



गरीमा क्यापिटल लिमिटेड

GARIMA CAPITAL LIMITED

(A Subsidiary of Garima Bank Limited)

सामूहिकी सार्वकी

THE ANALYTICS

MONTHLY GARIMA INSIGHT

ASHWIN 2080
(18 SEPTEMBER 2023 - 17 OCTOBER 2023)
VOL: 2, ISSUE 3



**Headwinds and Tailwinds
of Market Ahead**



NEPSE SCANNER



**MACROECONOMIC
FACTORS**



MARKET SCANNER

Market Update:

Headwinds and Tailwinds Of Market Ahead



SYNOPSIS:

As our optimism towards Banks possible soft instance on the interest rate on FD for the month of Kartik, commercial banks have decreased interest rate, infact the average interest rate fell below two digit i.e. 9.915% for individual and 7.804% for institutions, which helped clot the market free fall since 24th Sept. Even though, the NRB tried to address the request of concerned stakeholders by increasing the Rs. 12-crore limit on margin lending to Rs. 15-crore for individual and Rs. 20 crore for institution, market did not respond positively. Market had anticipated that NRB would makes downward revision to the risk weight on certain loan categories. However, the NRB has only made such an adjustment on Hire-Purchase Loan above Rs. 25 lakh, which is relatively insignificant in terms of its impact on the equity market. 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. Despite the discouraging Q4 report, the dividend announcement from top-tier BFIs has been fairly good. We still stand by our conviction that BFIs are likely to post weak financials in the first quarter because of the NPL fiasco that still has not manifested to the fullest coupled with the recent circular issued by NRB which has further focused on scrutinizing the BFI's asset quality which will ultimately impact the amount of provision that BFIs will have to further allocate to cater to its downgrading asset quality. On the other hand, Hydropower companies have the higher possibility of going up both from the technical and fundamental perspective.

Tailwinds:

1. As per the recent macroeconomic data published by Nepal Rastra Bank, remittance figure until the second month stood at Rs. 228.4 billion and Balance of Payment (BOP) stood at Rs. 53.6 billion. Notwithstanding the endogenous factors, we are in a sound position in terms of external macroeconomic situation.
2. Considering the number of tourist arrival last year in the month of August i.e. 41,304, the number of tourists arrival last month is 91,012, which signifies a massive YoY growth of around 56.07%.
3. The upward revision by NRB on Loan to Value ratio in context of Real Estate Loan can provide much needed push to the ailing real estate sector but its effect will be felt only after a certain time window.

4. Non Resident Nepalese are now entitled to get the NRN citizenship, enabling them to exercise economic and social rights including the door opened for them to invest into the capital market of Nepal. The influx of fresh funds in the market can easily usher the market beyond 2200 pts.
5. Hydropower companies, in particular, have received a wave of positive news in the recent period.
6. Since the end of Asadh 2080, lending has increased by more than 90 arba. At present index level, market participants are more than willing to avail margin lending facility and inject fresh funds in the market.

Headwinds:

1. The NPL of BFI's are likely to increase in the Q1 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 have passed since the ending of last fiscal year, the contractors have still not been able to receive the rightful payment.
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 90 billion since the end of Asadh 2080, the CD ratio is a tad below 82% which was around 83.5% in mid-August. This means that in relative terms lending growth is still suppressed.
5. Countercyclical buffer of 0.5% must be maintained by the end of fiscal 2080/81, which means that BFIs with CAR on the lower side such as PCBL, CZBIL, SBL, KBL, NABIL, SBI and the like will find it difficult to make further lending while keeping the CAR in check.

Concluding Remark:

By and large, the banks have decreased the interest rate on FD, which means that this has increased the possibility of further decline in the lending rate by BFI's. The fact that government has allowed banks to incorporate 60% of local level deposit as denominator component in CD ratio calculation has ensured abundance of liquidity in the system. 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. There are reasons to be optimistic in the subsequent quarters as Hydro companies are likely to post good financials due to increased flow of water in the monsoon season. Insurance companies have room to grow further and are being fueled by the news of rights issuance. Even though, the BFIs have exercised a great deal of caution in giving out loans given the present level of NPL, the NPL menace has not gone away because the recent circular is likely to increase the NPL of BFIs in the coming quarter while ensuring that higher NPL remains sticky.

WHERE DO THE FACTORS STAND?



Inflation Rate (CPI) - 8.19%

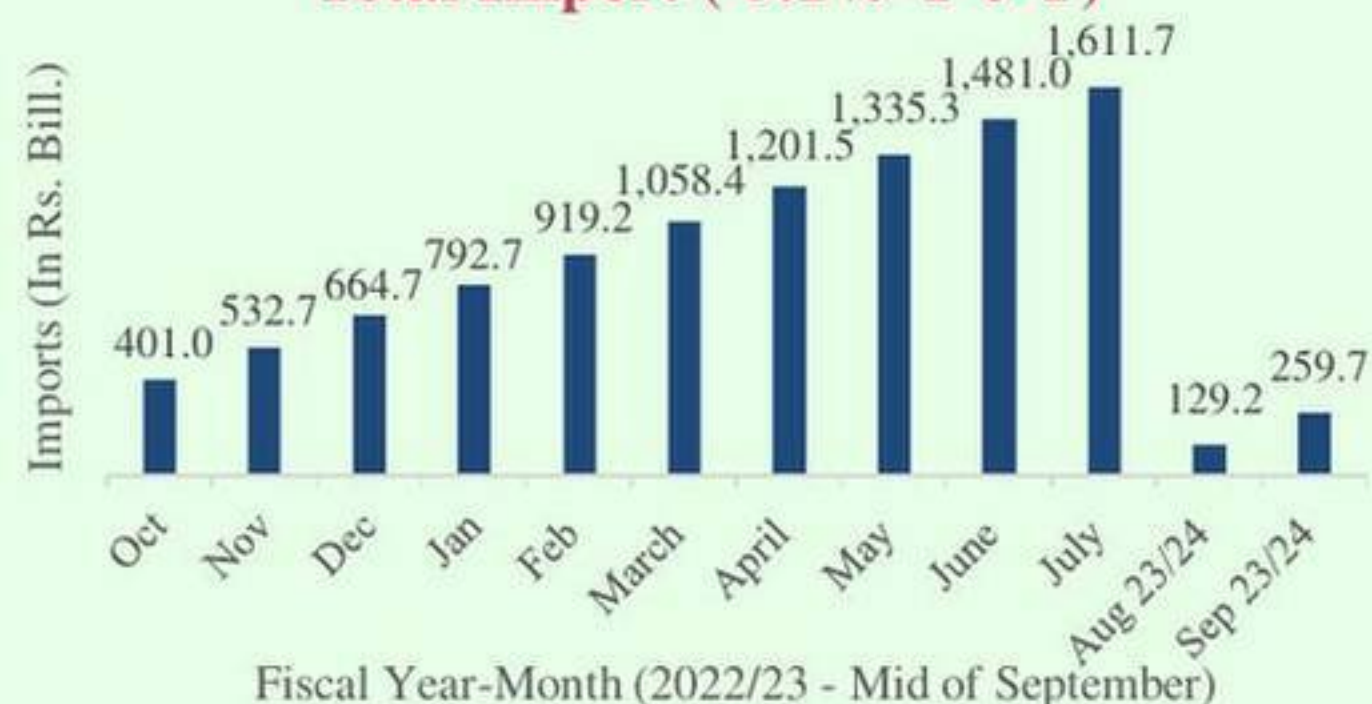
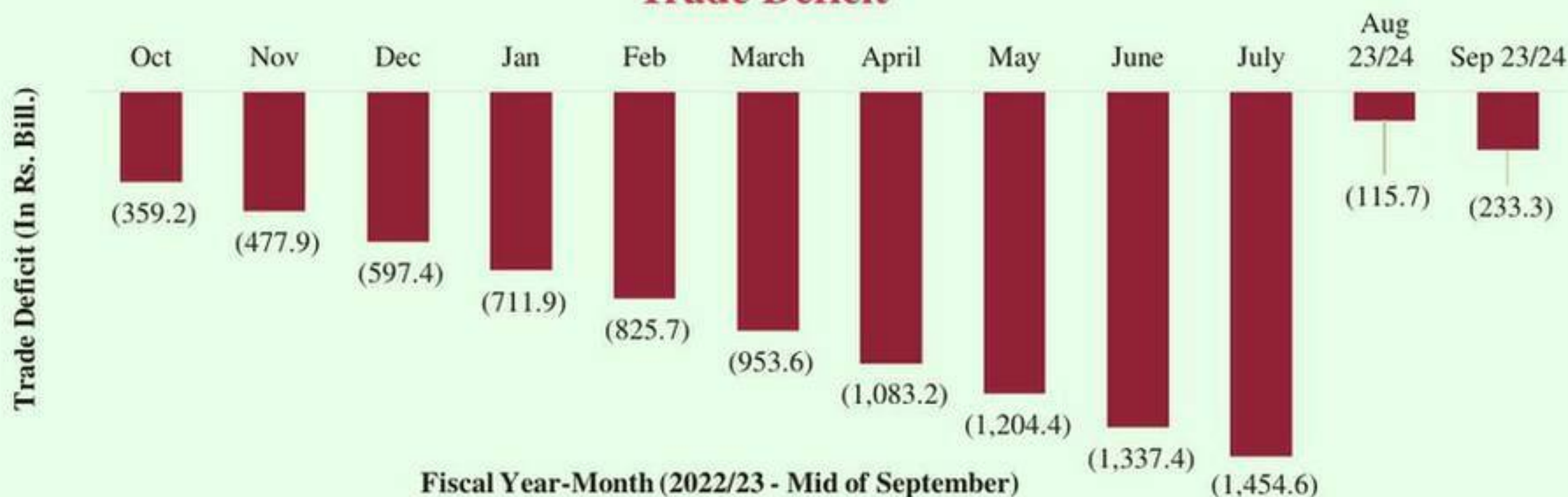


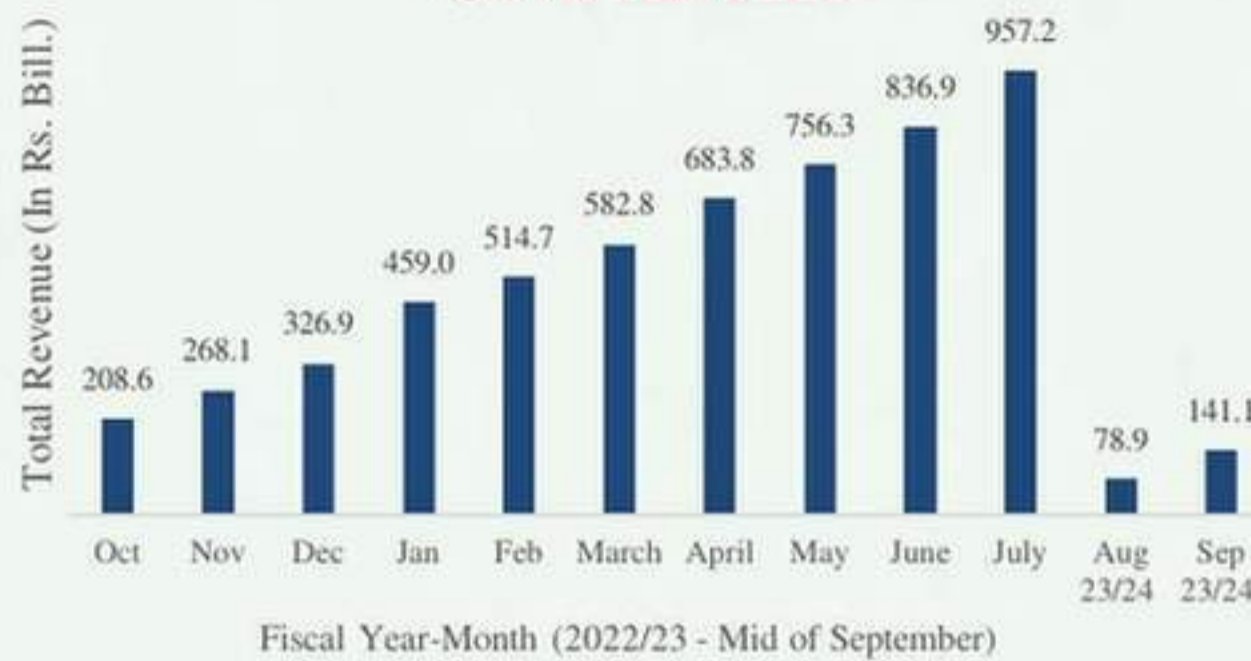
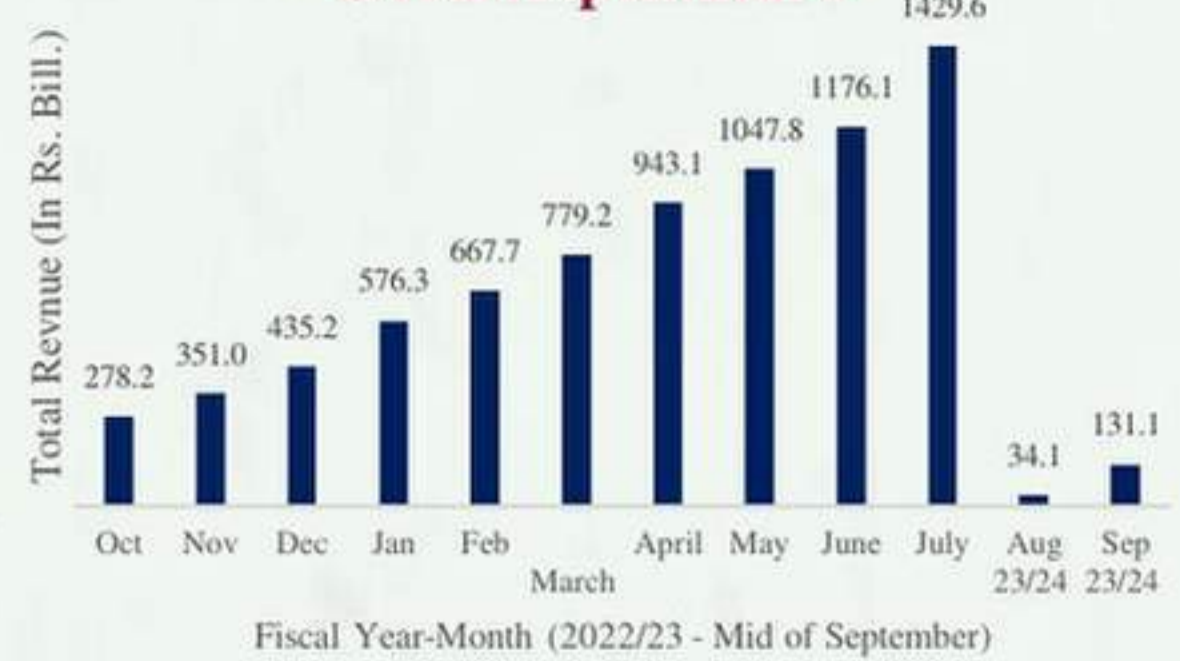
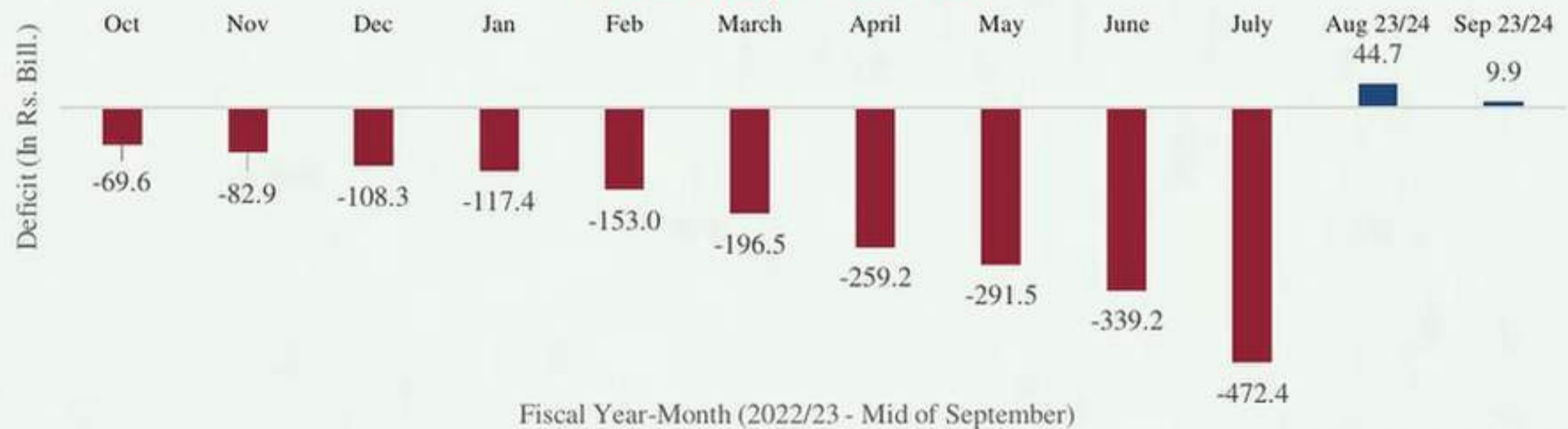
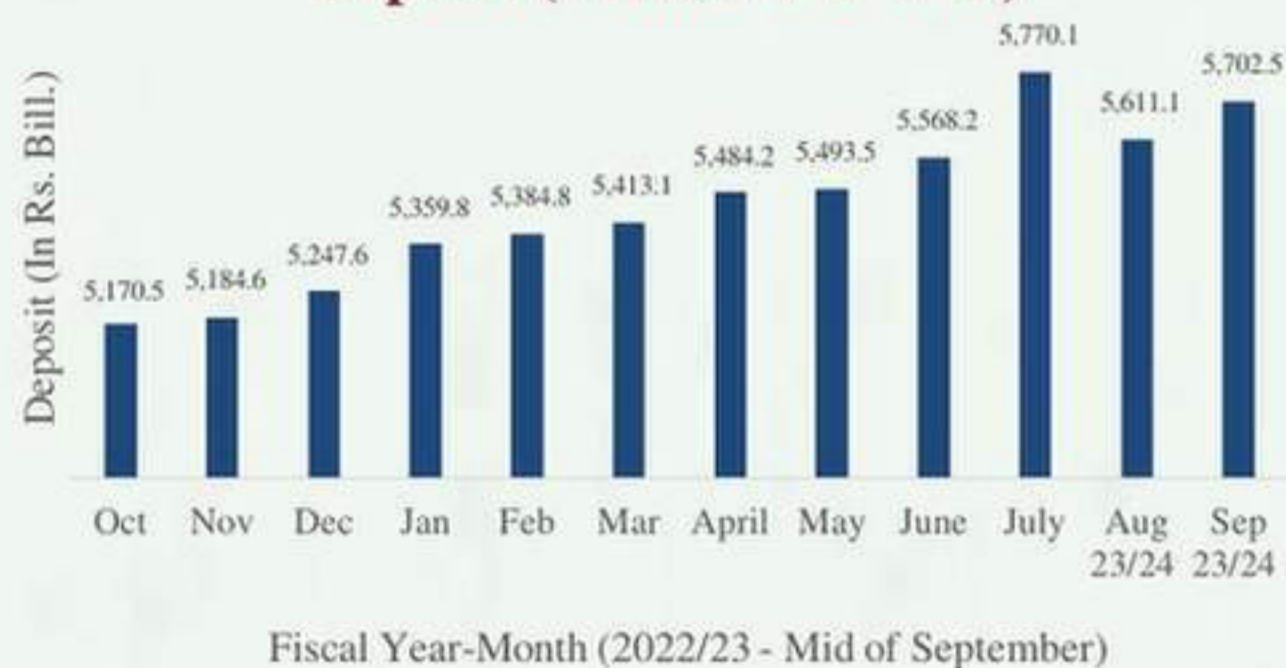
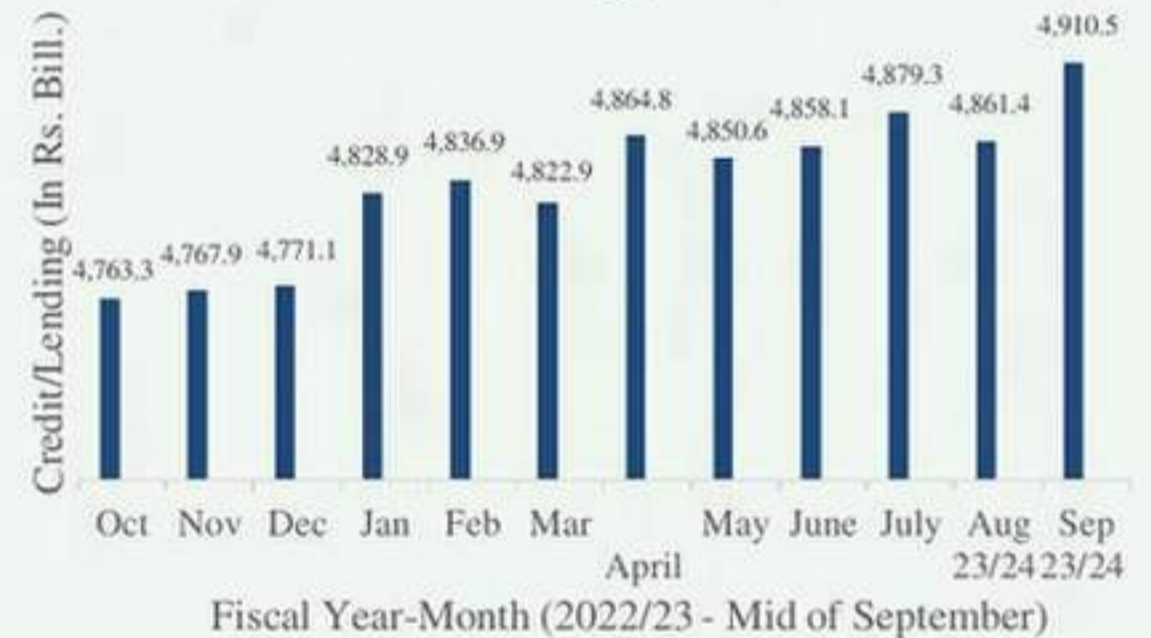
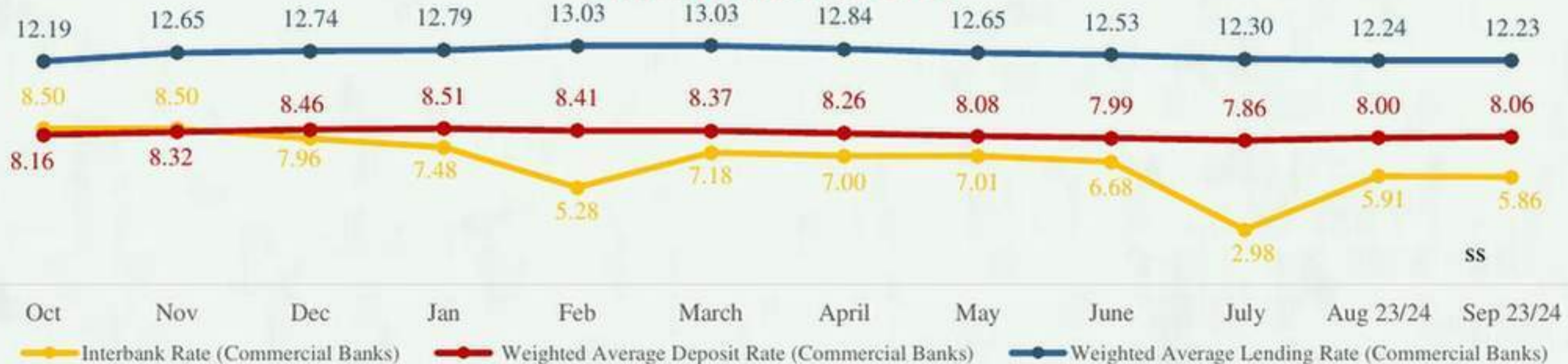
Monthly Remittance Inflow - 22.1%



Liquidity Indicators (As on 10th October 2023):

- ❖ BFI's Deposits: NPR. 5,847 billion
- ❖ BFI's Lending: NPR. 4,951 billion
- ❖ CD Ratio: 81.81%
- ❖ Inter-bank Interest Rate: 1.99%

Total Import (-5.1% Y-o-Y)**Total Export (-7.8% Y-o-Y)****Trade Deficit****Balance of Payments (Surplus)****Gross Forex Reserve (+29%)**

Govt. Revenue**Govt. Expenditure****Fiscal Surplus/Deficit****Deposit (+12.02% Y-O-Y)****Credit /Lending(+3.81% Y-O-Y)****Market Interest Rates****Short-term Interest Rates:**

❖ 28 days: 2.90%

❖ 91 days: 4.27%

❖ 364 days: 5.78%

Market Update:

NEPSE

SCANNER



- NEPSE dropped to 1,864.62 level from 1,964.91 (previous month end), losing 100.29 points (5.10%); it peaked the high of 2040.28 and bottomed the low of 1846.79 in the review month.
- Sensitive, float, and sensitive float index simultaneously plunged by 5.24%, 5.14%, and 6.07% respectively.
- By the Month end, the turnover, volumes and transaction size, all witnessed significant decline of 50.29%, 36.62%, and 37.28% respectively as compared to the month end of previous period. Despite this, Monthly average of these metrics computes to Rs.1.55 billion (+21.66%), Rs. 5.71 million (+34.46%), and Rs. 64.45 thousand (+73.87%) respectively.
- Market cap decreased by 3.37% to Rs. 2.87 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 5.24% decline and the size of Float and Sensitive float market cap sank by 3.90% & 6.06% respectively.

Metrics	17.10.23	17.09.23	Monthly Change
NEPSE	1,864.62	1,964.91	-5.10%
Sensitive	358.83	378.68	-5.24%
Float	129.43	136.44	-5.14%
Sensitive Float	117.82	125.43	-6.07%
Turnover (Million)	1,008.44	2,028.47	-50.29%
Shares Volumes	3,813,233	5,659,458	-32.62%
Total Transactions	45,456	72,477	-37.28%
Total Scrips Traded	289	278	3.96%
Market Cap (Rs. Million)	2,861,524.32	2,961,335.60	-3.37%
Sensitive Market Cap (Rs. Million)	1,094,134.33	1,154,675.93	-5.24%
Float Market Cap (Rs. Million)	1,003,141.59	1,043,843.70	-3.90%
Sensitive Float Market Cap (Rs. Million)	375,077.81	399,283.07	-6.06%
Average Return	12.33%	14.03%	-1.70%
Std. Deviation	24.19%	24.35%	-0.16%
10 Day 10% VAR	-6.36%	-6.38%	0.02%
Market Cap / GDP Ratio	53.18%	55.03%	-1.85%

- Avg. market return decreased to 12.33% from 14.03%, Standard Deviation reduced faintly to 24.19% (16 basis point drop) and 10-day 10% VAR stood at 6.36%.
- Market is under-valued as per Market capitalization to GDP ratio (Buffett Indicator).
- In the review period, market traded for 19 days. Last month, number of trading days was 18.

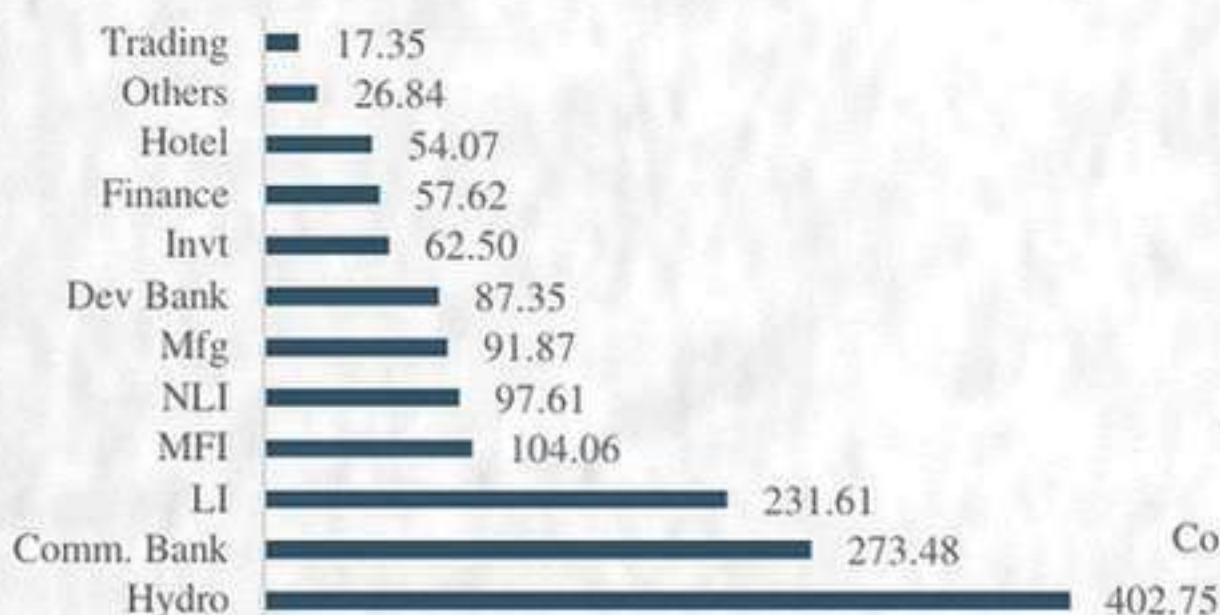


SECTOR SCANNER

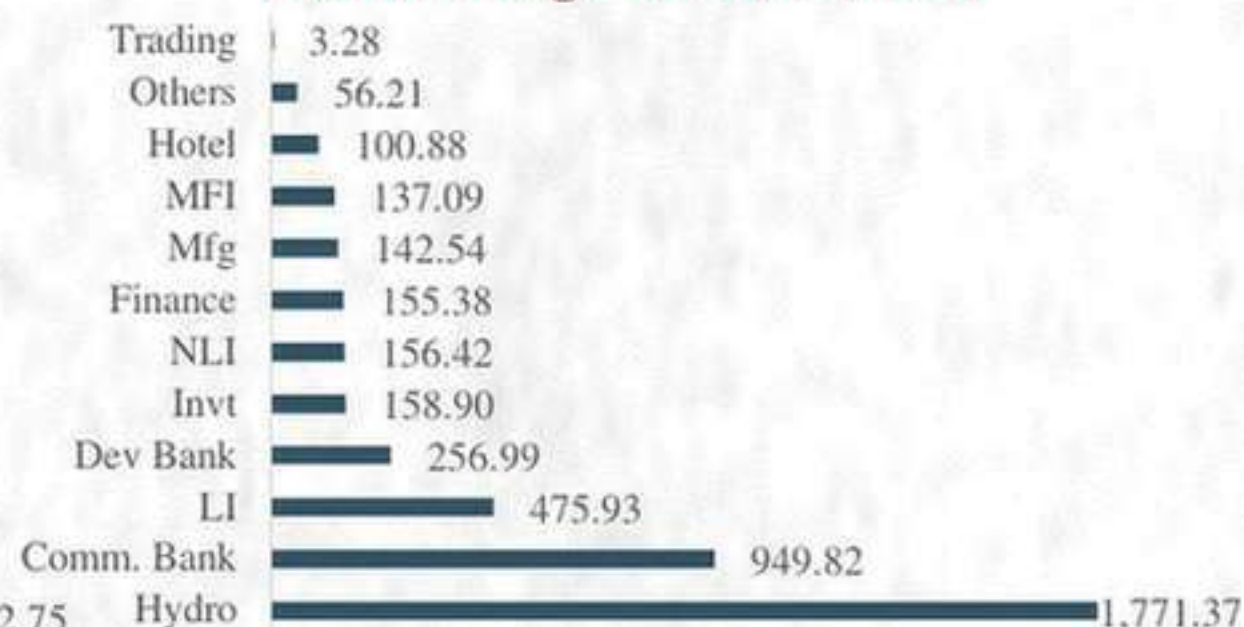
Monthly Sectoral Performance



Ashwin Avg. Turnover (Millions)

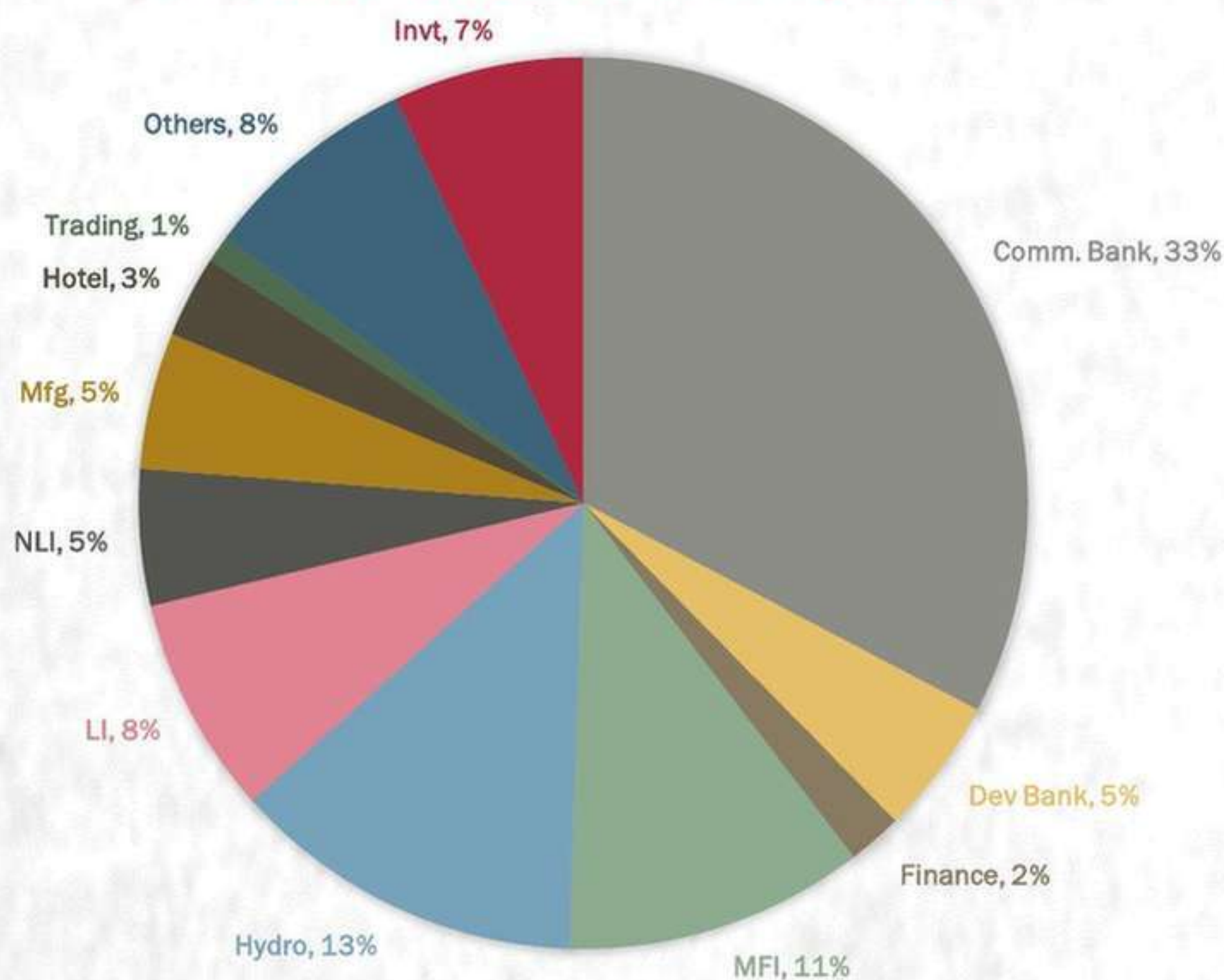


Ashwin Avg. Volume ('000)



- Of 13 sectors, only Mutual Funds closed green, rising merely by 0.22% in the review period. All other sectors saw drawdown, especially Hotels & Tourism (-12.33%), Tradings (-9.68%), and Life and Non-Life Insurance Sectors (approx. -8.5%).
- Sectors such as Hydropower, Commercial Banks and Life Insurance led the market during the month of Ashwin in terms of Turnover: 25.35%, 17.9% and 14.8% respectively. Hydropower, Commercial Banks and Mutual Funds led in terms of Volumes (30.52%, 17.29% and 16.28% respectively) while Life Insurance and Hydropower led in Transaction size (36.54% and 33.68% respectively).
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Ashwin i.e. Tuesday, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 50%, Commercial Bank alone 33%. Hydro and Microfinance has 13% and 11% coverage respectively. Insurance sector occupy 14% (Life – 8.5% and Non-Life – 5.5%). Trading sector has the least capitalization, amounting approx. Rs.15.7 billion.

SECTORAL MARKET CAPITALIZATION

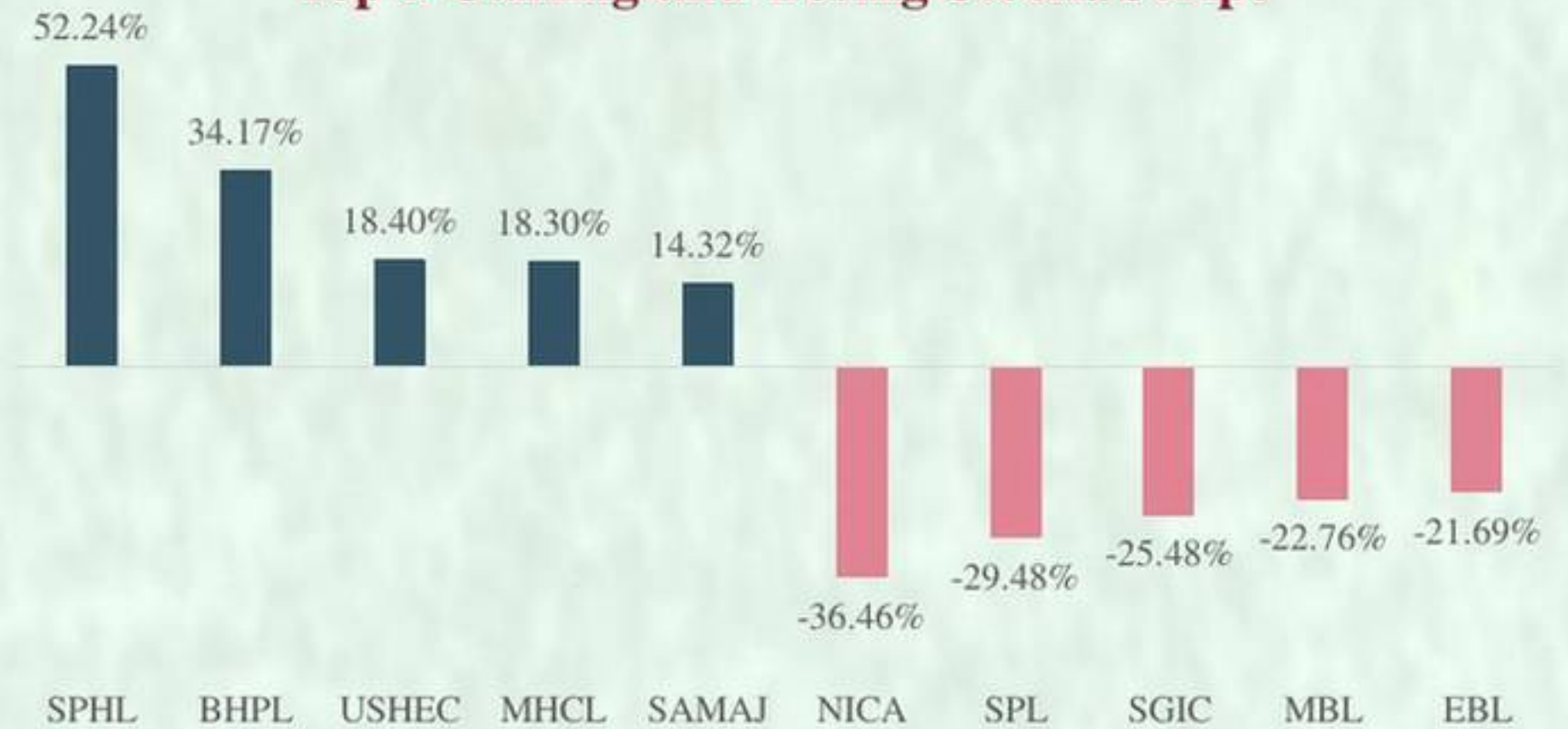


“If you don’t study any companies, you have the same success buying stocks as you do in a poker game if you bet without looking at your cards.”

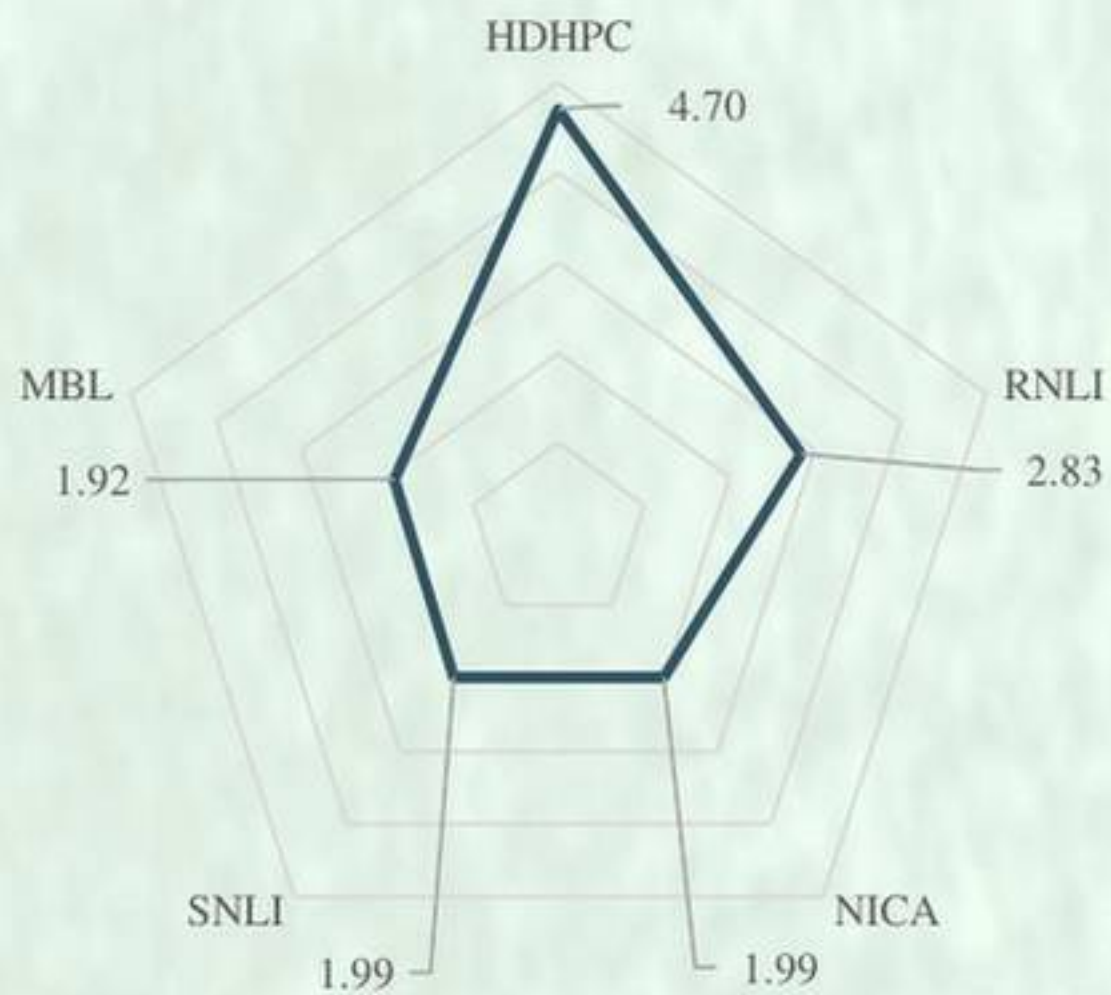
— Peter Lynch

STOCK SCANNER

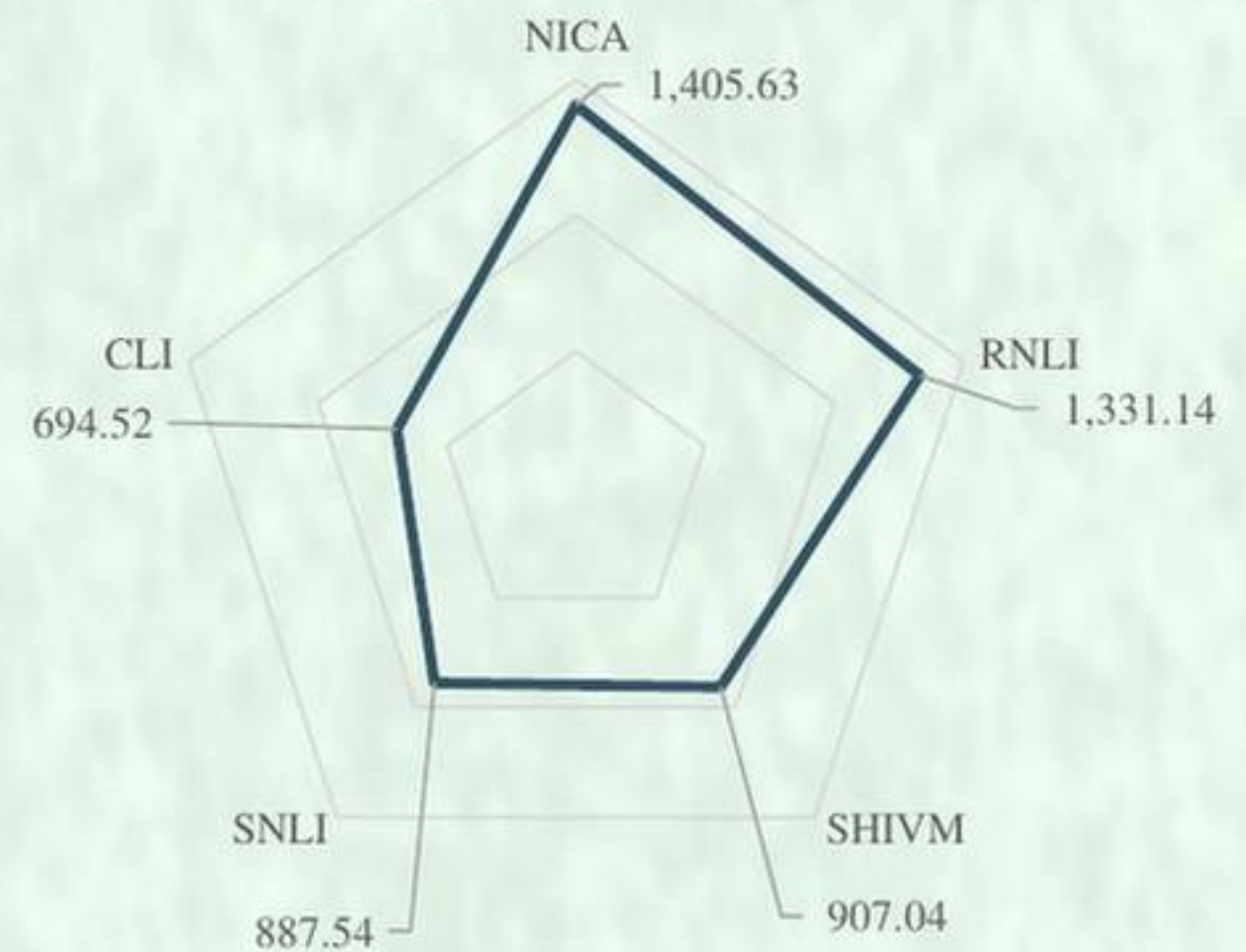
Top 5 Gaining and Losing Stocks/Scripts



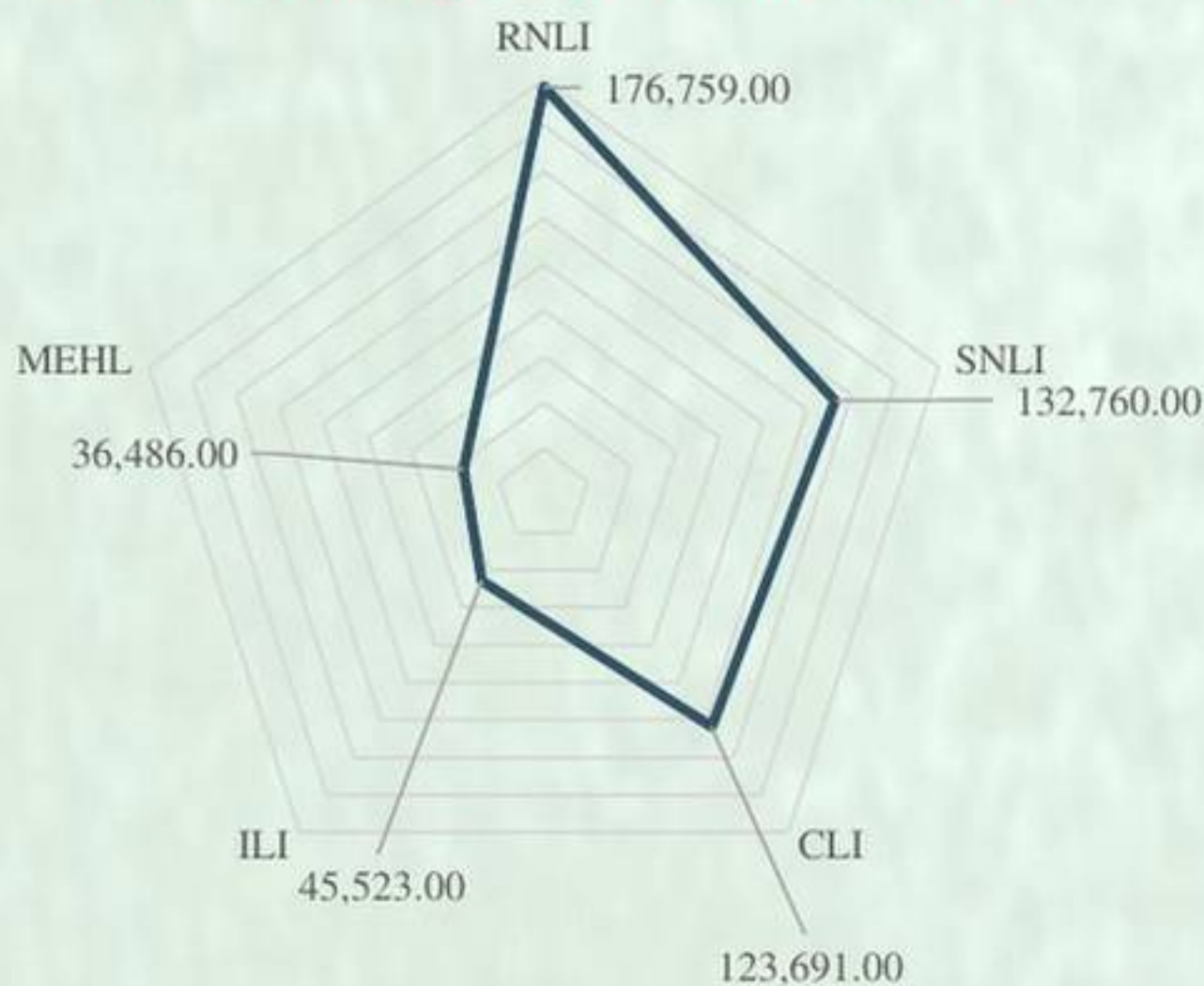
Stocks with Highest Volume (Millions)



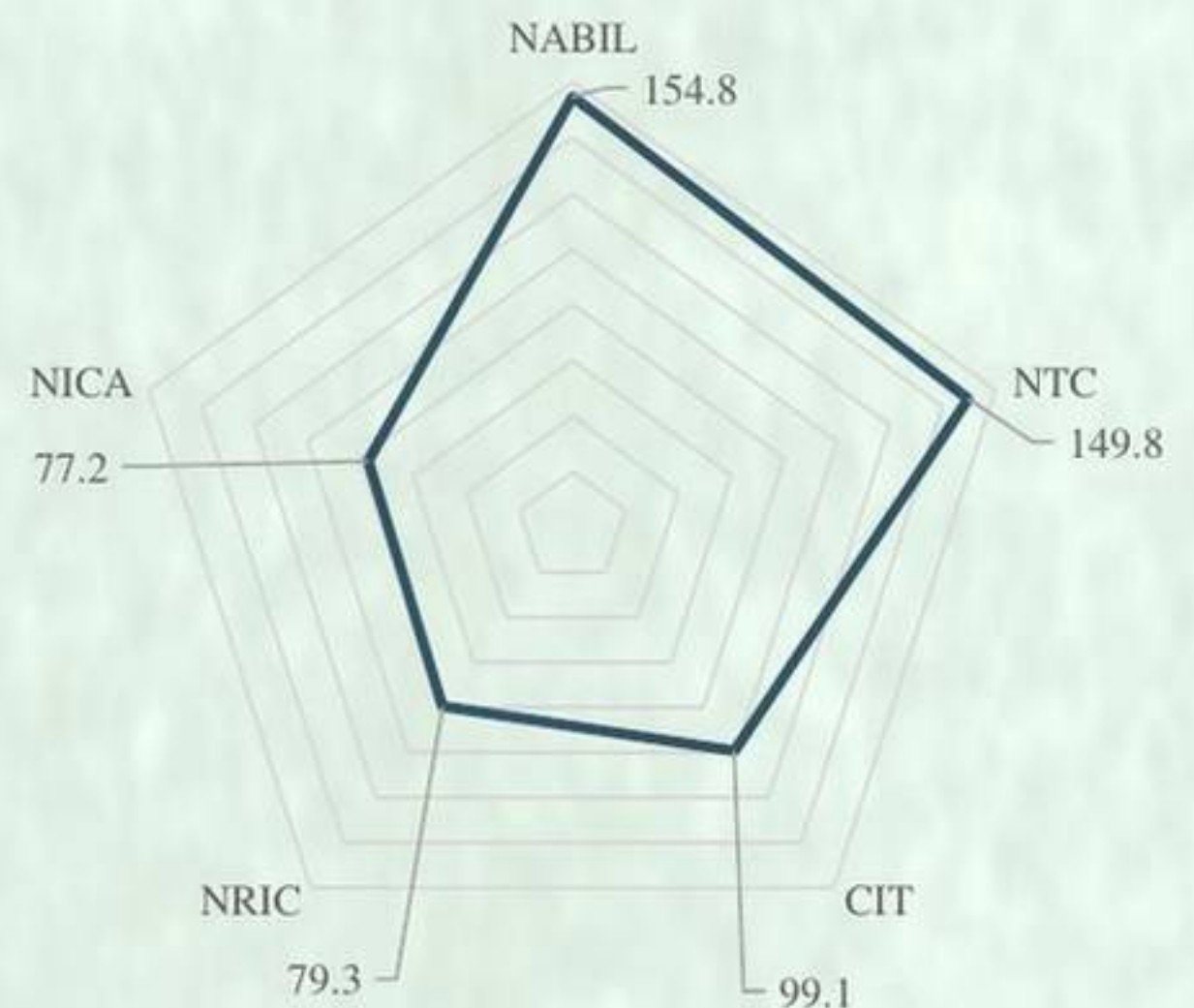
Stocks with Highest Turnover (Millions)



Stocks with Highest Transaction Size



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



TradingView

Technical Indicator (17 th Oct.)	Value
RSI	32.45
MACD line	-36.12
Signal line	-25.97
Bollinger Upper Band	2057.71
Bollinger Middle Band	1951.36
Bollinger Lower Band	1845.01
ADX	26.07
Exp. Moving Avg. (9 Day)	1898.24
Exp. Moving Avg. (50 Day)	1946.72
Exp. Moving Avg. (50 Day)	1977.70
Exp. Moving Avg. (200 Day)	2014.05

Technical Overview:

NEPSE continued its down trend with lower lows where the Index lost 100.29 points in Ashwin, although closed green at 1864.62 on 30th Ashwin. The steep fall, particularly in third week of the Month was fueled by the NRB revision to margin lending. MACD still infers the bearish trend with MACD line crossing the Signal line from above at negative zone. However, Index has reached the lowest level of Bollinger Band while RSI is also at the oversold zone, both indicating possible short term reversal. The EMA 9D, EMA 26D, EMA 50D, and EMA 200D are all above the current index level, which highlight the short-term and long-

bearish sentiments in the market. Our fibonacci measure depicts the Index below the 78.6% fib. Level i.e. 1900, and our support and resistance take for the month of Kartik as per fib. is 1800 and 1970 respectively.

Key Bulletins of the Month

1. Most commercial Banks have reduce the interest rates on their deposits for the month of Kartik; average FD rates on individual and intitutions account now stands 9.915% and 7.804% respectively; maximum rate for individual are 11%.
2. NRB has eliminated the Rs 12 crore margin lending cap and has set new limits, with individuals and institutions now having an upper limit of Rs 15 crore and Rs 20 crore respectively.
3. NRB has mandated the use of Permanent Account Number (PAN) for fixed deposits above Rs. 50 lakhs.
4. NEPAL has secured 3rd installment of the Extended Credit Facility (ECF) loan from IMF totaling USD 5.13 million (~NPR 6.81 billion).
5. The World Bank has projected Nepal's economy to contract to 1.9% in 2023 and grow by 3.9% in 2024.
6. The commercial banks will now have to maintain a counter-cyclical buffer of 0.5% by the end of the current FY 2080-81.
7. NRB has eliminated the deposit collection limit for the development banks, which formerly stood at 20 times their primary capital.
8. SEBON has amended guidelines for hydropower companies; IPO can be issued only after the completion of 65% of the construction work and right shares can be issued only after operating commercially.
9. The government has made expenditures of Rs. 117 billion and has injected Rs. 24 billion into the banking system to boost the economic activity.
10. NRB has extended the deadline for BFIs to release their first quarter reports until 17 Kartik 2080 due to the occurrence of Vijaya Dashami holiday on Kartik 7.
11. NRB increased deposit protection to Rs 500,000 per account holder in banks and financial institutions, up from Rs 300,000, enhancing public trust while requiring banks to pay a 0.16% premium for the extended protection.
12. NRB has increased the daily gold import quota for commercial banks from 10 Kgs to 20 kgs.
13. After six years of work, the 140 km Kaligandaki Corridor 220 KV transmission line is now finished, enabling the integration of 1200 MW hydropower into the grid system.
14. *SEBON, through amendments to the Securities Dealers (Securities Brokers and Securities Dealers) Regulations, 2064, has reduced the brokerage and SEBON's commission by 10% each. Now transactions of (a) up to Rs.50,000/- (b) Rs. Rs. 50,000/- up to Rs.5,00,000/- (c) Rs. 5,00,000/- up to Rs. 20,00,000/- (d) Rs. 20,00,000/- up to Rs.1,00,00,000/- (e) above Rs. 1,00,00,000/- are charged brokerage commission at the rate of (a) 0.36%, (b) 0.33%, (c) 0.31%, (d) 0.27%, and (e) 0.24% respectively.*

Dividend Announced during the month

Company	Ticker	FY	Bonus (%)	Cash(%)
1. Swabalamban Laghubitta Bittiya Sanstha Limited	SWBBL	2079/80	12.3599	0.6505
2. Unilever Nepal Limited	UNL	2079/80	0	1580
3. Siddhartha Bank Limited	SBL	2079/80	0	4.21
4. Shine Resunga Development Bank Limited	SHINE	2079/80	10.5	0.55
5. RSDC Laghubitta Bittiya Sanstha Limited	RSDC	2079/80	8.6	0.4528
6. Sanima Mai Hydropower Limited	SHPC	2079/80	10	0.5263
7. Oriental Hotels Limited	OHL	2079/80	0	5.2632

Existing / Upcoming Investment Events

S.N	Company Name	Issue To	Open Date	Close Date	Issue Units	Issue Price
1.	Vision Lumbini Urja Company Ltd	Public	2023/11/02	2023/11/06	2,075,285	100
2.	Nepal Warehousing Company Ltd	Migrant	2023/10/27	2023/11/10	1,37,500	100
3.	Muktinath Krishi Company Ltd	Migrant	2023/10/27	2023/11/10	1,40,000	100

Listing of IPO Shares in the Month of Review

S.N.	Company Name	Ticker	Sector
1.	Sun Nepal Life Insurance Company	SNLI	Life Insurance
2.	Manakamana Engineering Hydropower Limited	MEHL	Hydropower
3.	Upper Lohore Khola Hydropower Company Limited	ULHC	Hydropower
4.	Citizen Life Insurance Company	CLI	Life Insurance
5.	Mandu Hydropower Limited	MANDU	Hydropower
6.	Hathway Investment Nepal Limited	HATHY	Investment
7.	Bhagawati Hydropower Development Company Limited	BGWT	Hydropower
8.	Mid Solu Hydropower Limited	MSHL	Hydropower

**Happy Vijaya Dashami –
Dashain, 2080.**

Thank You!!!

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The opinion and views expressed in this report are the consensus understanding and comprehension of the Department and the Company. However, such opinion, views, and information expressed in this report are subject to change based on change in market information and circumstances.

The sole purpose of this report is to provide analytical insight of the market performance and the state of affairs to whoever interested market participants along with our valued clients and customers.

This report should not be construed as investment advice or recommendation and ultimate investment decision stays on investors own wisdom. Garima Capital Ltd. including the Research and Product Team shall not be liable for any loss or damages that investors incur from investment actions based on this report.

नेपाल धितोपत्र बोर्डबाट मर्चेन्ट बैंकरको रूपमा कार्य गर्न अनुमतिपत्र प्राप्त संस्था



गारिमा क्यापिटल लिमिटेड

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