



गारिमा क्यापिटल लिमिटेड

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GARIMA CAPITAL LIMITED

(A Subsidiary of GARIMA BIKAS BANK LIMITED)

समृद्धिको साथै

THE ANALYTICS

MONTHLY GARIMA INSIGHT

MAGH 2080
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VOL: 2, ISSUE: 7



**Headwinds and Tailwinds
of Market Ahead**



NEPSE SCANNER



**MACROECONOMIC
FACTORS**



MARKET SCANNER



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Market Update:

Headwinds and Tailwinds Of Market Ahead



SYNOPSIS:

While there were high hopes amongst the market participants that the NRB would bring about significant policy changes through the monetary policy review, the review did not pan out as per the anticipation. After the Q2 report was divulged to the public, the prospect in BFI sector looks bleak at least until the Q4 of this fiscal year. There was a series of negative news in the market regarding the BFIs which also brought about heightened sense of fear amongst the market participants with regard to its financial performance. However, the Hydropower sector has remained persistent and the sector has performed good relative to other sectors due to the declining base rate of BFIs which translates into cheap lending rates for Hydropower companies. Similarly, the Hotel sector has been performing as per the anticipation and judging by the recent tourist's arrival, we can be hopeful in the days ahead. Although, the monetary policy review is not regressive and has brought about laxation in the lending by allowing BFIs to include loans up to Rs. 2 crores in the retail loan category, the market was clearly anticipating something more radical. The market was hovering around 2050 zone during this month and the market will not go northwards until and unless thing start to improve fundamentally.

Tailwinds:

1. NRB published the 6 months macroeconomic report with most of the indicators signifying a promising future like foreign exchange reserves of \$13.69 billion, CPI based inflation at 5.26%, BOP at a surplus of Rs.273.52 billion and remittances at Rs.733.22 billion.
2. The interest rate on FD is on the declining trend and most of the banks have FD rates of around 8% per annum. This translates into lower lending rate to the prospective as well as existing loan seekers.
3. Q2 report of hotel sector has been divulged to the public and the sector has performed well relative to last year. Judging by the tourist arrival in the month of January 2024, the Hotel sector is likely to perform even better in current year.
4. Although the lending amount isn't encouraging when compared with deposit growth, margin lending has shot up since the last 3 months and a sizable chunk of lending made by BFI's has been towards the secondary market.

Headwinds:

1. Commercial Banks published 2nd quarter reports, which are unsatisfactory as compared to the corresponding quarter last year, primarily in terms of net profit and non-performing loan.
2. NRB has allowed foreign investments in listed companies in NEPSE in the secondary market without its approval. However, there are certain caveats like no changes in the shareholding ownership or changes in shareholding ownership for ailing industries post the investments.
3. Nepal Insurance Authority has issued the mandatory requirement of Rs 20 billion paid-up capital for reinsurance companies. This means that the life and non-life companies with significant holdings in NRIC are likely to appear attractive for speculative purpose.
4. NRB has published the 2nd quarter monetary policy review and no significant changes have been made apart from a few provisions like allowing BFIs to offer institutional deposits at 1 percentage points lower than the individual fixed deposit rates, SME loans up to 2 crores to be included in the retail regulatory portfolio and a new provision of Standing Deposit Facility to be offered to the banks, thereby, allowing them to deposit funds at central bank.

Concluding Remark:

Apparently, most of the BFI's have decreased the interest rate on FD for the 5th time, which means that this has increased the possibility of making additional lending. Our external indicators are getting stronger by the day. For instance: the remittance has increased by leaps and bounds right around the festival season as Nepal has received remittance amounting to Rs. 733 arba in the first six months. The Q2 report has exposed major fault lines in the business model of BFI as the NPL level has worsened and some the BFIs such as KBL and PRVU have very tight Teir 1, thereby, restricting the possibility of making additional lending at the existing capital base.

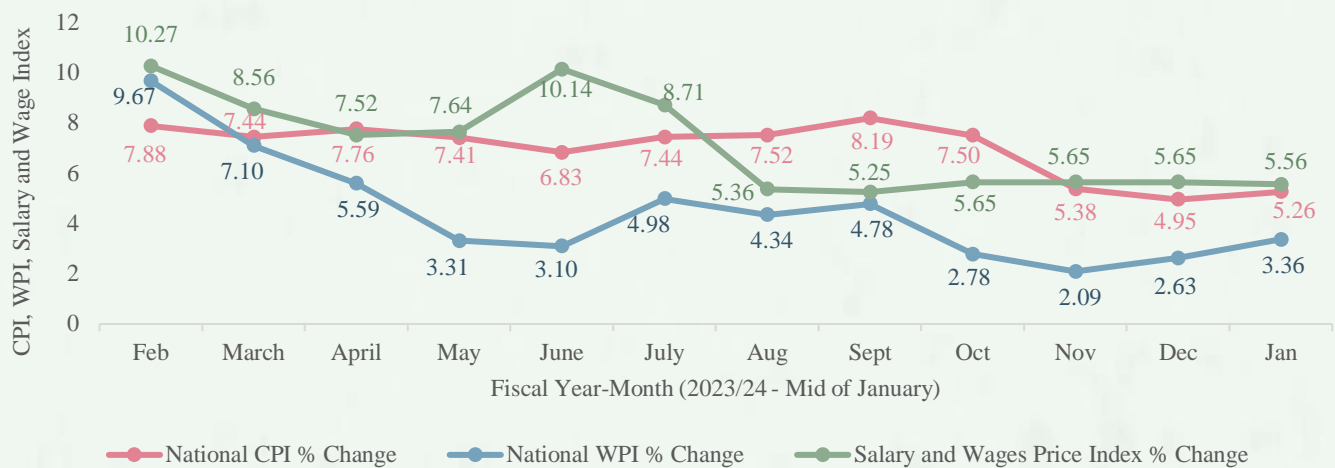
Monthly Terminology:

“Brass Plate Company is a term often used to describe an entity that exists primarily on paper, lacking substantial operational activities or physical presence. These companies may be established for various purposes, including tax evasion, money laundering or concealing the true ownership of assets. They typically register in jurisdictions known for tax regulations and low tax burdens, allowing them to conduct business activities with minimal oversight. While not inherently illegal, such companies are often associated with illicit or deceptive practices.”

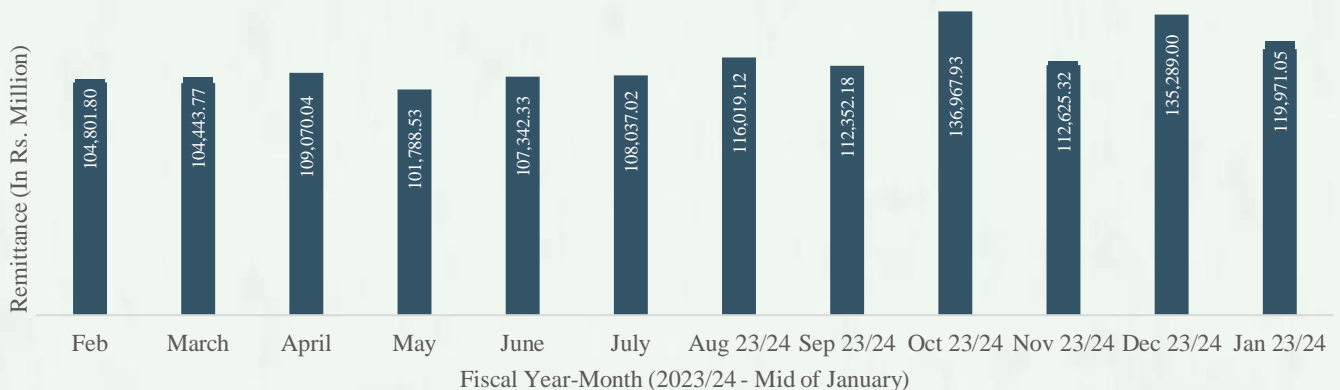
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI) - 5.26%

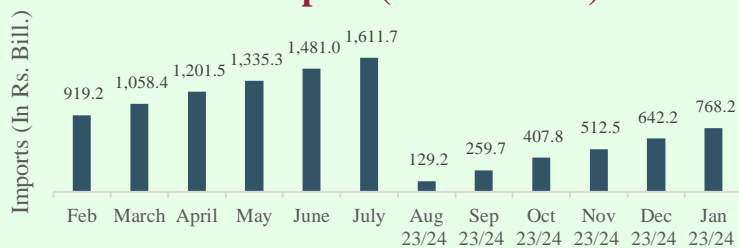


Monthly Remittance inflow- 25.32%



Liquidity Indicators (As on 11th February 2024):

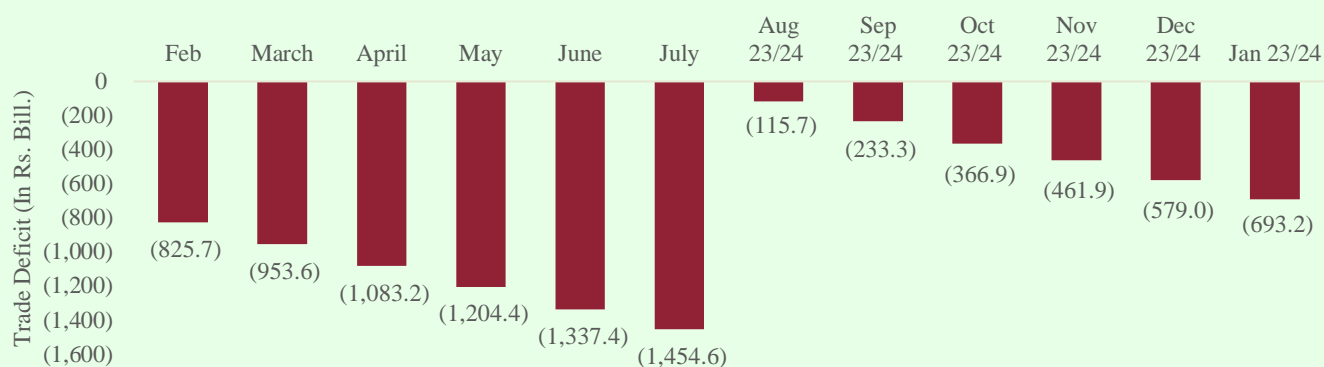
- ❖ BFI's Deposits: NPR. 6,151 billion
- ❖ BFI's Lending: NPR. 5,086 billion
- ❖ CD Ratio: 80.29%
- ❖ Inter-bank Interest Rate: 3.01%

Total Import (-3.1% Y-o-Y)

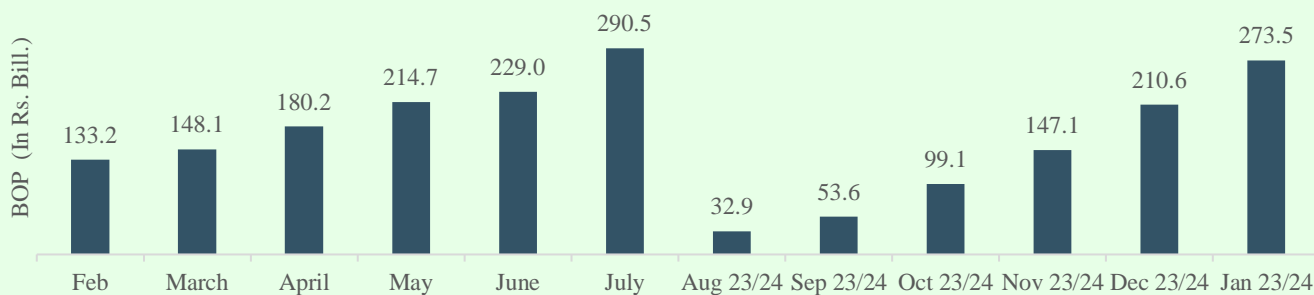
Fiscal Year-Month (2023/24 - Mid of January)

Total Export (-7.2% Y-o-Y)

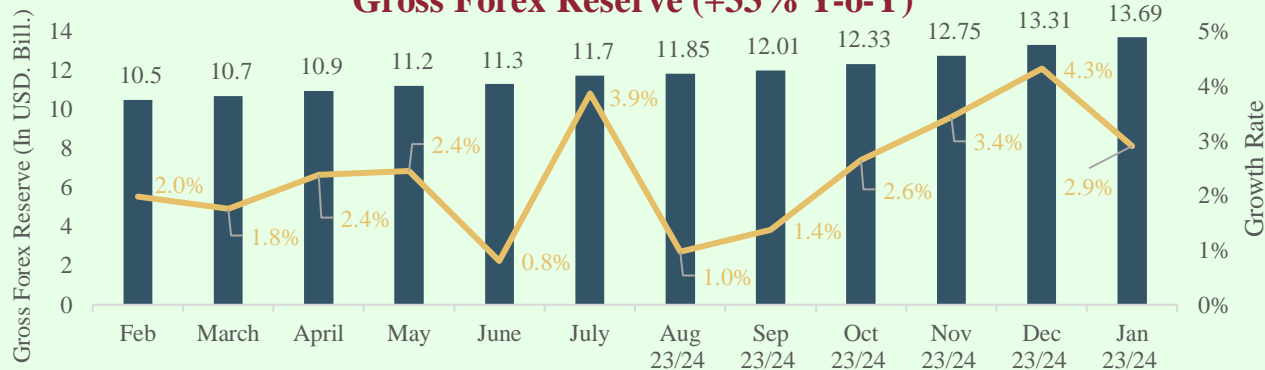
Fiscal Year-Month (2023/24 - Mid of January)

Trade Deficit

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

Balance of Payments (Surplus)

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

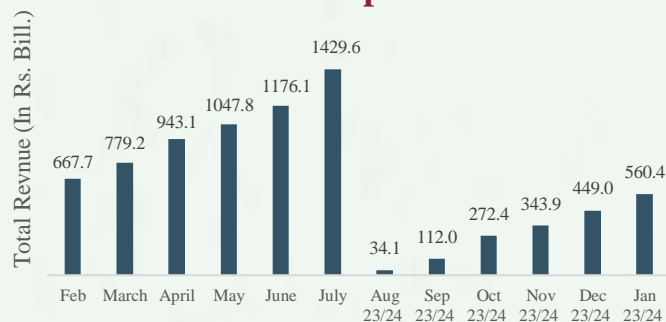
Gross Forex Reserve (+33% Y-o-Y)

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

 Gross Foreign Exchange Reserves
 Growth Rate

Govt. Revenue

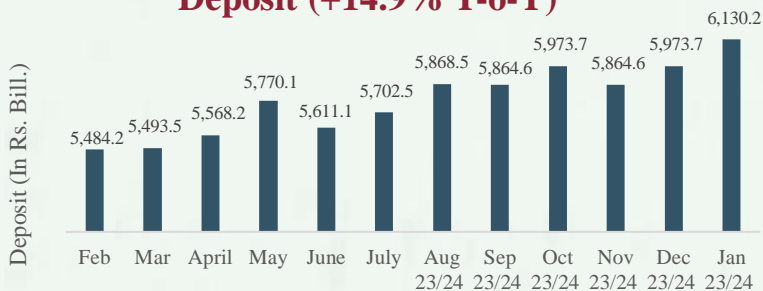
Fiscal Year-Month (2022/23 - Mid of January)

Govt. Expenditure

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

Fiscal Surplus/Deficit

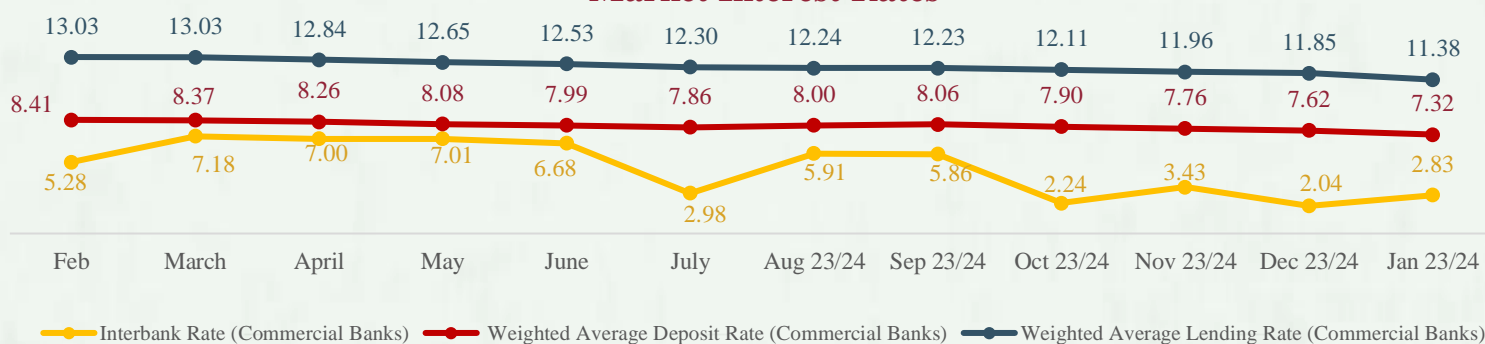
Fiscal Year-Month (2023/24 - Mid of January)

Deposit (+14.9% Y-o-Y)

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

Credit /Lending (+4.9% Y-o-Y)

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

Market Interest Rates**Short-term Interest Rates (As on 6th February 2024):**

❖ 28 days: 3.03%

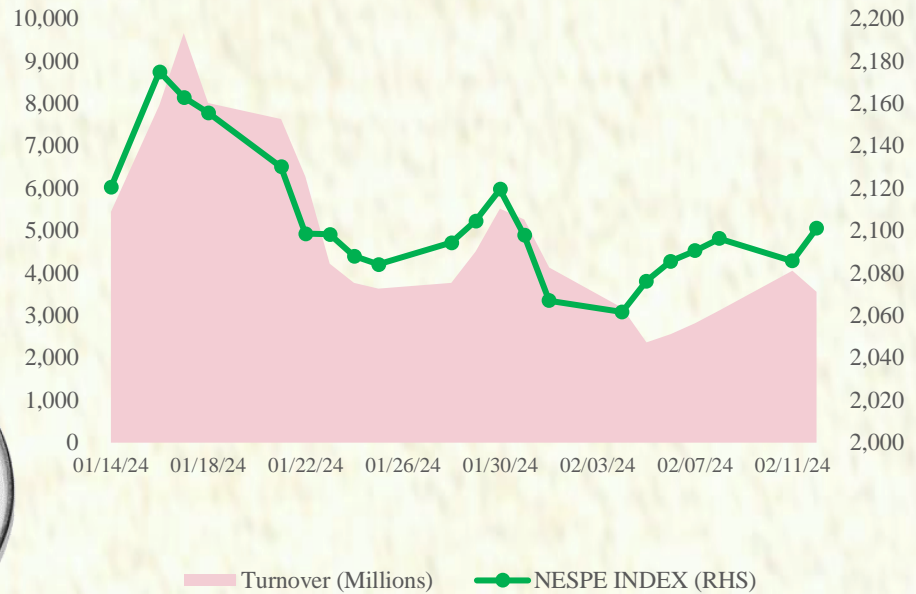
❖ 91 days: 3.22%

❖ 364 days: 4.07%

Market Update: NEPSE SCANNER



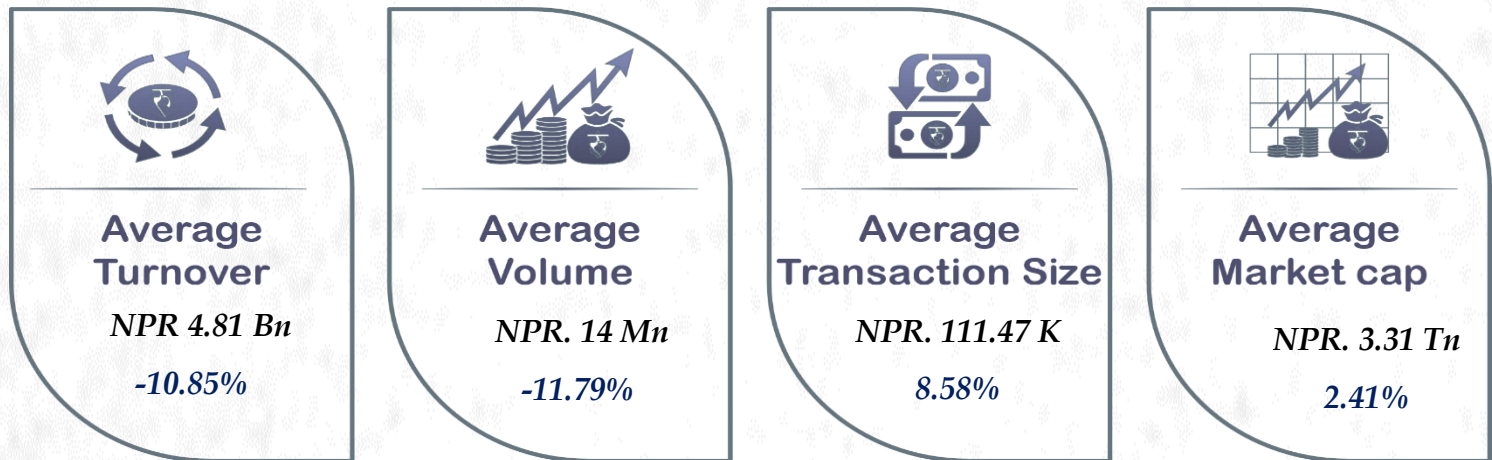
Magh Performance



Metrics	12.2.24	14.1.24	Monthly Change
NEPSE	2,101.16	2,120.62	-0.92%
Sensitive	375.99	388.17	-3.14%
Float	143.34	145.64	-1.58%
Sensitive Float	123.19	128.25	-3.95%
Turnover (Million)	3,560.85	5450.42	-34.67%
Shares Volumes	10,108,122	16,605,234	-39.13%
Total Transactions	74,290	94,526	-21.41%
Total Scripts Traded	314	314	0.00%
Market Cap (Rs. Million)	3,302,841.81	3,330,750.06	-0.84%
Sensitive Mrkt. Cap (Rs. Mn)	1,149,092.09	1,183,593.43	-2.91%
Float Market Cap (Rs. Mn)	1,133,095.05	1,150,136.31	-1.48%
Sens. Float Mrkt. Cap (Rs.Mn)	394,118.51	409,030.70	-3.65%
Average Return	14.33%	14.88%	-0.55%
Std. Deviation	23.83%	24.01%	-0.18%
10 Day 10% VAR	-6.24%	-6.28%	0.04%
Market Cap / GDP Ratio	61.38%	61.89%	-0.52%

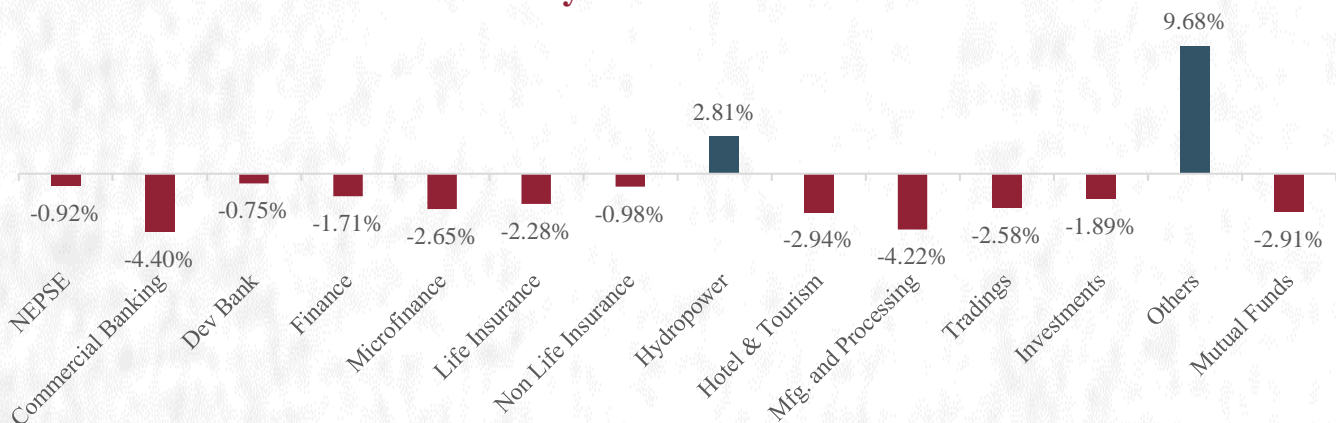
- NEPSE fell to 2,101.16 level from 2,120.62 (previous month end), losing 19.46 points (-0.92%); it peaked the high of 2,215.54 and bottomed the low of 2053.46 in the review month.
- Sensitive, float, and sensitive float index dropped by 3.14%, 1.58%, and 3.95% respectively.
- By the Month end, the turnover, volumes and transaction size, all witnessed a fall of 34.67%, 39.13% and 21.41% respectively as compared to the previous month end. Monthly average of these metrics computes to Rs. 4.81 billion (-10.85%), Rs. 14 million (-11.79%), and Rs. 111.47 thousand (8.58%) respectively.
- Market cap decreased by 0.84% to Rs. 3.30 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 2.91% decline and the size of Float market cap and Sensitive float market cap fell by 1.48% & 3.65% respectively.

- Avg. market return decreased to 14.33% from 14.88%, Standard Deviation saw meagre fall to 23.83% (18 basis point fall) and 10-day 10% VAR stood at 6.24%.
- Market is still under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 61.38%.
- In the review period, market traded for 20 days. Last month, number of trading days was 18.

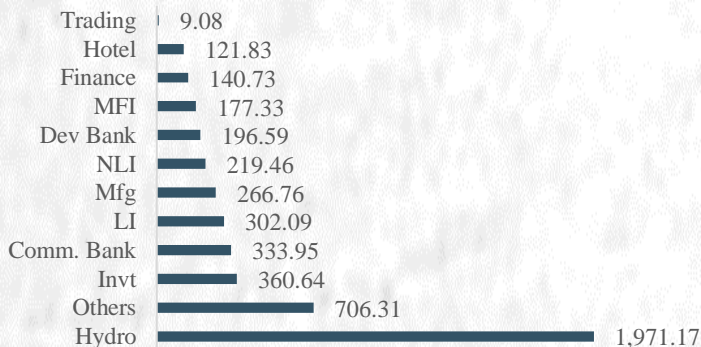


SECTOR SCANNER

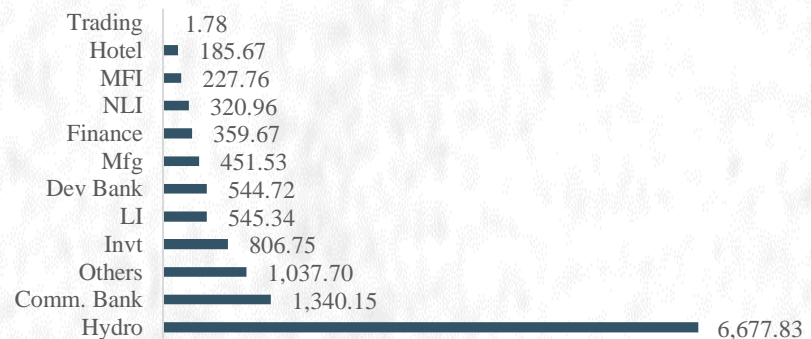
Monthly Sectoral Performance



Magh Avg. Turnover (Millions)

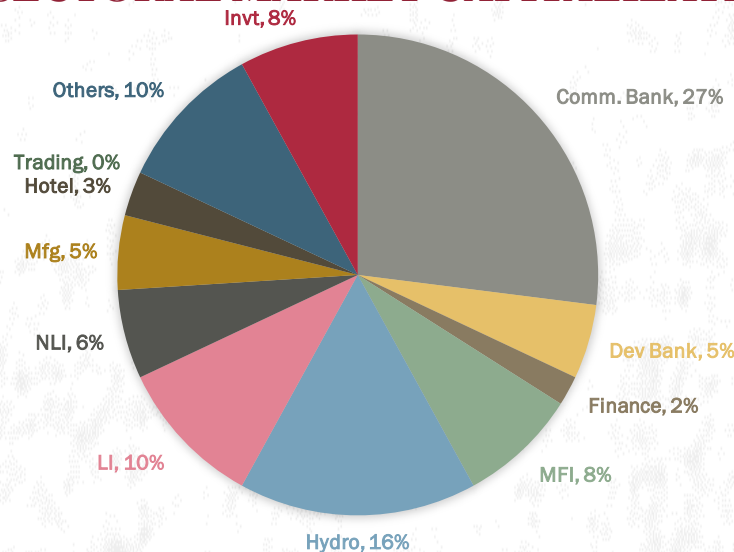


Magh Avg. Volume ('000)



- Except Hydropower (2.81%) and Others (9.68%), all the other 11 sectors lost in the review period. Sectors that witnessed highest decline are Commercial Banking (-4.40%), Manufacturing and Processing (-4.22%), and Hotel & Tourism (-2.94%). Mutual Funds and Microfinance sectors also had a loss of 2.91% and 2.65% respectively.
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 41.18% and 39.14% respectively. In case of Turnover (volumes) Hydropower sector, traded the highest with an average of 53.25%. Both Others sector and Investment sector made the notable Turnover of average 14.57% and 7.41% respectively while their average Transaction size was 23.16% and 4.15% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Magh i.e. Monday 29th Magh, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 45%, Commercial Bank alone 27%. Hydro and Hotel has 16% and 3% coverage respectively. Insurance sector occupy 16% (Life – 10% and Non-Life – 6%). Trading sector has the least capitalization, amounting approx. Rs.16.43 billion.

SECTORAL MARKET CAPITALIZATION

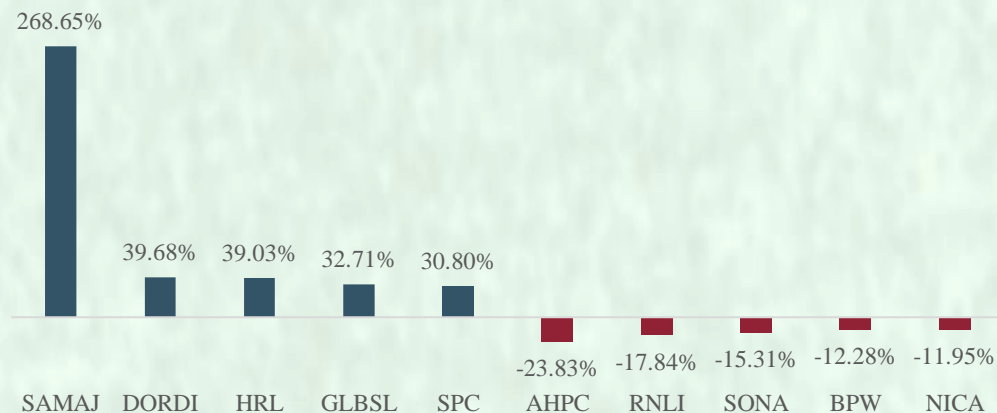


Monthly Terminology:

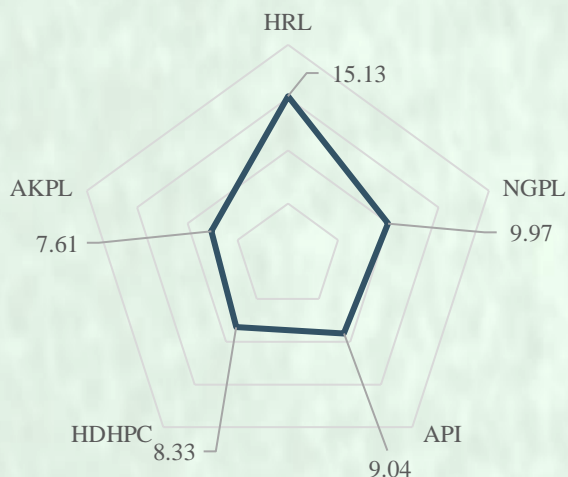
“Ostrich Effect refers to the tendency of investors to ignore negative information or potential risks by burying their heads in the sand, akin to the behavior of ostriches when faced with danger. This phenomenon manifests when investors avoid confronting unsettling realities about their investments, choosing instead to focus on positive news or outcomes. Rather than proactively addressing risks or uncertainties, they adopt a passive approach, hoping that problems will resolve themselves or simply go away.”

STOCK SCANNER

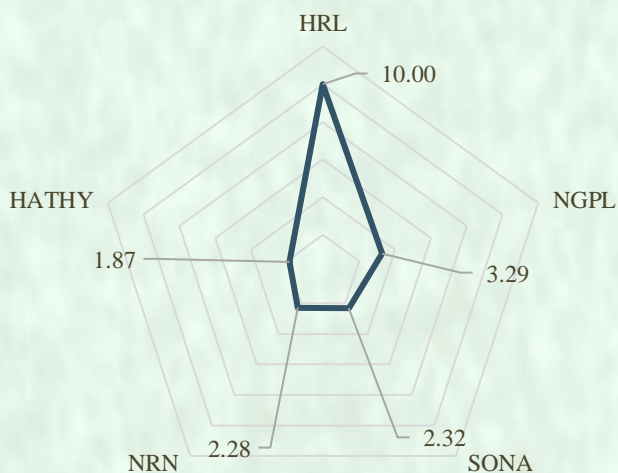
Top 5 Gaining and Losing Stocks/Scripts



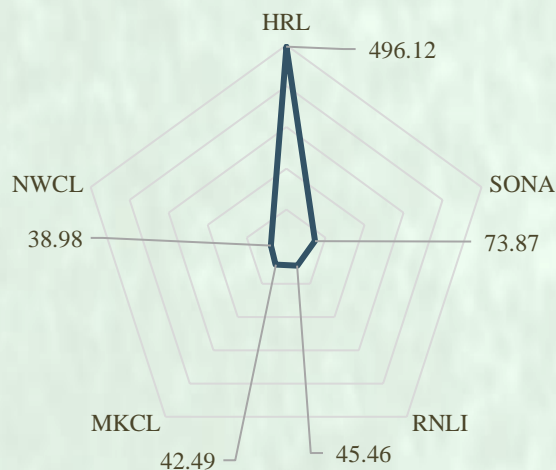
Stocks with Highest Volume (Millions)



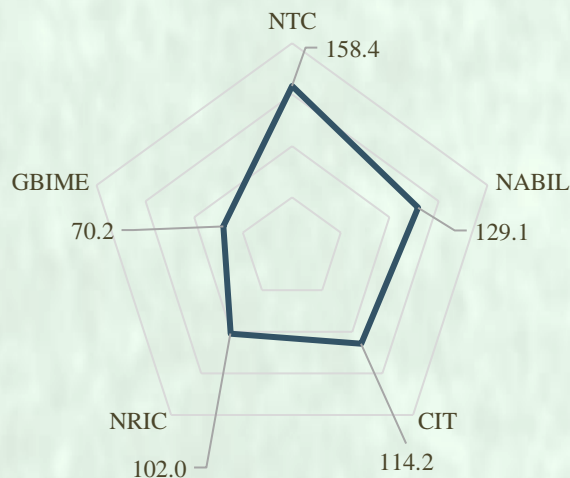
Stocks with Highest Turnover (Billions)



Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



Technical Indicator (12 th Feb.)	Value
RSI	55.03
MACD line	8.72
Signal line	13.35
Bollinger Upper Band	2163.47
Bollinger Middle Band	2103.73
Bollinger Lower Band	2044
ADX	24.08
Exp. Moving Avg. (9 Days)	2091.12
Exp. Moving Avg. (26 Days)	2082.64
Exp. Moving Avg. (50 Days)	2053.49
Exp. Moving Avg. (200 Days)	2018.33

Technical Overview:

NEPSE has broken through the downtrend line over a longer time frame, indicating a change in the primary trend. The consistent downtrend has been paused and market signalize for upturn in upcoming trading weeks. Last month, the market appears to be great bullish meeting with a surge of 18% however the seller dominated the market thus the market had to correct from a significant resistance position i.e., 2200. The correction candles are smaller on body size with less volume which is very much positive indication for the market. Moreover, the 2200 index has proven to be a strong resistance and a psychological barrier for the market. The market will enjoy a strong, bullish rally following the 2200 index breakout.

From a volume standpoint, the most recent rise has higher volume, indicating that the current rally is stronger and investor confidence is higher than it was during the prior rally. Currently, RSI is at 55 where the market is trading at neutral zone. And MACD has started trade at positive zone. Still the bullish crossover is valid in the market as both the signal line and MACD lines are apart from each other.

Key Bulletins of the Month

- 1) NRB unveiled second quarter monetary policy review with slight change only; introduced provisions for SME loans up to Rs. 2 crores to be counted in “Regulatory Retail Portfolio” and allowed institutional FD rates to be set lower to individual FD rates by 1%.
- 2) Real estate transactions surged in Magh, with government revenue collection of Rs. 3.71 billion in Magh compared to Rs. 3.20 billion in Poush.
- 3) Commercial banks have reduced their interest rates for the month of Falgun, with CZBIL implementing the most significant decrease in Individual FD rates of 0.9% to 8.25% and ADBL reducing its FD rates by 0.817% each for individuals and institutions.
- 4) The House of Representatives (HoR) has approved the amendment to the Nepal Rastra Bank Act, enabling NRB to regulate cooperatives with transactions exceeding Rs. 500 million.
- 5) Nepal has exported Rs. 12.40 billion (previously Rs. 8.38 billion) worth of electricity to India in the first six months of F.Y. 2023/24.
- 6) India, in its interim budget announcement, has decided to provide grant of INR 6.50 billion (NPR 10.4 billion) for F.Y. 2023/24; allocated INR 7 billion for FY 2024/25.
- 7) As of the first six months of the current F.Y. 2023/24, the Ministry of Finance has utilized only 10.05% of the allocated Rs. 40.45 billion budget provided by the government.
- 8) Nepal Insurance Authority (NIA) mandates Reinsurance companies to increase their paid-up capital to Rs. 20 Arba, requiring Nepal Reinsurance (NRIC) to increase its capital by 56.1% and Himalayan Reinsurance (HRL) by 100%.
- 9) Himalayan Reinsurance Limited (HRL) has proposed to issue 80% right shares after adjusting for 4% bonus shares to meet the capital requirement stipulated by NIA.

Dividend Announced during the Month

Company	Ticker	FY	Bonus (%)	Cash (%)
1. United Ajod Insurance Limited	UAIL	2079/80	10.2612	0.5401
2. Asian Life Insurance Company Limited	ALICL	2079/80	7.75	0.4078
3. Swarojgar Laghubitta Bittiya Sanstha Limited	SLBBL	2079/80	7.00	0.3684
4. Suryodaya Womi Laghubitta Bittiya Sanstha Limited	SWMF	2079/80	14.077	-
5. Siddhartha Premier Insurance Limited	SPIL	2079/80	-	11
6. United IDI Mardi and R.B Hydropower Limited	UMRH	2079/80	5.5	0.289
7. National Laghubitta Bittiya Sanstha Limited	NMFBS	2079.80	7.5	7.5
8. Himalayan Reinsurance Limited	HRL	2079/80	4.00	0.21

Existing / Upcoming Investment Events						
S.N	Company Name	Issue To	Open Date	Close Date	Issue Units	Issue Price
1.	Sarbottam Cement Limited	Public	Coming Soon		3,600,000	360.90

“Games are won by players who focus on the playing field – not by those whose eyes are glued to the scoreboard.”

- Warren buffet

Important Disclaimer:

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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 फिनिंग बोर्डबाट मर्चेन्ट केकरको रूपमा कार्य गर्न अनुमति प्राप्त संस्था



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