



गरीमा क्यापिटल लिमिटेड

**GARIMA CAPITAL LIMITED**

(A Subsidiary of GARIMA BIKAS BANK LIMITED)

समृद्धिको साधनी

# THE ANALYTICS

## MONTHLY GARIMA INSIGHT

**MANGSHIR 2080**  
**(16 NOVEMBER 2023 - 16 DECEMBER 2023)**  
**VOL: 2, ISSUE: 5**



**Headwinds and Tailwinds  
of Market Ahead**



**NEPSE SCANNER**



**MACROECONOMIC  
FACTORS**



**MARKET SCANNER**

Market Update:

# Headwinds and Tailwinds Of Market Ahead



## SYNOPSIS:

Most of BFIs including the Development Banks have slashed FD rate even further. Much to surprise of most of the market participants, the quarterly review divulged by the NRB has brought about positive sentiment in the market as NRB has taken steps to stimulate lending by reducing the RWA and decreasing the policy rate. Furthermore, NRB has also taken steps to address the NPL problem by allowing BFIs including Microfinance institutions to restructure the bad performing loan. Owing to the above developments, the market responded in an exuberant manner and has risen by 128.53 pts to close at 1994.6 pts on the single week after the Q1 review was revealed to the public. However, we firmly believe that BFIs are likely to post weak financials in the 2nd quarter because of the NPL fiasco that still has not manifested to the fullest and the spread has contracted to 4% only. Should the index stay above the 2050 pts in the subsequent week, the market might witness an upward rally up to 2200 pts.

## Tailwinds:

1. The interest rate on FD is on the declining trend and is expected to continue to decline well until the end of Poush. This translates into lower lending rate to the prospective as well as existing loan seekers.
2. With the downward revision on Risk Weighted Assets in case of Real Estate and Margin Lending Loan above 50 lakhs, it will be relatively easy for BFIs to dole out real estate and margin lending loans to potential borrowers.
3. With the current CD ratio well below 81%, the market is flush with liquidity and it is only a matter of time before the lending starts to accelerate, thereby, fueling a rise in stock market.
4. Owing to massive increase in tourists' arrival, the Hotel sector is likely to post good financials in the Q2 and in the subsequent quarters as well.
5. Hydropower companies, that are highly levered, are also likely to enjoy the benefit of decline in interest cost and post good financials in the subsequent quarters.

6. Most importantly, NRB seems to have gone for the course correction. The downward revision in the policy rate (6.5% to 5.5%), bank rate (7.5% to 7%) and the laxation in terms of lending will definitely rekindle the optimism in the market. Moving forward, it is highly likely that the NRB will take liberal policy in order to revitalize the Nepalese economy.
7. 4 months' macroeconomic data revealed healthy macroeconomic situation of the country in terms of Balance of Payment in surplus of Rs 147.11 billion, Gross Foreign Exchange Reserve of 12.75 billion US Dollars, CPI-based inflation at 5.38% year on year basis, Remittance of NPR 4.77 Kharba, among others.

## Headwinds:

1. The NPL menace has not gone away. Despite the provision that allows restructuring, BFIs will have a tough time in the recovery and the NPL level is expected to remain sticky until the end of this FY.
2. Government has fallen short of meeting its revenue target and has been relying on internal debt to meet its expenditure.
3. The investment climate in the Nepalese economy has been adversely affected due to the controversy surrounding the possible exit of Axiata from Ncell. In the aftermath of this incident, it will be difficult for Nepal to bring in FDI within the country.
4. Regarding the tax dispute on the FPO issuance and bargain purchase on M&A, the Supreme Court verdict came against the favor of petitioner BFI's, requiring the parties undergoing such transaction (M&A, FPO issue, etc.) to pay more than Rs. 15 Arba to the government in the form of tax. This will undermine the confidence of investors and the upward potential of ailing BFI sector will be impacted.

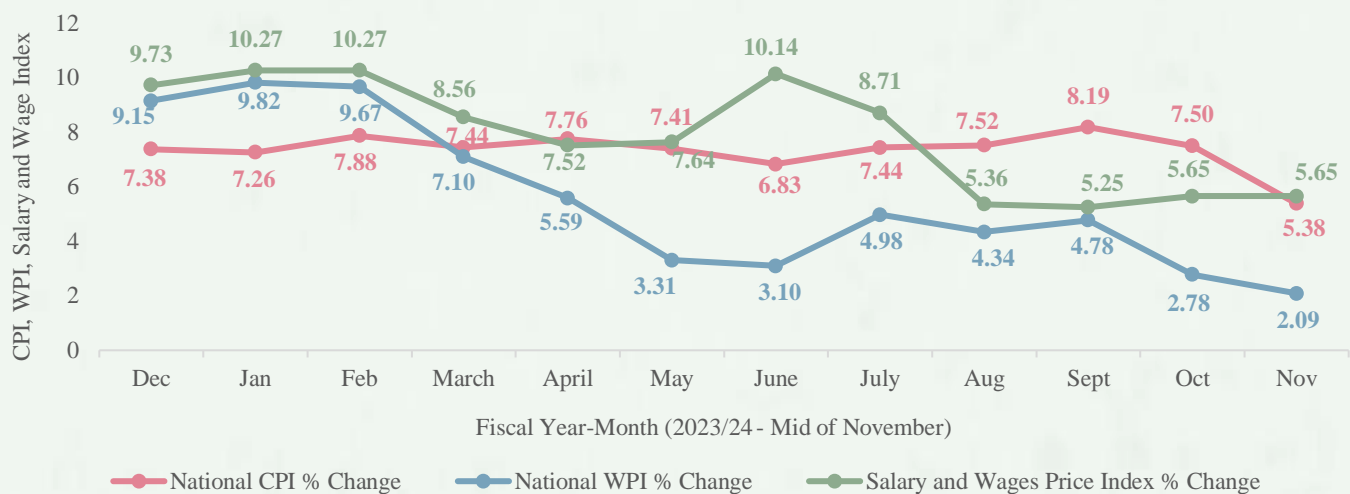
## Concluding Remark:

By and large, the banks have decreased the interest rate on FD for the 3rd time, which means that this has increased the possibility of further decline in the lending rate by BFIs. The challenge now for BFIs is to increase the 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 as Nepal has received remittance amounting to NPR 4.77 Kharba in the first four months of current fiscal. Similarly, the expected tourists arrival this year is expected to reach nearly 11 lakhs. With the positive quarterly review by NRB, 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. To conclude, the market might witness 2200 index point by the end of Poush.

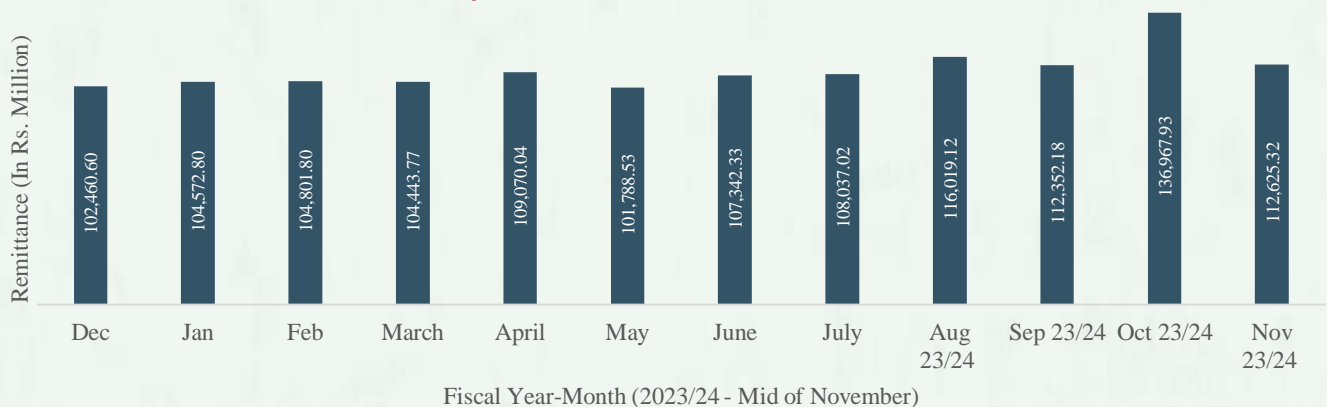
# WHERE DO THE FACTORS STAND?



## Inflation Rate (CPI) : 5.38%

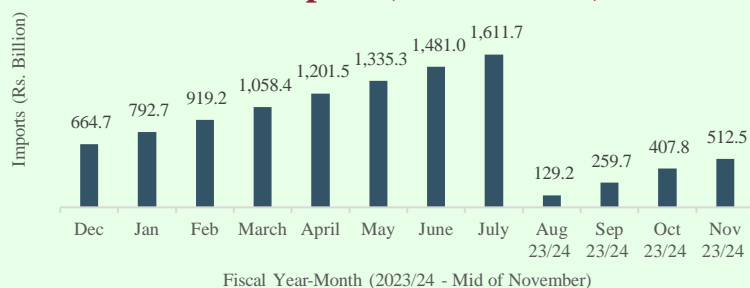
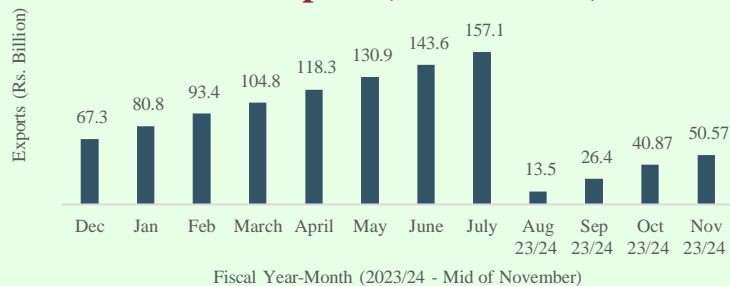
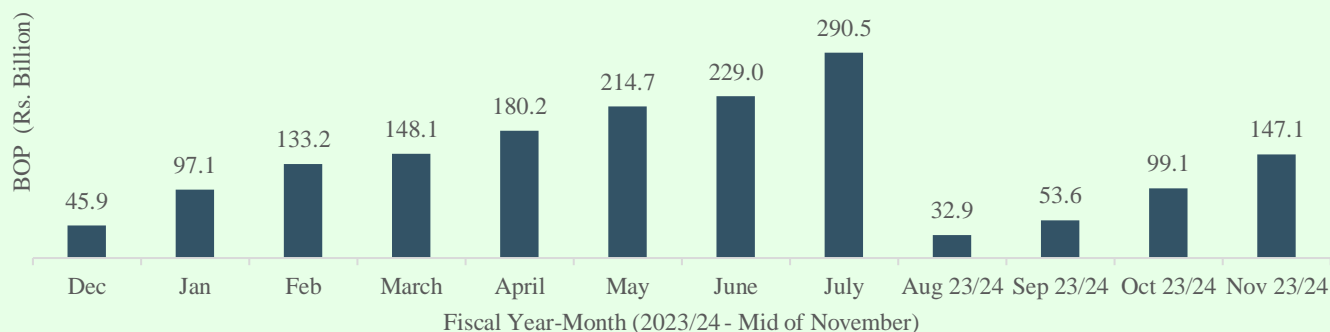


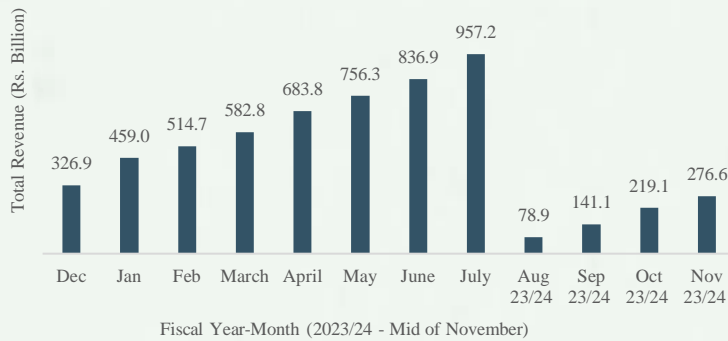
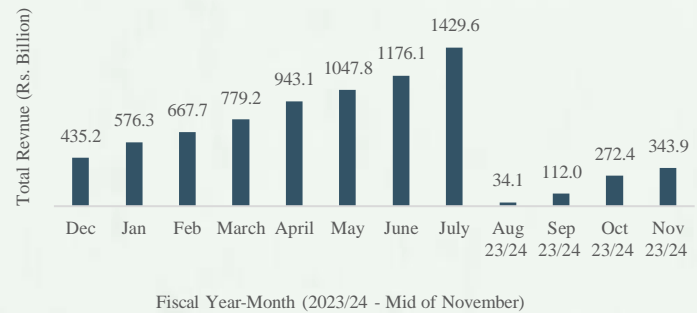
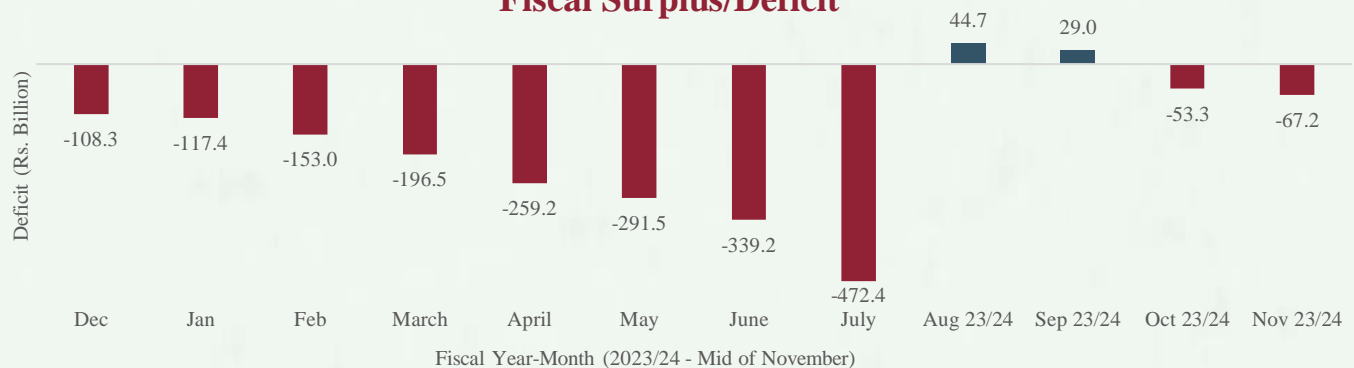
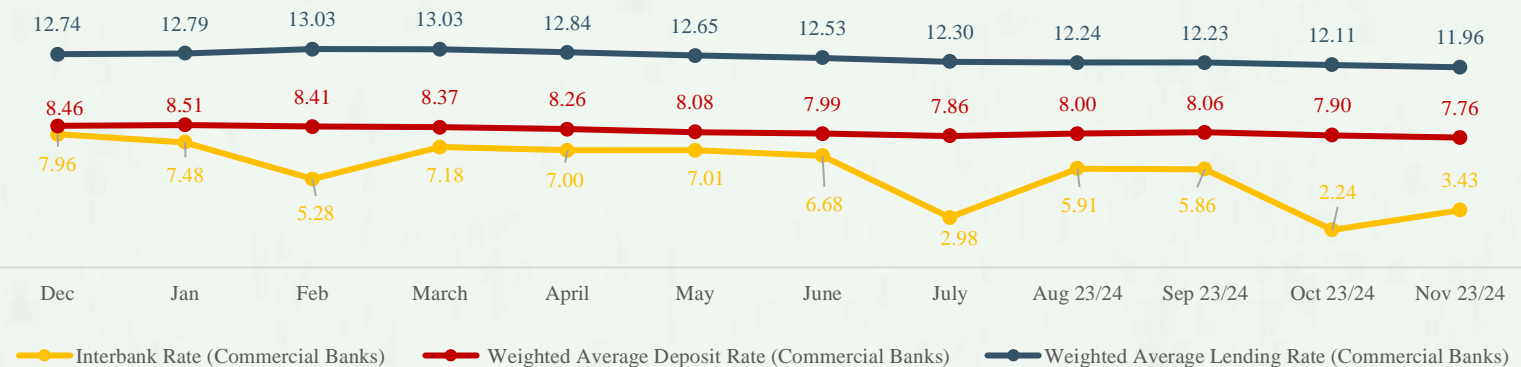
## Monthly Remittance Inflow : 26.4%



## Liquidity Indicators (As on 12<sup>th</sup> December 2023):

- ❖ BFI's Deposits: NPR. 5,989 billion
- ❖ BFI's Lending: NPR. 4,989 billion
- ❖ CD Ratio: 80.50%
- ❖ Inter-bank Interest Rate: 2.69%

**Total Import (-3.8% Y-o-Y)****Total Export (-7.7% Y-o-Y)****Trade Deficit****Balance of Payments (Surplus)****Gross Forex Reserve (+32% Y-o-Y)**

**Govt. Revenue****Govt. Expenditure****Fiscal Surplus/Deficit****Deposit (+14.3% Y-o-Y)****Credit /Lending(+4.4% Y-o-Y)****Market Interest Rates****Short-term Interest Rates (As on 12<sup>th</sup> December 2023):**

❖ 28 days: 1.75%

❖ 91 days: 3.31%

❖ 364 days: 4.72%

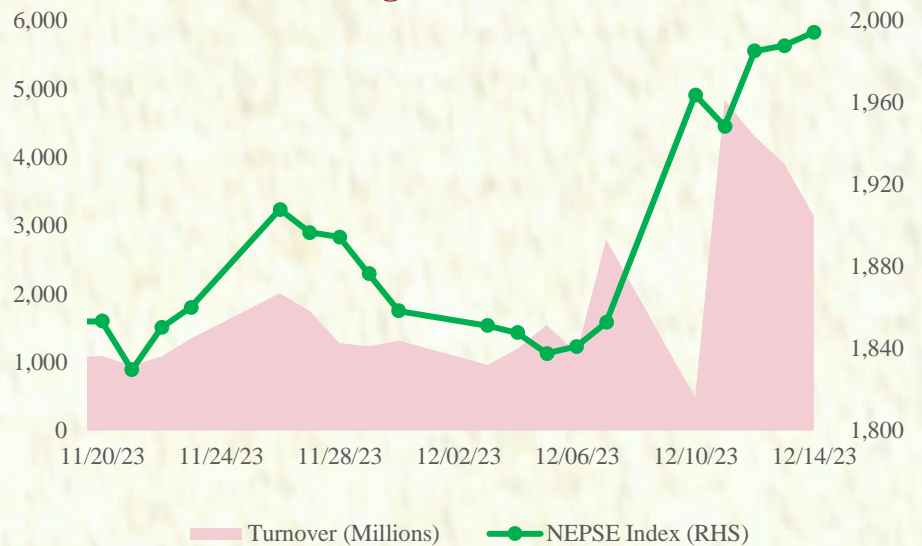


## Market Update:

# NEPSE SCANNER



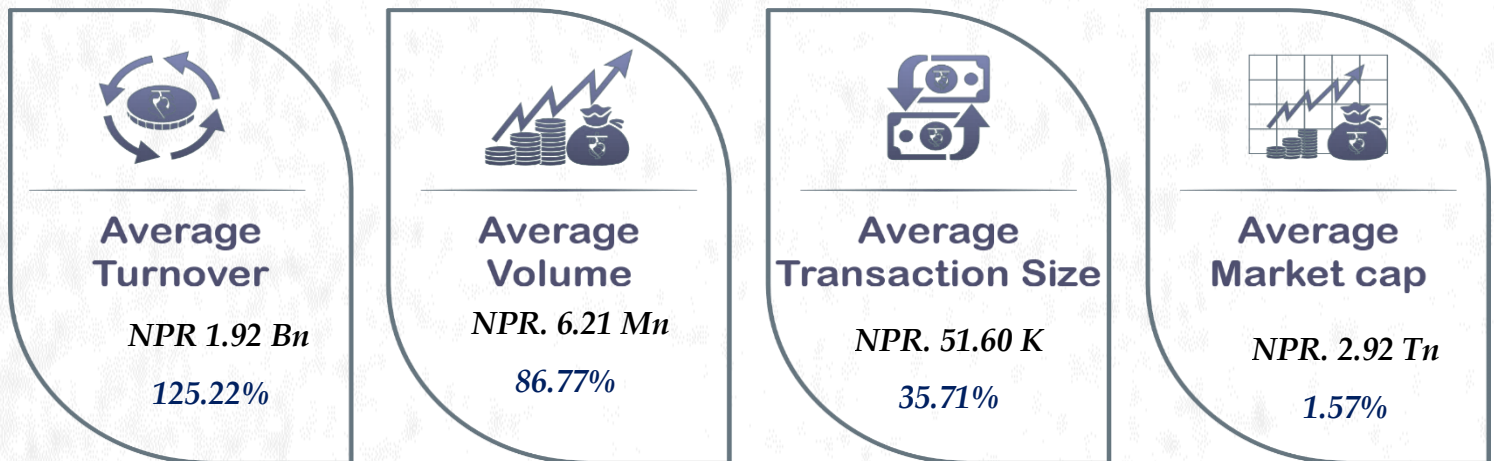
## Mangsir Performance



- NEPSE stood at 1,994.60 level from 1,852.08 (previous month end), gaining 142.52 points (7.70%); it peaked the high of 2,017.22 and bottomed the low of 1,816.40 in the review month.
- Sensitive, float, and sensitive float index simultaneously surged by 5.41%, 7.39%, and 5.18% respectively.
- By the Month end, the turnover, volumes and transaction size, all witnessed rise of massive 276.99%, 240.10% and 140.46% respectively as compared to the month end of previous period. Monthly average of these metrics computes to Rs. 1.92 billion (125.22%), Rs. 6.21 million (86.77%), and Rs. 51.60 thousand (35.71%) respectively.
- Market cap increased by 1.57% to Rs. 2.92 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 5.41% incline and the size of Float and Sensitive float market cap rose by 7.49% & 5.20% respectively.

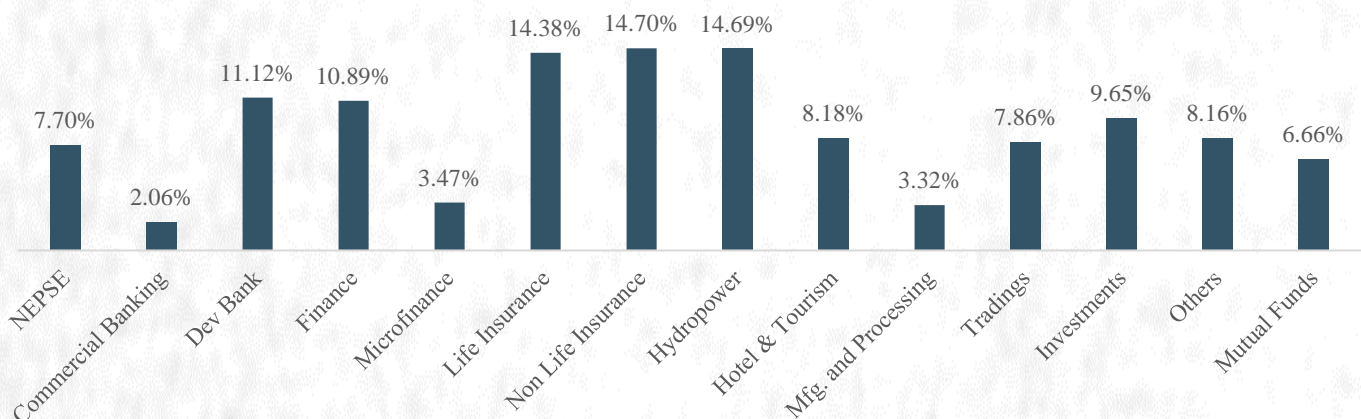
Metrics	14.12.23	09.11.23	Monthly Change
NEPSE	1,994.60	1,852.08	7.70%
Sensitive	376.36	357.04	5.41%
Float	137.53	128.07	7.39%
Sensitive Float	122.51	116.48	5.18%
Turnover (Million)	3,151.64	836.01	276.99%
Shares Volumes	9,637,455	2,833,731	240.10%
Total Transactions	66,955	27,845	140.46%
Total Scripts Traded	300	282	6.38%
Market Cap (Rs. Million)	3,076,523.83	2,853,013.95	7.83%
Sensitive Market Cap (Rs. Million)	1,147,612.36	1,088,683.90	5.41%
Float Market Cap (Rs. Million)	1,071,419.34	996,737.62	7.49%
Sensitive Float Market Cap (Rs. Million)	390,134.65	370,847.91	5.20%
Average Return	13.62%	11.99%	1.63%
Std. Deviation	24.10%	24.09%	0.01%
10 Day 10% VAR	-6.32%	-6.34%	0.02%
Market Cap / GDP Ratio	57.17%	53.02%	4.15%

- Avg. market return increased to 13.62% from 11.99%, Standard Deviation grew faintly to 24.10% (1 basis point rise) and 10-day 10% VAR stood at 6.32%.
- Market is under-valued as per Market capitalization to GDP ratio (Buffett Indicator).
- In the review period, market traded for only 19 days. Last month, number of trading days was 12.

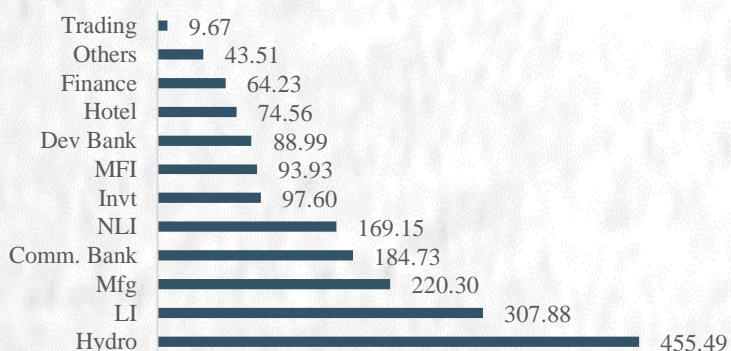


## SECTOR SCANNER

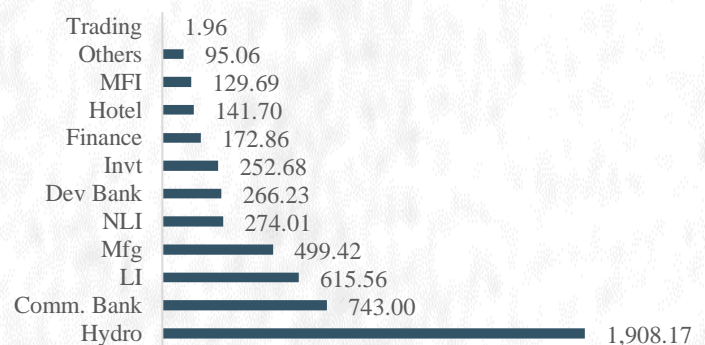
### Monthly Sectoral Performance



### Mangsir Avg. Turnover (Millions)



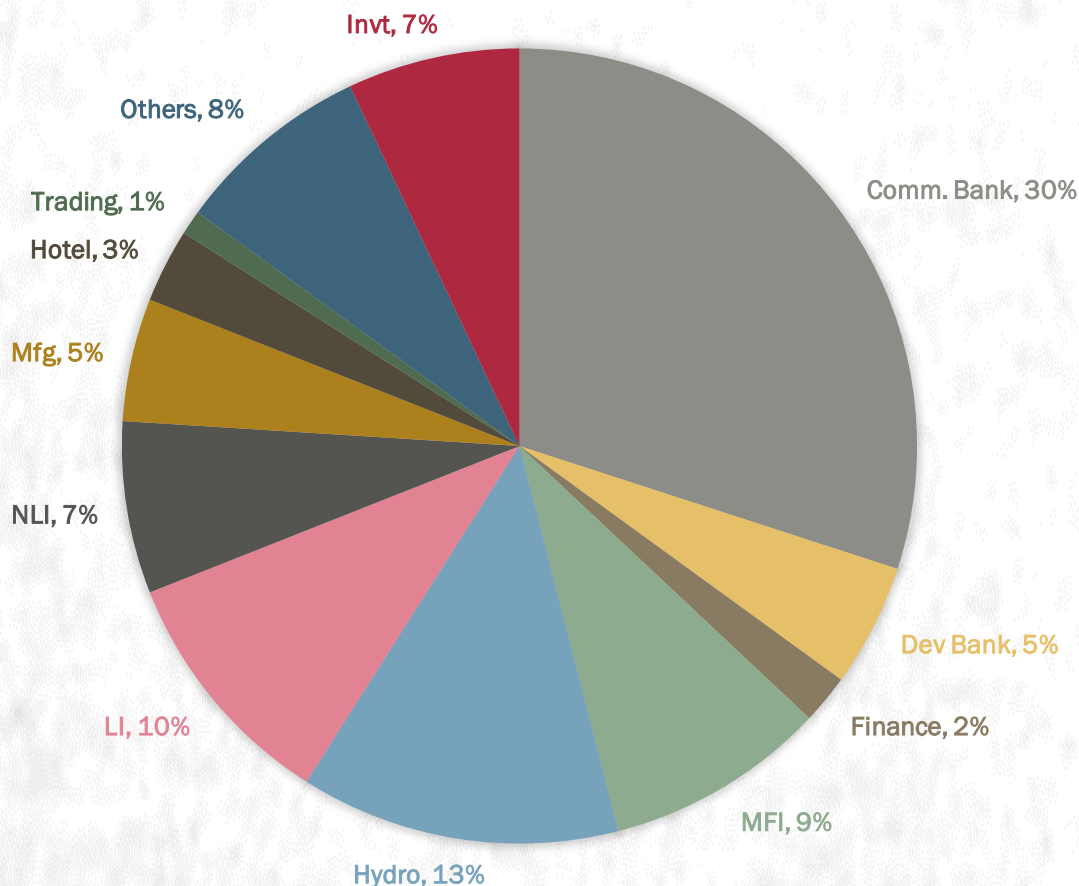
### Mangsir Avg. Volume ('000)





- All the 13 sectors closed green in the review period. Sectors that witnessed double digits growth are Non- Life Insurance (14.70%), Hydropower (14.69%), Life Insurance (14.38%), Development Banks (11.12%) and Finance Sectors (10.89%).
- Sectors such as Hydropower, Life Insurance and Manufacturing led the market in the month of Mangsir in terms of Turnover (22.90%, 16.06% and 12.49%) and Transaction size (31.93%, 21.66% and 16.09%). While in terms of Volumes, Hydropower, Commercial Banks and Life Insurance led by 31.56%, 11.64% and 10.55% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Kartik i.e. Thursday 28<sup>th</sup> Mangsir, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 46%, Commercial Bank alone 30%. Hydro and Microfinance has 13% and 9% coverage respectively. Insurance sector occupy 17% (Life – 10% and Non-Life – 7%). Trading sector has the least capitalization, *amounting approx. Rs.16.5 billion.*

### SECTORAL MARKET CAPITALIZATION

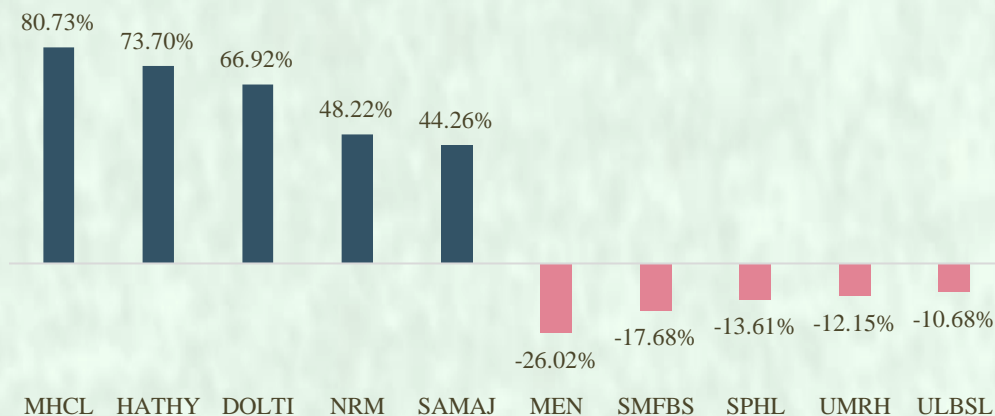


*“The most important quality for an investor is temperament, not intellect.”*

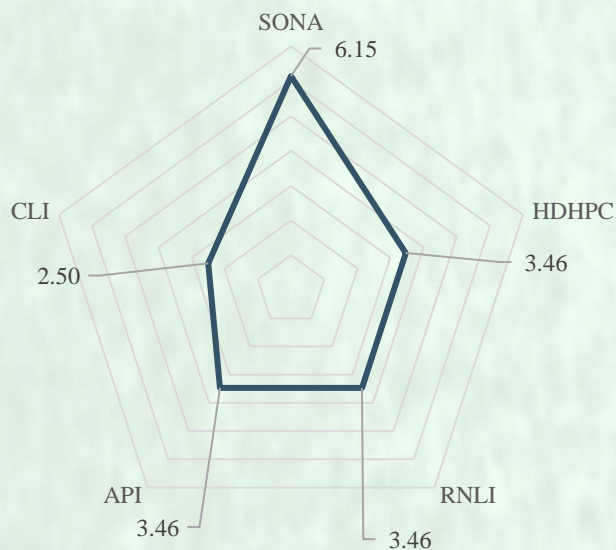
*- Warren buffett*

# STOCK SCANNER

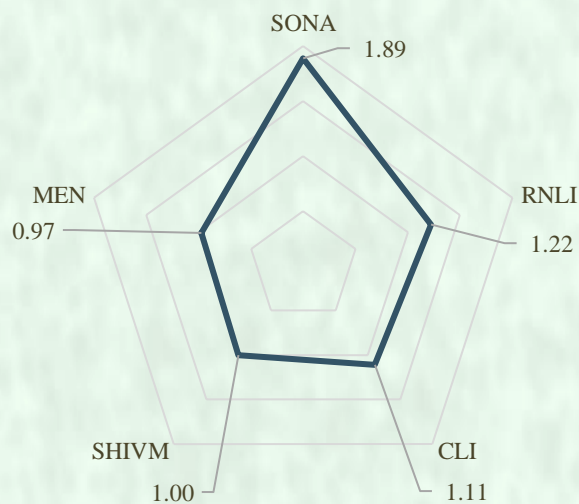
## Top 5 Gaining and Losing Stocks/Scripts



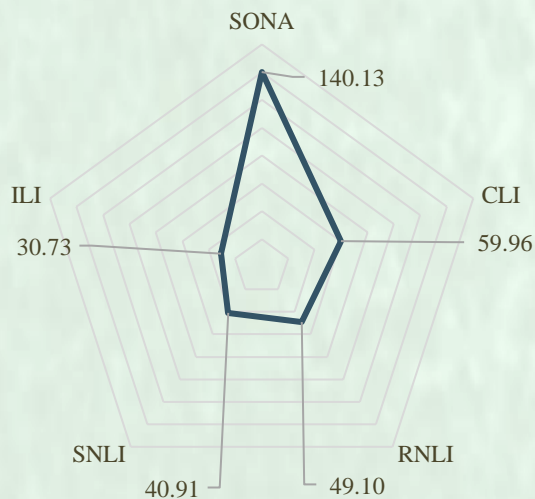
## Stocks with Highest Volume (Millions)



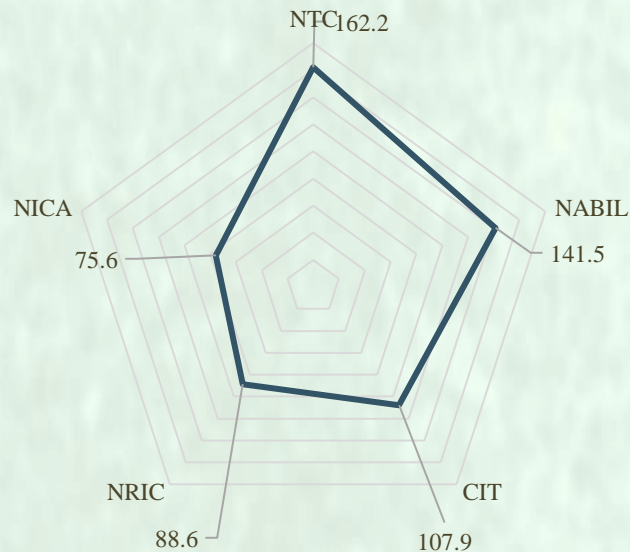
## Stocks with Highest Turnover (Billions)



## Stocks with Highest Transaction Size ('000)



## Stocks with Highest Market Cap. (Billions)



# TECHNICAL OUTLOOK...



Technical Indicator (14 <sup>th</sup> Dec.)	Value
RSI	67.98
MACD line	20.95
Signal line	2.54
Bollinger Upper Band	1998.00
Bollinger Middle Band	1889.56
Bollinger Lower Band	1781.12
ADX	27.51
Exp. Moving Avg. (9 Day)	1939.34
Exp. Moving Avg. (26 Day)	1905.52
Exp. Moving Avg. (50 Day)	1916.00
Exp. Moving Avg. (200 Day)	1797.84

## Technical Overview:

The continuous downtrend has been stopped within this month and the Falling Wedge pattern and downtrend line have finally been broken. The market did not create further new lower low, the new higher high chart pattern can be observed indicating a positive trend. This month, the market has increased by around 8% overall. Investor confidence has increased as a result of the NRB's decrease in RWA; as a result, the market even saw a 6% positive circuit in the NEPSE. Additionally, a major reversal in the market is indicated by the Bullish Marubozzo candle forming above the Bollinger Bands. In a similar vein, the market's strong bullish rise was indicated by the MACD line and Signal line beginning to trade above the positive zone.

The trading volume of the market has also drastically increased above the average volume. The increase in trading volume further support for the new bullish rally.



## *Key Bulletins of the Month*

1. NRB released the 1st quarterly review report of monetary policy FY 2080/81; Risk weight of real estate has been reduced and share mortgage for loan exceeding 50 lakhs lowered to 125% from 150%, BFI debentures to be considered as 100% resources till Poush 2080 and post that only 50% to be considered until Ashad 2081. Deposit grew by 14.9%, the interbank transaction rate dropped from 8.51% to 2.26% and bank loan rate declined from 7.5% to 7%.
2. NRB has eased rules for joint ventures preventing blacklisting of firms due to a partner's blacklist and introduced changes in loan guarantor rules mandating default property auction and a 90 days period for the guarantor to settle the amount before blacklisting.
3. The Government of Nepal and the Asian Development Bank (ADB) has signed an agreement for a concessional loan of Rs. 13.3 billion (USD 100 million) to support programs in Public Finance Management and Strengthening Service Delivery.
4. Nepal has received a FDI commitment worth Rs. 22.08 billion in the first four months of F.Y. 2080/81.
5. NRB has directed the companies that provide hire purchase loans to the customers to not charge any fees other than interest, set a penalty interest rate of up to 2%, and must take borrower's Permanent Account Number (PAN) for loans exceeding 25 lakhs.
6. The Government of Nepal has implemented a measure for businesses struggling with loan repayments to receive interest payment facilitation from NRB to support economic improvement.
7. NEPSE has directed the listed companies to update their financial information within three days of the end of the financial period.
8. SEBON introduced guidelines to enhance transparency, requiring companies to inform shareholders 30 days before the end of the lock-in period of shares held by promoter groups on NEPSE.
9. The German Government is set to provide Rs. 5.9 billion in grant assistance to Nepal, finalizing loan agreements from the World Bank, Saudi Arabia and the Indian government.
10. Axiata, the parent company of Ncell has divested its Ncell holding (i.e., 80% equity stake), incurring net loss of 3.763 billion due to the challenges in the economic condition of Nepal.
11. Non-life insurance companies have collected Rs. 12.75 billion premiums in the first four months of the F.Y. 2080/81, which is 6.15% decline from the previous F.Y. 2079/80.
12. NEPSE encountered a significant 6% surge in just a total of nine minutes and triggered a halt for the entire day on 10th December, 2023.



**Dividend Announced during the Month**

Company	Ticker	FY	Bonus (%)	Cash(%)
1. Mandakini Hydropower Limited	MHL	2079/80	4.75	0.25
2. Soaltee Hotel Limited	SHL	2079/80	5	26.57
3. Nepal Insurance Company Limited	NICL	2079/80	10	0.5
4. Lumbini Bikas Bank Limited	LBBL	2079/80	4	4.5
5. Chhimek Laghubitta Bittiya Sanstha Limited	CBBL	2079/80	5	10
6. Nabil Bank Limited	NABIL	2079/80	0	11
7. Aatmanirbhar Laghubitta Bittiya Sanstha Limited	ANLB	2079/80	10	5
8. Sana Kisan Laghubitta Bittiya Sanstha Limited	SKBBL	2079/80	14.25	0.75
9. Chilime Hydropower Company Limited	CHCL	2079.80	10	5
10. Himalayan Distillery Limited	HDL	2079/80	10	15

**Listing of IPO Shares in the Month of Review**

Company Name	Ticker	Sector
1. Trishuli Jal Vidhyut Company Limited	TVCL	Hydropower
2. Muktinath Krishi Company Limited	MKCL	Others

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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.*

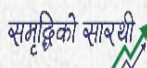
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