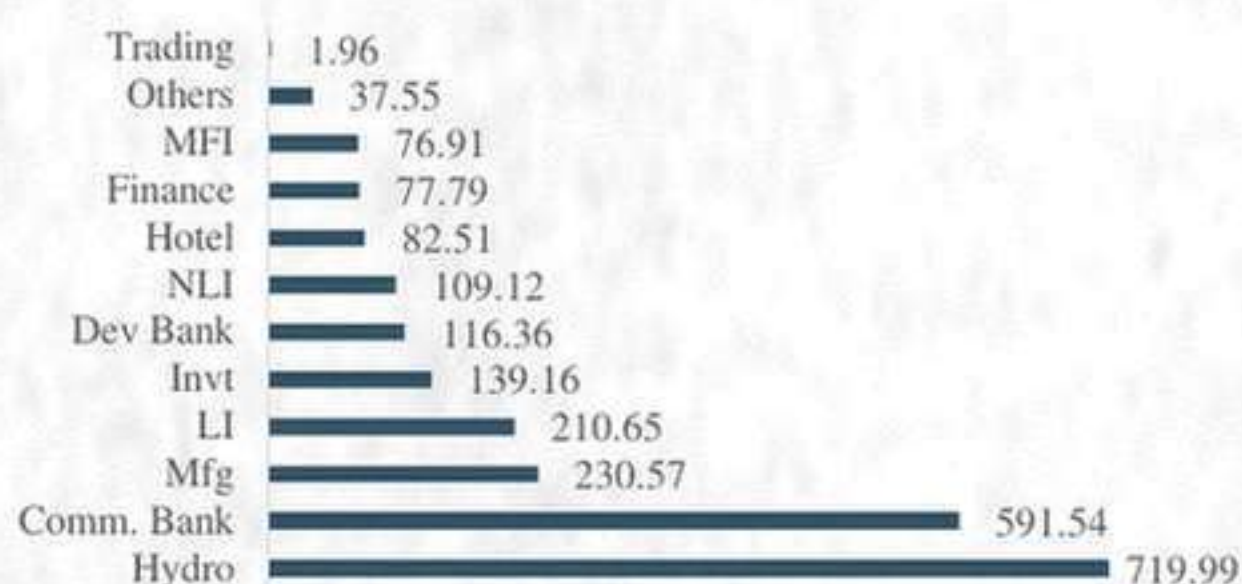
### Monthly Sectoral Performance



### Kartik Avg. Turnover (Millions)

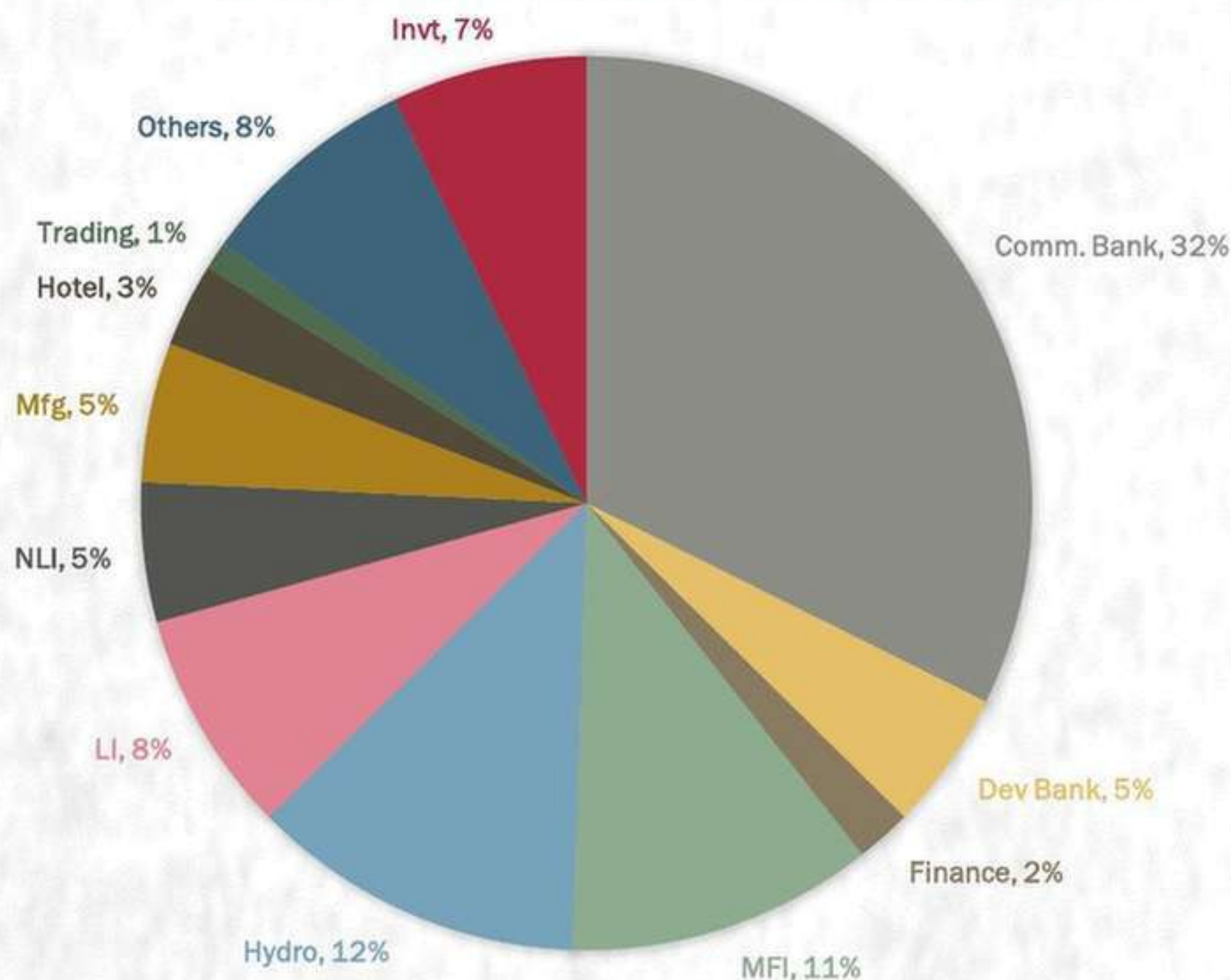


### Kartik Avg. Volume ('000)



- Of 13 sectors, only 3 sectors closed green in the review period i.e. Hotels & Tourism (4.86%), Others (1.48%) and Investments (0.84%). While all the other sectors saw drawdown such as Mutual Funds (-6.90%), Tradings (-2.61%) and Finance Sectors (-2.31%).
- Sectors such as Hydropower, Commercial Banks and Life Insurance led the market in the month of Kartik in terms of Turnover: 18.03%, 16.99% and 11.45% respectively. Hydropower, Commercial Banks and Mutual Funds led in terms of Volumes (22.30%, 17.66% and 14.15% respectively) while Hydropower, Manufacturing & Processing and Life Insurance led in Transaction size (26.33%, 21.89% and 19.99% respectively).
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Kartik i.e. Thursday 23<sup>rd</sup> Kartik, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 50%, Commercial Bank alone 32%. Hydro and Microfinance has 12% and 11% coverage respectively. Insurance sector occupy 13% (Life – 8% and Non-Life – 5%). Trading sector has the least capitalization, amounting approx. Rs.15.7 billion.

### SECTORAL MARKET CAPITALIZATION



*“The stock market is never obvious. It is designed to fool most of the people, most of the time.”*

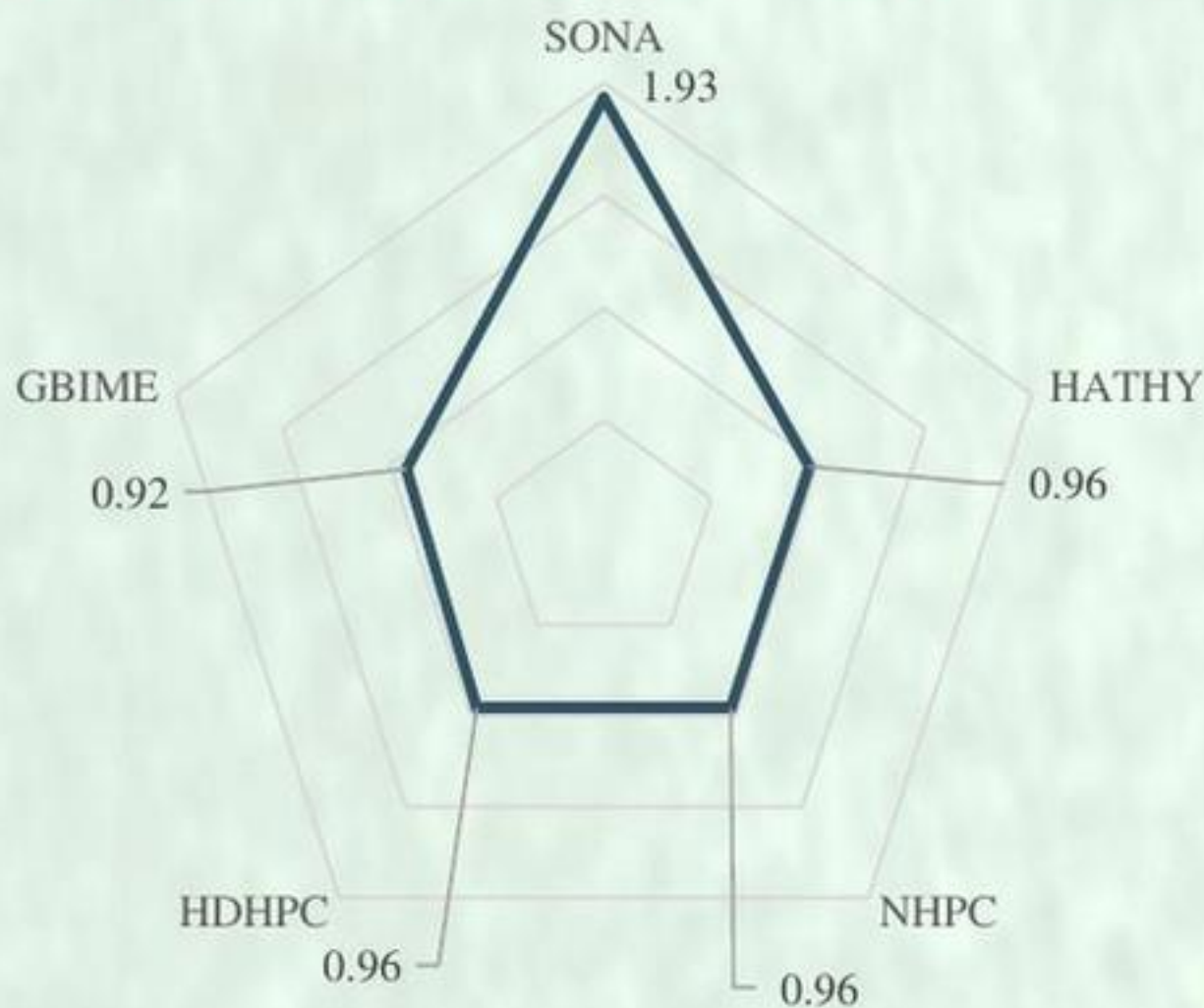
*- Jesse Lauriston Livermore*

# STOCK SCANNER

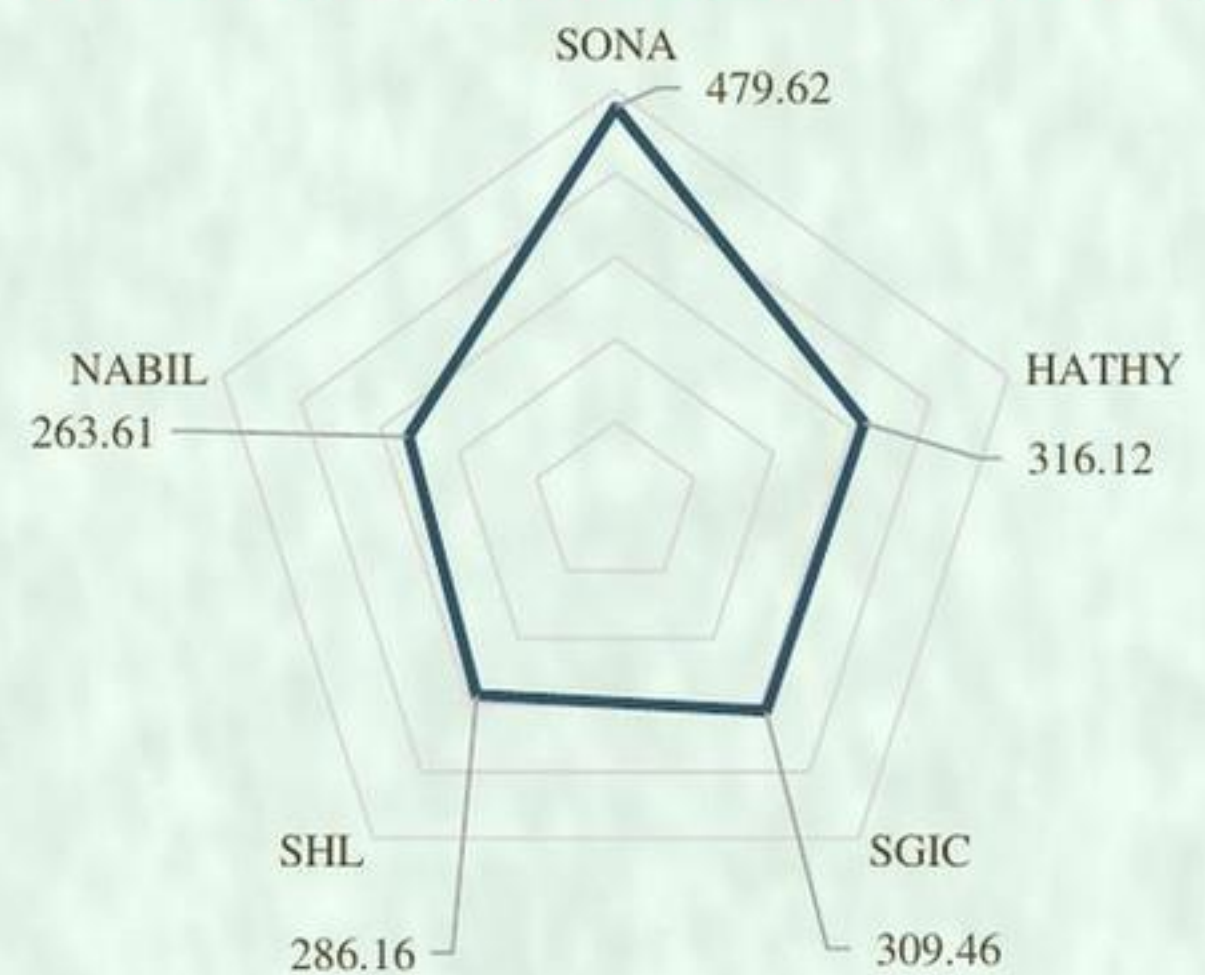
## Top 5 Gaining and Losing Stocks/Scripts



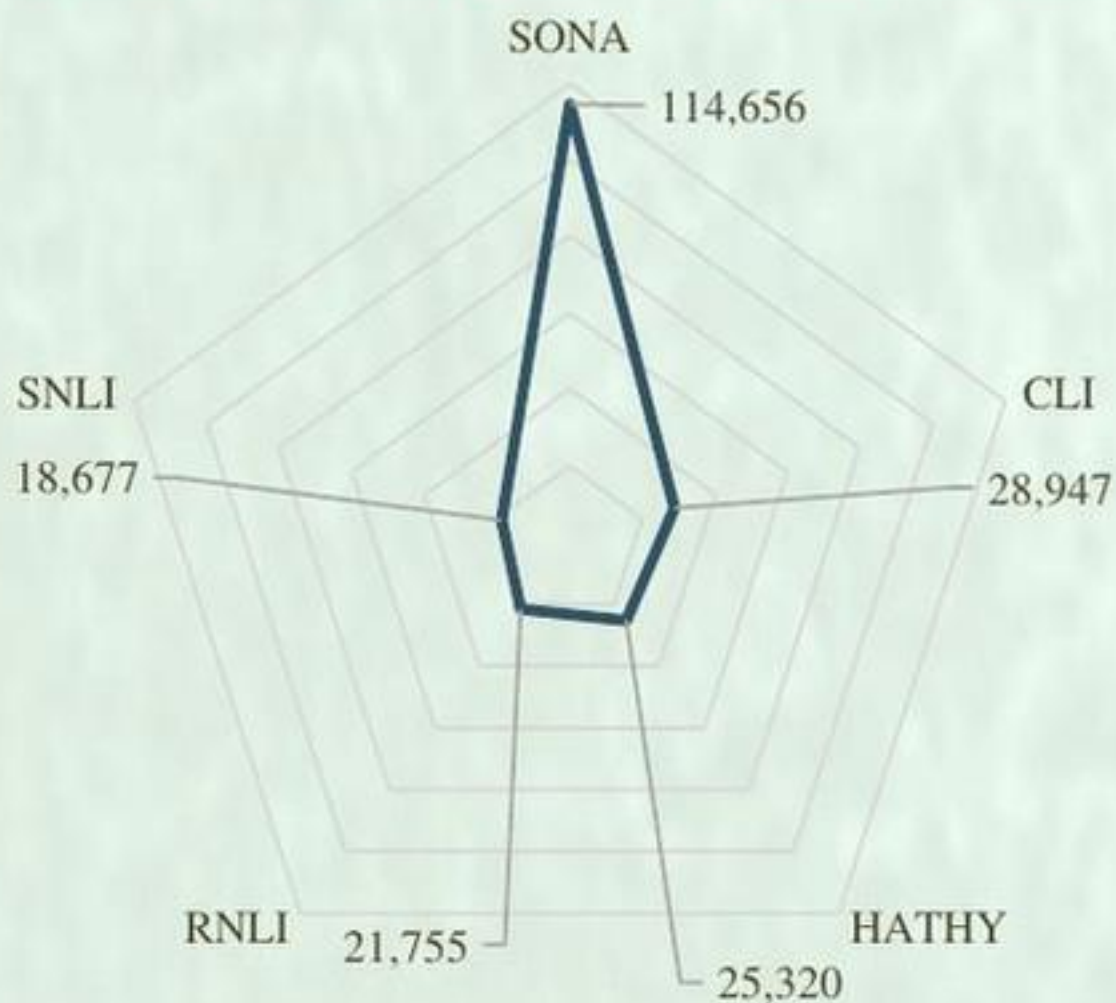
## Stocks with Highest Volume (Millions)



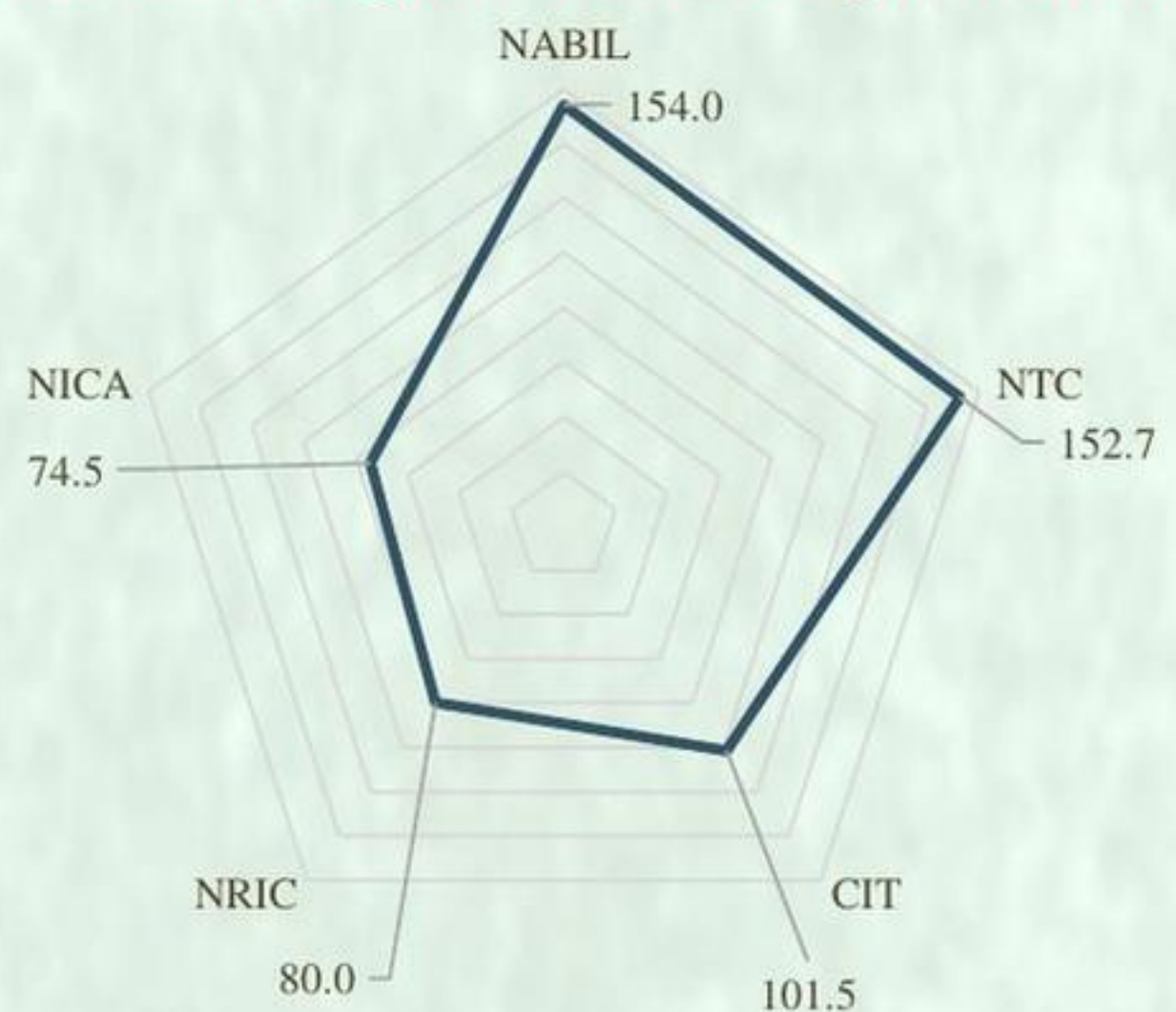
## Stocks with Highest Turnover (Millions)



## Stocks with Highest Transaction Size



## Stocks with Highest Market Cap. (Billions)



# TECHNICAL OUTLOOK...



Technical Indicator (9 <sup>th</sup> Nov.)	Value	Technical Overview:
RSI	39.03	NEPSE continued its downward trend, observing the roller coaster and closing in the strong demand zone, i.e., 1852 by the end of the review period. It made a new lower high and lower low, further confirming the market's downward trend. No any strong reversal candle has formed within the month, indicating for sideways trend for next month. Additionally, NEPSE is forming a falling wedge pattern in daily time frame. Breakout in the Falling Wedge pattern signals a trend reversal.
MACD line	-30.14	
Signal line	-32.01	
Bollinger Upper Band	1937.75	
Bollinger Middle Band	1877.36	
Bollinger Lower Band	1816.96	As per the Bollinger Band, still the market is facing the resistance of middle band. In the month, the
ADX	31.64	
Exp. Moving Avg. (9 Day)	1859.59	
Exp. Moving Avg. (26 Day)	1895.33	
Exp. Moving Avg. (50 Day)	1934.07	
Exp. Moving Avg. (200 Day)	1997.39	

market traded below the middle Bollinger band as it was not able to break the resistance of middle band. Moreover, the lower Bollinger band has started to face upward which signalizes the squeeze of Bollinger Bands. For further bullish momentum, Market should stabilize above the middle band. RSI is trading at neutral zone i.e., 35.11. Likewise, both MACD line and Signal line is closed with each other, which signalizes the sideways market.

The continuous fall in the market has plunge the trading volume of the stock as well. On overall trading days, NEPSE has traded below its average volume. Likewise, the present trading volume is just about 4% of the peak volume during a bull market. Furthermore, the boost of volume is required in order to shift the trend.

## *Key Bulletins of the Month*

1. SEBON has reduced 10% commission from the current structure of both the broker and the SEBON.
2. The government allocated Rs. 6 billion to address builders' outstanding liabilities from the last F.Y. 2022/23 due to resource constraints.
3. Nepal government signed USD 100 million concessional loan agreement with the Asian Development Bank (ADB) for the Rural Connectivity Project-Additional Financing.
4. SEBON issued a directive that prohibits the Mutual Funds from selling IPOs before 6 months of their allotment.
5. SEBON fined 89 companies, ranging from NPR 50,000 to NPR 100,000, for not providing accurate information in time, highlighting the impact on secondary market prices and emphasizing the importance of accountable reporting.
6. NRB and the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) have signed a Memorandum of Understanding (MoU) to formulate a comprehensive economic policy and enhance the industrial and business environment, establish a facilitation cell and boost private sector participation.
7. Nepal's commercial banks' profit dropped by 18.60% in first quarter due to decreased loan demand while eight 'A' class financial institutions, including Himalayan Bank, saw 98.35% increase in profit.
8. India has consented to supply Nepal with 25,000 tonnes of sugar on a quota basis until the end of September the next year, aiding in meeting demand during the Tihar festival.

### Dividend Announced during the month

Company	Ticker	FY	Bonus (%)	Cash(%)
1. NIC Asia Laghubitta Bittiya Sanstha Limited	NICLBSL	2079/80	0	15
2. Shangrila Development Bank Limited	SADBL	2079/80	5	0.263
3. Standard Chartered Bank Nepal Limited	SCB	2079/80	0	19
4. Mandu Hydropower Limited	MANDU	2079/80	0	10
5. Global IME Bank Limited	GBIME	2079/80	1	8
6. Nepal Infrastructure Bank Limited	NIFRA	2079/80	0	4.2105
7. Support Laghubitta Bittiya Sanstha Limited	SMB	2079/80	13	0.6842
8. Emerging Nepal Limited	ENL	2079/80	0	8.4211
9. Bottlers Nepal (Terai) Limited	BNT	2079/80	0	60
10. Miteri Development Bank Limited	MDB	2079/80	9.5	0.5

## Existing / Upcoming Investment Events

S.N	Company Name	Issue To	Open Date	Close Date	Issue Units	Issue Price
1.	Himalayan Reinsurance Limited	Migrant	2023/11/20	2023/12/04	3,000,000	100

## Listing of IPO Shares in the Month of Review

S.N.	Company Name	Ticker	Sector
1.	Sonapur Minerals and Oil Limited	SONA	Manufacturing
2.	Mathillo Mailun Khola Jalvidhyut Limited	MMKJL	Hydropower

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