



# THE ANALYTICS

## MONTHLY GARIMA INSIGHT

POUSH 2080  
(17 DECEMBER 2023 - 14 JANUARY 2024)  
VOL: 2, ISSUE: 6



Headwinds and Tailwinds  
of Market Ahead



NEPSE SCANNER



MACROECONOMIC  
FACTORS



MARKET SCANNER

Market Update:

# Headwinds and Tailwinds Of Market Ahead



## SYNOPSIS:

With NICA taking the lead by slashing off the interest rate, the rest of the banks have followed suit. The market was unable to break above 2050 index point because of the selling pressure witnessed in the month of Poush. With the end of Poush selling pressure, we can be certain that the market is likely to touch 2200 index point effortlessly. This is consolidated by the fact that market witnessed a volume of more than 25 arba during the last week of Poush with Hydropower sector posting a remarkable volume. However, we firmly believe that BFI's 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 BFI's post decent financials, breaking the 2200 index points might not be that big of an ordeal, particularly, given the fact that the market has already tested the resistance zone of 2200 more than three times in the last 2 years.

## Tailwinds:

1. NICA was first bank to announce the reduced FD rate for the month of Magh. The interest rate on FD is on the declining trend and is expected to continue declining well until the End of Magh. This translates into lower lending rate to the prospective as well as existing loan seekers.
2. The lending seems to be on the rise as the lending amount has increased by 36 arba in the month of Poush versus the rise in Deposit which has increased by 58 arba. The reduction in the Risk Weighted Assets in case of Real Estate and Margin Lending Loan above 50 lakhs might have boosted the lending in the recent times.
3. With the current CD ratio well below 80%, 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. There has been a sharp Year-on-Year rise in the cumulative revenue figure until the month of Poush. With an increase of 11.18% on YoY basis, the government seems to be prioritizing revenue collection in order to meet its ambitious expenditure target.
7. 5 months NRN data (YoY % change):
  - Remittance – 27.63%
  - Monthly Tourists Arrival – 42.15%
  - Deposit Collection – 15.10%

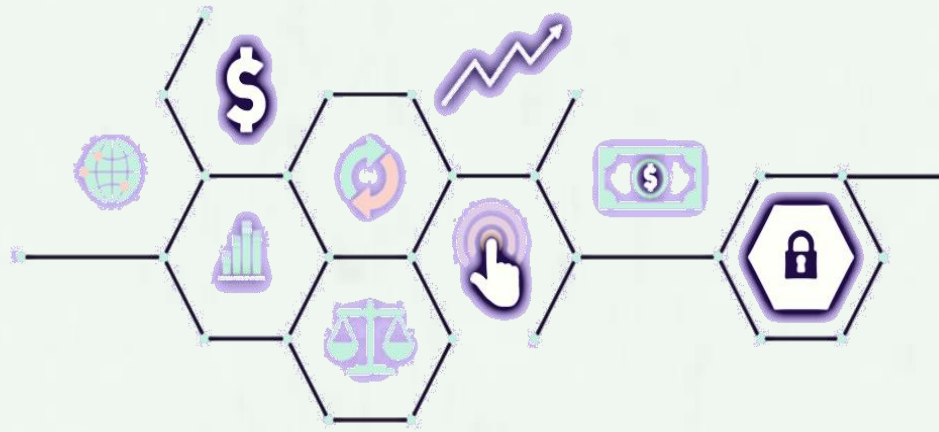
## Headwinds:

1. Owing to the excess liquidity in the system, the central bank has already withdrawn Rs 105 arba in Poush alone.
2. 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.
3. Although the revenue collection in the month of Poush has been encouraging, Government has fallen short of meeting its revenue target and has been relying on internal debt to meet its expenditure.
4. The investment climate in the Nepalese economy has been adversely affected due to the controversy surrounding the possible exit of Axiata from N-cell. In the aftermath of this incident, it will be difficult for Nepal to bring in FDI within the country.
5. Based on the recent court's hearing regarding the issue pertaining to the tax on FPO issuance and merger bargain purchase, the affected parties should 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.

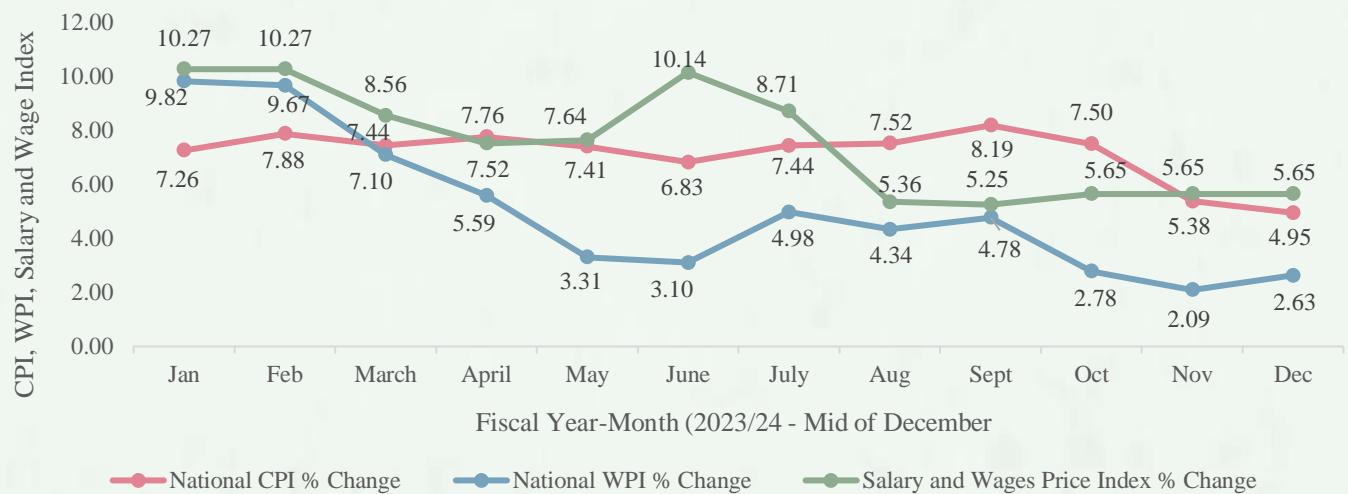
## Concluding Remark:

By and large, most of the BFI's have decreased the interest rate on FD for the 4th time, which means that this has increased the possibility of making additional 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 Rs. 613 arba in the first five months. 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 is not grow beyond this level.

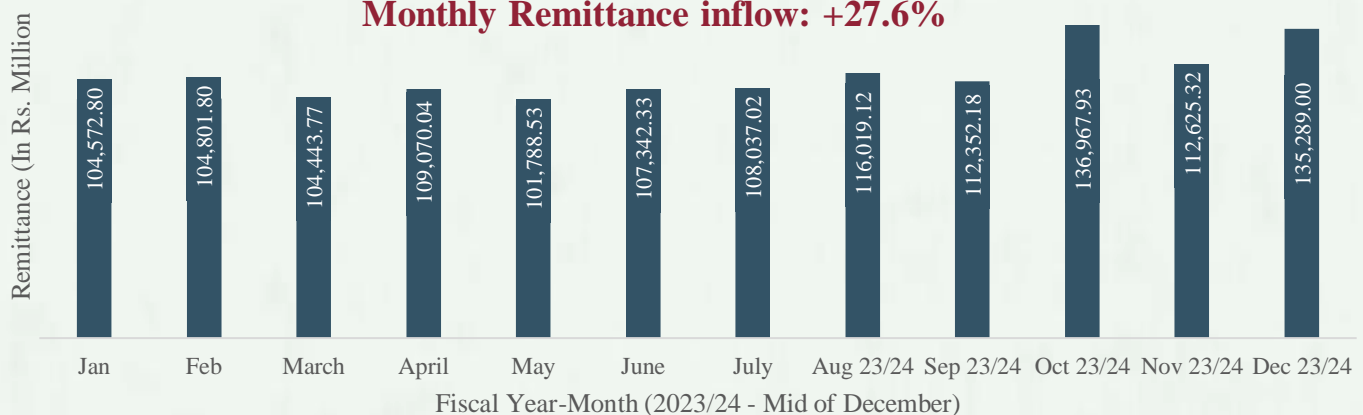
# WHERE DO THE FACTORS STAND?



## Inflation Rate (CPI): 4.95%

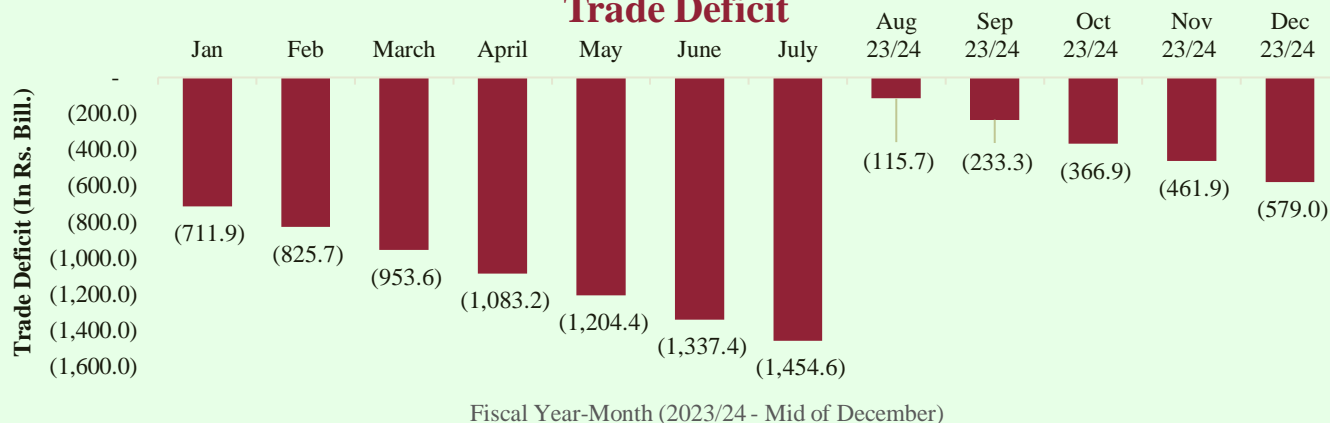
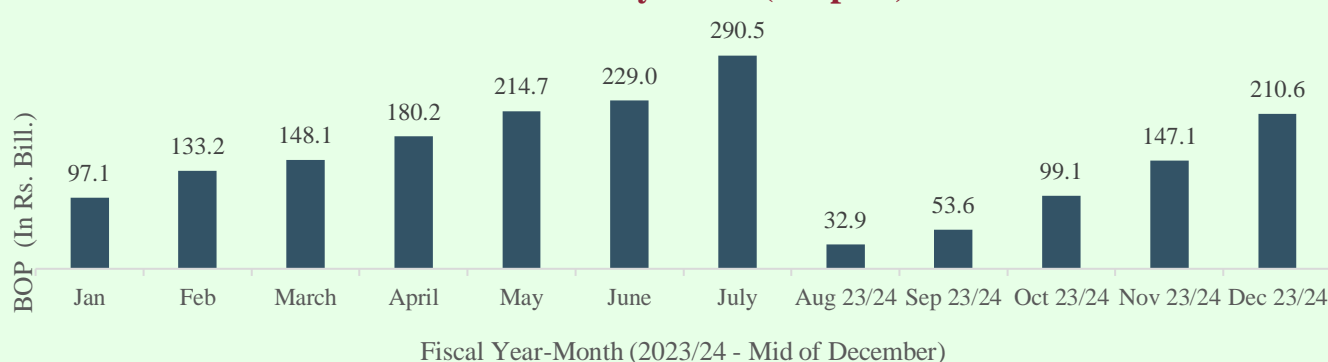
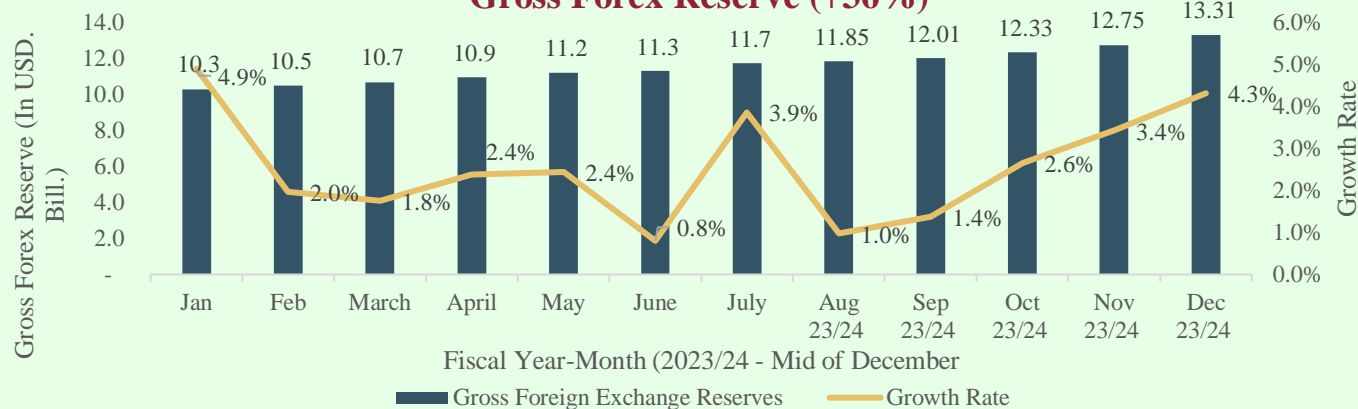


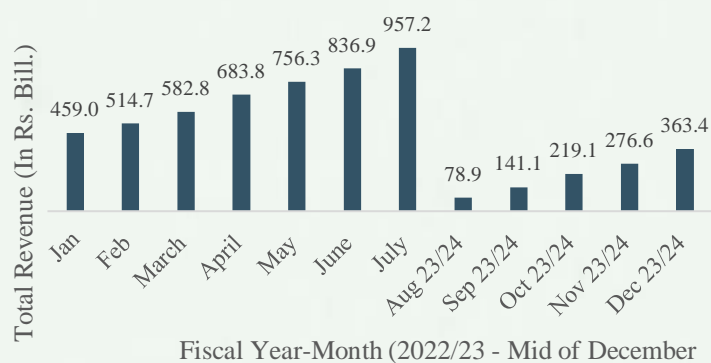
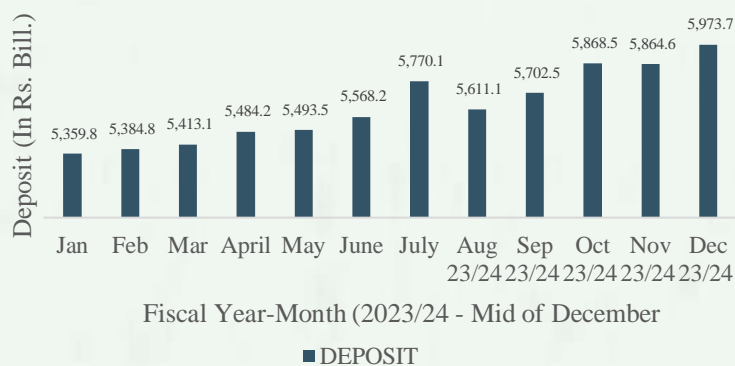
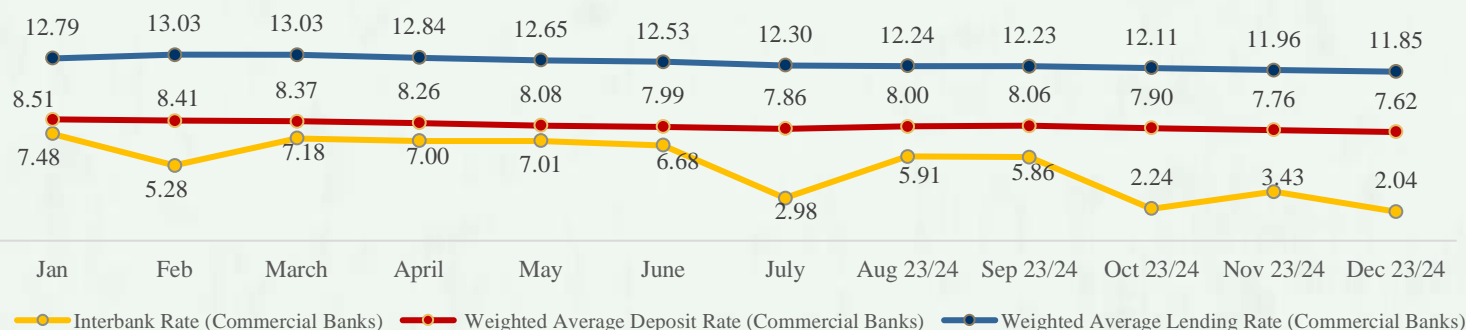
## Monthly Remittance inflow: +27.6%



## Liquidity Indicators (As on 14<sup>th</sup> January 2024):

- ❖ BFI's Deposits: NPR. 6,085 billion
- ❖ BFI's Lending: NPR. 5,042 billion
- ❖ CD Ratio: 80.10%
- ❖ Inter-bank Interest Rate: 2.68%

**Total Import (-3.4% Y-o-Y)****Total Export (-6.1% Y-o-Y)****Trade Deficit****Balance of Payments (Surplus)****Gross Forex Reserve (+36%)**

**Govt. Revenue****Govt. Expenditure****Fiscal Surplus/Deficit****Deposit (+15% Y-O-Y)****Credit /Lending(+4.5% Y-O-Y)****Market Interest Rates****Short-term Interest Rates (As on 14<sup>th</sup> January 2024):**

❖ 28 days: 3.21%

❖ 91 days: 3.44%

❖ 364 days: 4.45%



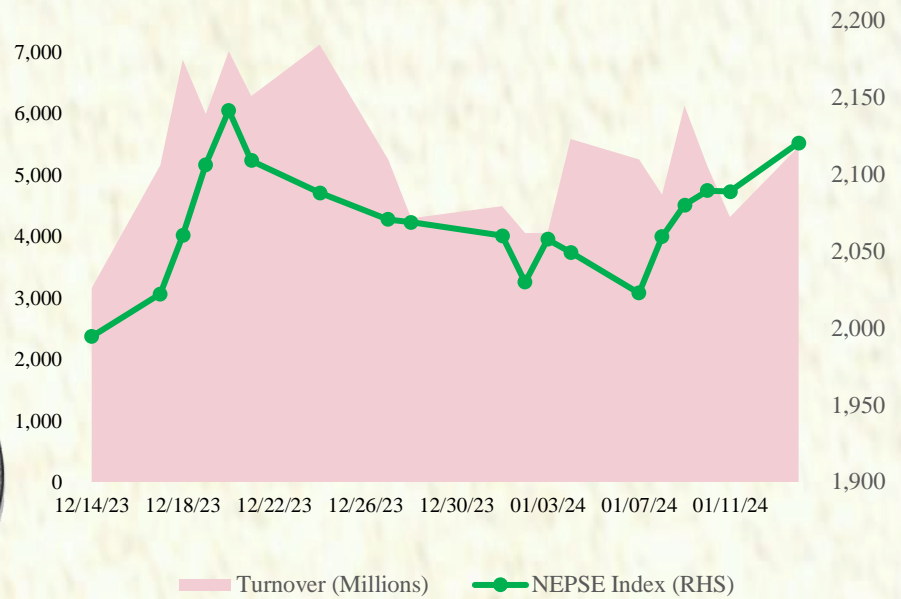
# Market Update:

# NEPSE

# SCANNER



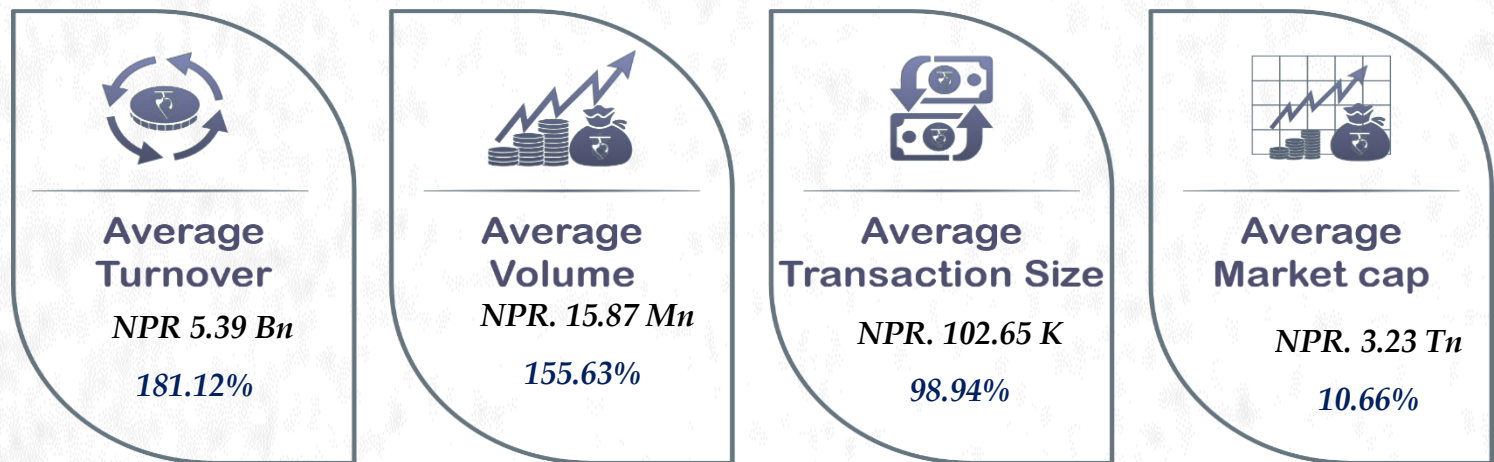
## Poush Performance



Metrics	14.01.24	14.12.23	Monthly Change
NEPSE	2,120.62	1,994.60	6.32%
Sensitive	388.17	376.36	3.14%
Float	145.64	137.53	5.90%
Sensitive Float	128.25	122.51	4.69%
Turnover (Million)	5,450.42	3,151.64	72.94%
Shares Volumes	16,605,234	9,637,455	72.30%
Total Transactions	94,526	66,955	41.18%
Total Scrips Traded	314	300	4.67%
Market Cap (Rs. Million)	3,330,750.06	3,076,523.83	8.26%
Sensitive Mrkt. Cap (Rs. Mn)	1,183,593.43	1,147,612.36	3.14%
Float Market Cap (Rs. Mn)	1,150,136.31	1,071,419.34	7.35%
Sens. Float Mrkt. Cap (Rs.Mn)	409,030.7	390,134.65	4.84%
Average Return	14.88%	13.62%	1.26%
Std. Deviation	24.01%	24.10%	-0.09%
10 Day 10% VAR	-6.28%	-6.32%	0.04%
Market Cap / GDP Ratio	61.89%	57.17%	4.72%

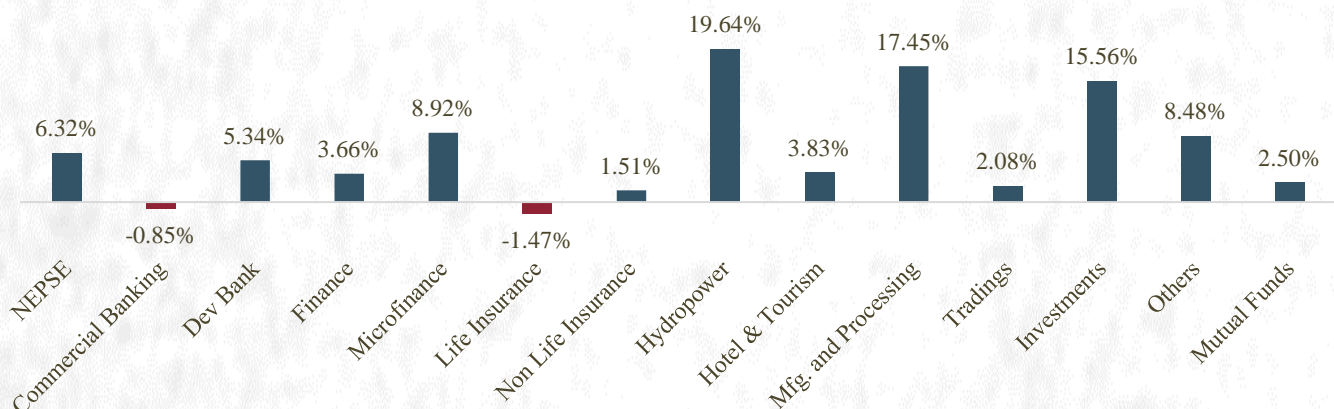
- NEPSE rose to 2,120.62 level from 1,994.60 (previous month end), gaining 126 points (6.32%); it peaked the high of 2,154.51 and bottomed the low of 1,951.02 in the review month.
- Sensitive, float, and sensitive float index surged by 3.14%, 5.90%, and 4.69% respectively.
- By the Month end, the turnover, volumes and transaction size, all witnessed rise of massive 72.94%, 72.30% and 41.18% respectively as compared to the previous month end. Monthly average of these metrics computes to Rs. 5.39 billion (181.12%), Rs. 15.86 million (155.63%), and Rs. 102.65 thousand (98.94%) respectively.
- Market cap increased by 10.66% to Rs. 3. 22 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 7.07% incline and the size of Float market cap and Sensitive float market cap rose by 9.67% & 7.96% respectively.

- Avg. market return increased to 14.88% from 13.62%, Standard Deviation saw meagre fall to 24.01% (9 basis point fall) and 10-day 10% VAR stood at 6.28%.
- Market is still under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 61.89%.
- In the review period, market traded for only 18 days. Last month, number of trading days was 19.

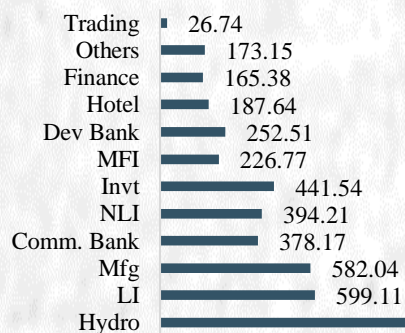


## SECTOR SCANNER

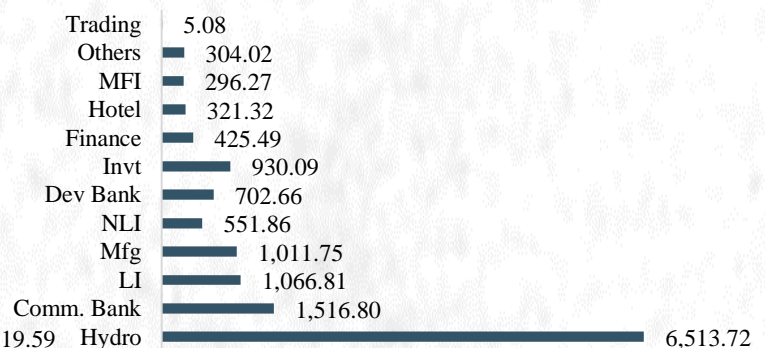
### Monthly Sectoral Performance



### Pouch Avg. Turnover (Millions)



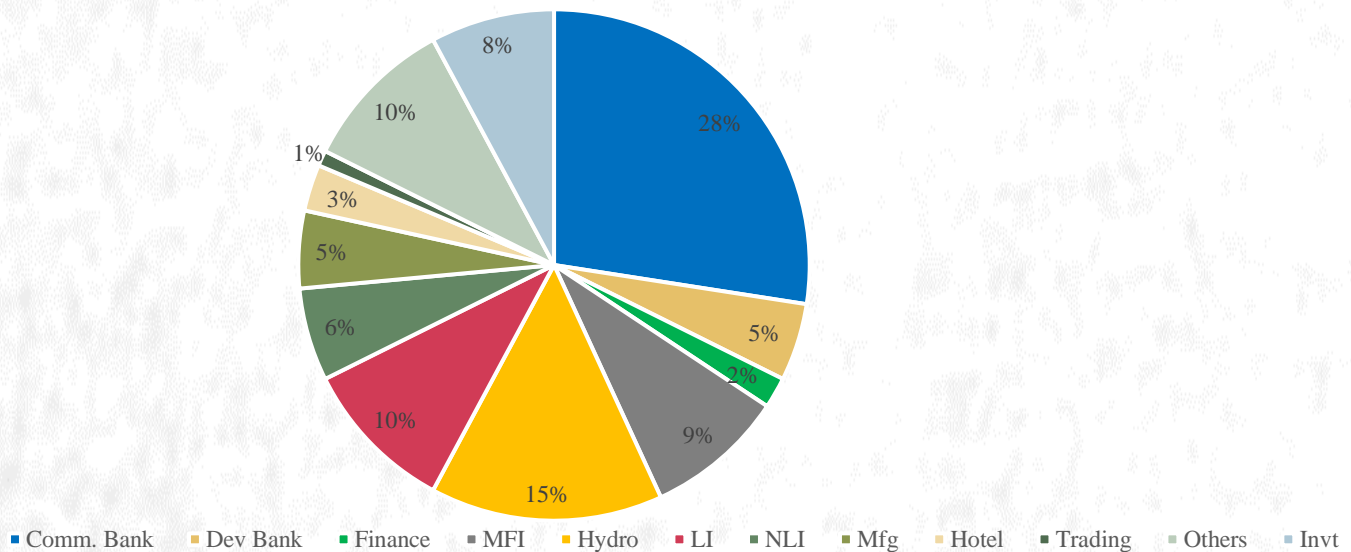
### Pouch Avg. Volume ('000)





- Except Commercial Bank (-0.85%) and Life Insurance (-1.47%), all the other 11 sectors gained in the review period. Sectors that witnessed double digits growth are Hydropower (+19.64%), Manufacturing and Processing (+17.45%), and Investment (+15.56%). Microfinance and Others sectors also made decent gain of 8.92% and 8.48% respectively.
- Hydropower sector recorded the highest Turnover (Rs.) and Transactions size in all trading days of the month making an average of 34.89% and 42.79% respectively. In case of Turnover (volumes) Hydropower sector, except on one occasion ranking 2<sup>nd</sup>, traded the highest with an average of 47.59%. Both Life Insurance sector and Manufacturing & Processing sector made the notable Turnover (Rs.) of average 11.47% and 11.06% respectively while their average Transaction size was 13.89% and 11.59% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Poush i.e. Sunday 29<sup>th</sup> Poush, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 45%, Commercial Bank alone 28%. Hydro and Hotel has 15% and 3% coverage respectively. Insurance sector occupy 16% (Life - 10% and Non-Life -

### SECTORAL MARKET CAPITALIZATION

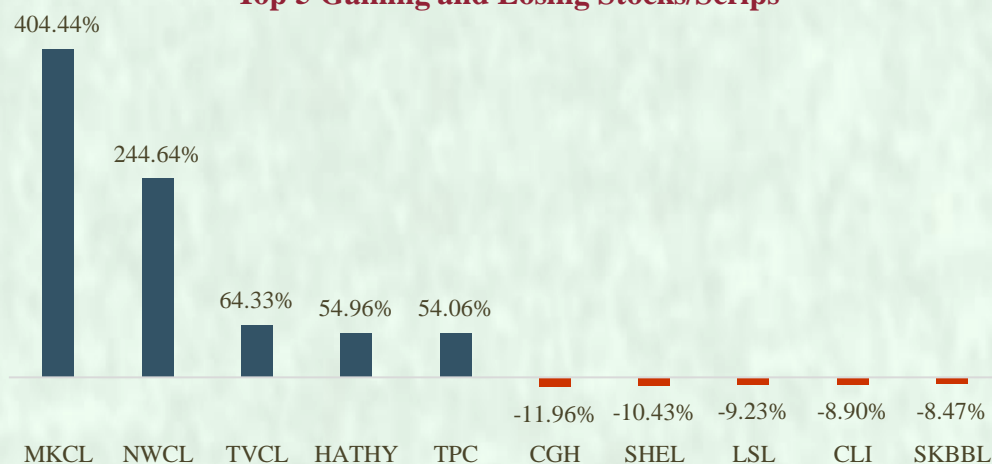


### Monthly Terminology:

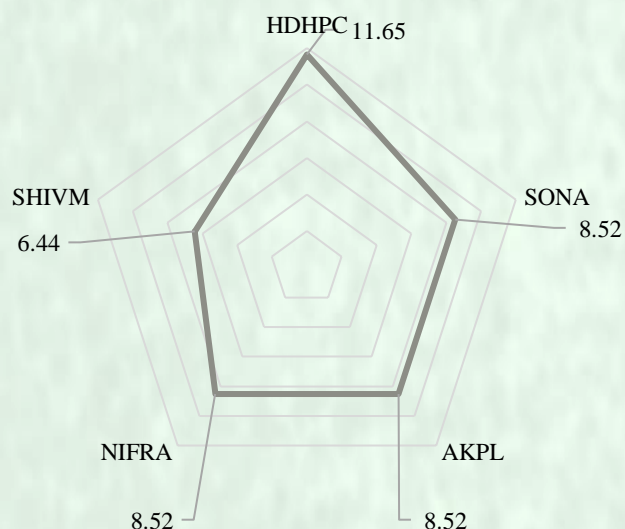
***“Elephant Hunting is a term in finance that refers to the pursuit of large, high-value deals or investment, often in the context of mergers and acquisitions. Companies or investors engaged in elephant hunting are actively seeking significant transactions or acquisitions involving large and prominent targets, typically with the aim of making substantial gains, expanding market share, or achieving strategic objectives on a significant scale.”***

# STOCK SCANNER

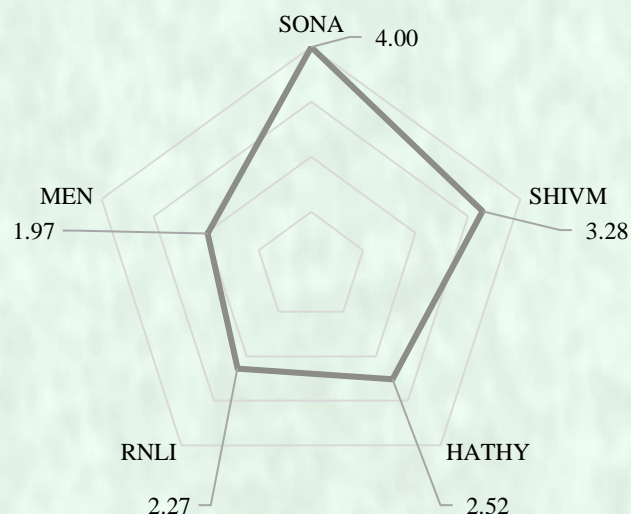
## Top 5 Gaining and Losing Stocks/Scripts



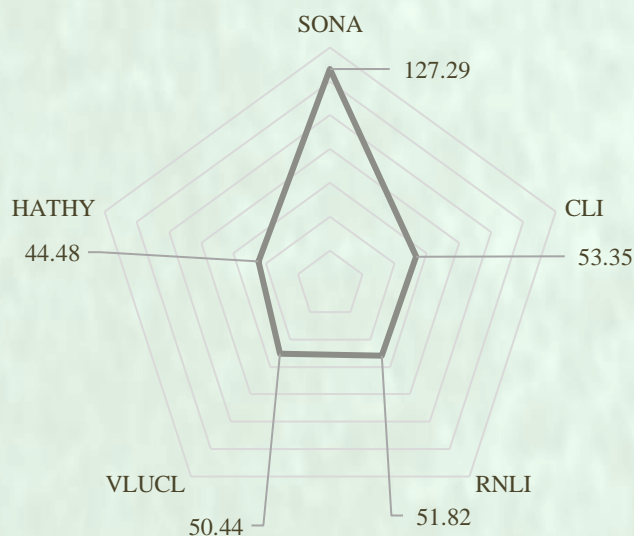
## Stocks with Highest Volume (Millions)



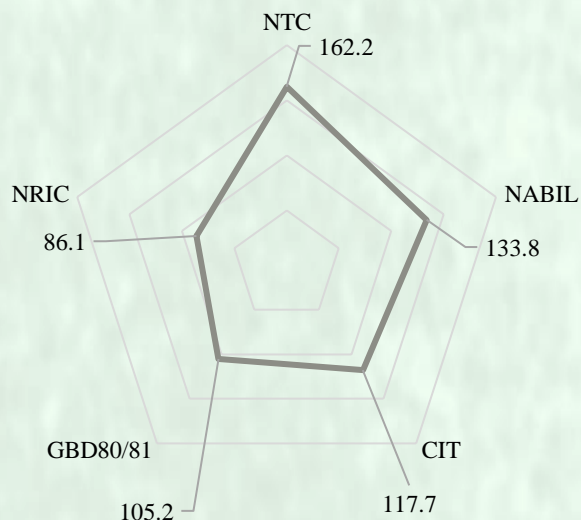
## Stocks with Highest Turnover (Billions)



## Stocks with Highest Transaction Size ('000)



## Stocks with Highest Market Cap. (Billions)





# TECHNICAL OUTLOOK...



Technical Indicator (14 <sup>th</sup> Jan.)	Value
RSI	66.64
MACD line	38.22
Signal line	38.95
Bollinger Upper Band	2143.87
Bollinger Middle Band	2065.50
Bollinger Lower Band	1991.13
ADX	34.01
Exp. Moving Avg. (9 Day)	2078.51
Exp. Moving Avg. (26 Day)	2032.43
Exp. Moving Avg. (50 Day)	1997.14
Exp. Moving Avg. (200 Day)	1994.61

## Technical Overview:

Market continued its upward trend in the review month, breaking the strong resistance level of 2060-80 in the last trading day of month. It closed with a hope of further bull run as pictured by the potential MACD crossover and higher ADX value, although RSI is at oversold region. It traded above the middle Bollinger band in all trading days of Poush. The bullish outlook is more evident by the crossover of 200D EMA (1995.59) by 50D EMA (1997.14) on the last trading day. NEPSE Index is also above the 9D EMA (2078.51) and 26D EMA (2032.43), indicating the bullish momentum. The review month witness the significant rise of volumes (average: 5.4 billion). Moving forward, our Fib. Retracement depicts the immediate resistance level of 2150 and 2240 while the support level 2080 and 2030.

The situation of downward sloping interest rates with surplus liquidity in market, improvement of economic indicators and bankings assets, etc. can be attributed to have rewarded the market. We believe the market to steadily find its upward momentum with the corrections in the process.

## *Key Bulletins of the Month*

1. Commercial Banks slashed interest rate on both Institutional and Individual Fixed Deposits for the month of Magh to single digit; interest rate on Institutional FD now range 7% to 4.50% while interest rate on Individual FD range 9.15% to 7%.
2. Public compnaies in rush to held the AGM of the FY 2079/80.
3. Over the dispute between NEA and the Industires regarding payment of long outstanding electricity tariffs related to dedicated and trunk line by the later, NEA has proposed the payment on a five years installment period.
4. The tenure of Ramesh Kumar Hamal as the Chairman of Securities Board of Nepal ended on 20<sup>th</sup> Poush 2080.
5. Nepal inked an agreement with India to export 10,000 MW of electricity in over 10 years under the long-term inter-governmental power trade agreement.
6. Nepal and India inked an agreement allowing the Indian Embessy to directly invest upto Rs.200 million on the High Impact Community Development Project (HICDP) of Nepal.
7. Nepal Insurance Authority (NIA) through the revision to the Investmnet Guidelines, increased the investment limit of the insurance companies, enabling them to acquire upto 15% shares of the public company (previoysly 5%). Further, insurance companies can now invest upto 1.5% of total investment size in the specialized funds like Private equity funds, Venture capital funds, etc.
8. In matters to the issue of IPO at premiums, the Parliamentary Committee stepped in with several directions such as; instructions to the CIAA to investigate the financial transactions of, now former, Chairman Ramesh Kumar Hamal, urges NIA to reconcile conflicts between Insurance Act and BAFIA, directs the MoF, Company Registrar, and SEBON expidite IPO process for companies with over Rs. 5 Arba in capital, instruct SEBON to manage at least one-third of shares held by promoters.
9. NRB revised down the interest rate corridor: Bank rate 7%, Repo Rate 5.5%, and Deposit Collectio Rate 3%; allowed BFI's to restructure the debt upto Rs.5 crores by end of Chaitra 2080 after collection of atleast 10% interest and making 5% loan loss provision.

### Dividend Announced during the Month

Company	Ticker	FY	Bonus (%)	Cash(%)
1. Salt Trading Corporation Limited	STC	2079/80	15	0.79
2. Reliable Nepal Life Insurance Limited	RNLI	2079/80	16	0.84
3. Himalayan Everest Insurance Limited	HEI	2079/80	8.63	6.37
4. Mountain Energy Nepal Limited	MEN	2079/80	15	0.7895
5. Ghorahi Cement Industry Limited	GCIL	2079/80	15	-
6. Nepal Doorsanchar Company Limited	NTC	2079/80	-	40
7. Hathway Investment Nepal Limited	HATHY	2079.80	10	0.526
8. Shivam Cements Limited	SHIVM	2079/80	14.25	0.75



## Listing of IPO Shares in the Month of Review

Company Name	Ticker	Sector
1. Himalayan Reinsurance Limited	HRL	Others
2. Vision Lumbini Urja Company Limited	VLUCL	Hydropowers
3. Chirikhwa Hydropower Limited	CKHL	Hydropowers
4. Nepal Warehousing Company Limited	NWCL	Others
5. Prabhu Mahalaxmi Life Insurance Limited	PMLI	Life Insurance

## Existing / Upcoming Investment Events

S.N	Company Name	Issue To	Open Date	Close Date	Issue Units	Issue Price
1.	Sarbottam Cement Limited	Local	2024/01/10	2024/01/24	930,000	360.90
2.	Sarbottam Cement Limited	Migrant	2024/01/10	2024/01/24	267,000	360.90
3.	Sarbottam Cement Limited	Public	Coming Soon		3,600,000	360.90

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