



# THE ANALYTICS

## GARIMA MONTHLY INSIGHT

ASHWIN 2081  
(17 SEPTEMBER 2024 - 16 OCTOBER 2024)  
VOL: 3, ISSUE: 3



Macroeconomic  
Factors



Market Ahead



NEPSE Scanner



Market Scanner

## Market Update:

In the review month, NEPSE index climbed by 162.12 points from 2580.76 to 2742.88 inkling the potential end of correction phase. Market capitalization increased by 6.28%. However, turnover, share volumes and transaction size fell by 23.12%, 22.49% and 29.06% respectively indicating weaker buying interest among market participants, lack of strong momentum in upward movement and cautious sentiment of investors. Number of scrips traded surged by 2.56%. Market traded for 16 days only owing to the Dashain festival.

Organic market that factors the rationale fundamentals grow on its own pace along with the corrections but no significant volatility. Despite the fundamentals being in favor of market, market was immobile. But the appointment of Mr. Bishnu Prasad Paudel as the Finance Minister brought an abrupt up market reaction. The factor was more psychologically driven, which tends to be short-lived unless fueled by fundamentals that keep alive such psychology. Market is likely waiting the strong fundamentals that greatly boost the investors confidence.

NRB has released two- months CME and Financial Situation Report of Nepal till Bhadra 2081. It has also published financial performance of BFI till the same period. While commercial banks have reported the revised interest rate for the month of Kartik. The important outcomes of these fundamental events are outlined in points below:

1. The total net profit of commercial banks amounts to Rs. 17.69 Arba, with Nabil Bank leading with a net profit of Rs. 1.66 Arba, while Machhapuchchhre Bank posted the lowest profit at Rs. 39.24 Crores.
2. The development banking sector reported a total net profit of Rs. 1.64 Arba, with six out of 17 development banks posting losses. Muktinath Bikas Bank recorded the highest profit at Rs. 32.58 Crores, while Corporate Development Bank had the lowest profit at Rs. 38.8 Lakhs. NABBC, SAPDBL, SINDU, KRBL, MDB, and EDBL reported net losses for the month.
3. The finance sector achieved a total net profit of Rs. 36.43 crores, with ICFC Finance leading the way with a notable Rs. 8.57 crores. In contrast, Pokhara Finance and Nepal Finance reported modest profits of Rs. 20.2 lakhs and Rs. 10.3 lakhs, respectively. BFC and SFCL, however, posted net losses for the period.



4. Commercial banks have revised their fixed deposit (FD) interest rates for Kartik, showing a combination of reductions and increases. The average FD rate now stands at 6.21% for individuals and 4.94% for institutions, down from 6.42% and 5.13%, respectively, in the previous month. Among 20 banks, 10 have lowered their rates, 9 have kept them unchanged, and 1 has increased its rate. ADBL and SCB offer the lowest institutional FD rate at 3.75%, while CZBI offers the lowest individual FD rate at 5.75%. NICA has the highest institutional FD rate, and MBL offers the highest individual FD rate, both at 7.00%. These reductions indicate an excess of liquidity in the banking sector.
5. The government has collected Rs. 219.68 billion in revenue during the first quarter of the current fiscal year 2081/82, which represents only 17.49% of its annual target of Rs. 1.419 trillion.
6. BFIs extended Rs. 9.67 billion in share-backed loans during the first two months of the current fiscal year, compared to Rs. 90.09 billion by the end of the previous fiscal year 2080/81.
7. The average interest rate on loans from Nepal's commercial banks has fallen to 9.68%, a decrease of 20.91% over the past year, down from 12.24%, marking the lowest rate in nearly three years.
8. The long delay in formal appointment of SEBON Chairman is another factor for market slowdown.
9. On the external front of the economy, remittance inflows rose by 15.2% to Rs. 263.14 billion as of mid-September 2024/25, with approximately Rs. 126.21 million coming in between mid-August and mid-September alone. Exports declined by 5.1%, while imports and the trade deficit increased by 1.1% and 1.8%, respectively. The balance of payments (BOP), current account balance, and gross foreign exchange reserves all grew to Rs. 101.77 billion, Rs. 49.69 billion, and \$16.04 billion, respectively. Additionally, 76,485 Nepali workers received their first-time approval for foreign employment, while 40,583 received renewal entry approvals.
10. As per the CME Report, Y-o-Y deposits at BFIs has increased by 14.4% while the private sector credit has increased by just 6.4%. Monetary Policy has targeted the Private Sector Credit growth of 12.5% in FY 2081/82.



11. Based on data from the Nepal Tourism Board (NTB), a total of 816,639 foreign tourists visited Nepal from January to September 2024. In September alone, Nepal saw a remarkable increase in international arrivals, with 96,305 tourists, setting a new record for the month.

**Coda:** Market is subject to several forms of risks, especially the fundamentals, and investors have tendencies to be behaviourally biased, leading to making the sub-par investment decisions. It's always important to screen the facts vs opinions. Facts are going to last

the market long while opinion can likely make market volatile.





# Ethical and ESG Investing: Investing for Profit and Purpose

The world of investing is evolving, with individuals and institutions increasingly prioritizing investments that reflect their personal values and address the pressing challenges of current time. This shift comes as more investors recognize that their financial decisions have the power to influence companies, and the world around them.

Ethical investing, also known as responsible investing is choosing investments based on moral principles, beliefs and values. Unlike traditional investment that are mainly about financial returns, ethical investing considers the broader impact of investments on society and the environment and ensure that money is not used to support activities that go against investor's personal values.

On the other hand, ESG investing involves evaluating investments based on specific Environmental, Social, and Governance (ESG) criteria:

**Environmental (E):** Examines how a company manages its impact on the environment, including carbon emissions, waste management, and resource conservation.

**Social (S):** Focuses on a company's relationships with employees, customers, suppliers, and communities, addressing issues like labor rights, diversity, and community development.

**Governance (G):** Considers how a company is managed, including leadership transparency, executive compensation, shareholder rights, and overall accountability.

In recent years, ESG investing has gained lots of traction in the investment community. This shift has been driven by a growing awareness that issues like climate change, inequality, and poor corporate governance are not just ethical concerns but also substantial financial risks. Investors are increasingly recognizing that companies with strong ESG practices are likely to be more resilient and have better long-term growth potential.

## Key Approaches to Ethical and ESG Investing

•*Negative Screening:* It involves excluding companies or sectors that do not align with an investor's values to make sure that their money does not fund activities that contradict their values. Common examples include avoiding industries such as alcohol, tobacco, fossil fuels, or weapons manufacturing.

•*Positive Screening:* It involves selecting companies based on positive ESG metrics. For example, an investor might choose companies that lead their industries in carbon reduction, labor practices, or transparency.

•*Thematic Investing*: It targets specific issue important to an investor which is also a global challenge. Examples of themes include renewable energy, water conservation, gender equality, or sustainable agriculture.

•*ESG Integration*: It includes incorporating ESG factors into traditional financial analysis to assess how these factors might affect a company's performance and risk profile. This approach is not about excluding specific sectors but rather about considering all relevant information to make more informed investment decisions.

•*Shareholder Advocacy*: It involves investors using their influence as shareholders to encourage companies to improve their ESG practices. This can include voting on shareholder resolutions, filing proposals to address specific issues etc.

### **Advantages of Ethical and ESG Investing**

•*Financial Outperformance*: ESG investing challenges the idea that doing good compromises financial returns. Studies show companies with strong ESG practices often perform better long-term, as their focus on sustainability and risk management makes them more resilient and positioned for growth.

•*Risk Management*: Incorporating ESG factors helps investors spot risks not visible through traditional metrics. Companies with poor environmental or governance practices face higher chances of penalties and reputational damage. ESG investing mitigates these risks by identifying issues early.

•*Alignment with Personal Values*: Ethical investing is personal for many, offering the satisfaction of aligning investments with their values. It lets investors avoid companies with objectionable practices and support those making a positive impact on society.

•*Positive impact on Society and Environment*: Ethical and ESG investing allows investors to positively impact the world by supporting companies that prioritize sustainability, social justice, and good governance, helping address global challenges like climate change and inequality.

### **Challenges of Ethical and ESG Investing**

•*Greenwashing*: Greenwashing occurs when companies falsely represent their sustainability practices to appear more socially or environmentally responsible than they actually are. This practice can mislead investors into believing that a company meets their ethical standards, even when it does not.

To avoid greenwashing, investors must conduct thorough research and rely on reputable ESG data and ratings providers.

•*Lack of Standardization*: There is no universal standard for measuring ESG performance, leading to inconsistencies across ESG ratings. Companies may receive different ratings from different providers due to variations in methodology, criteria, and data sources. This can make it challenging for investors to compare companies accurately.

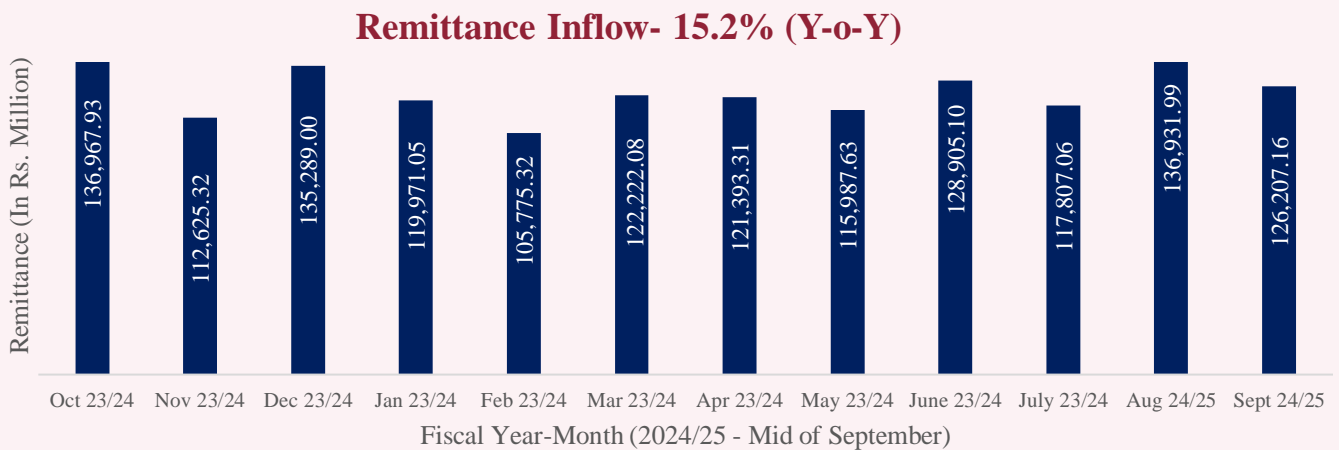
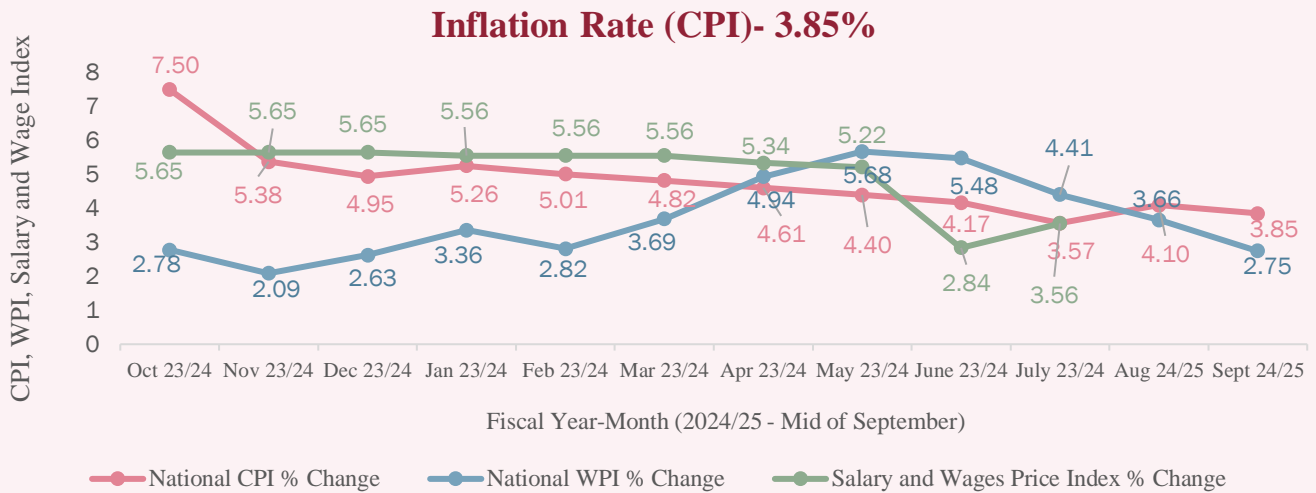
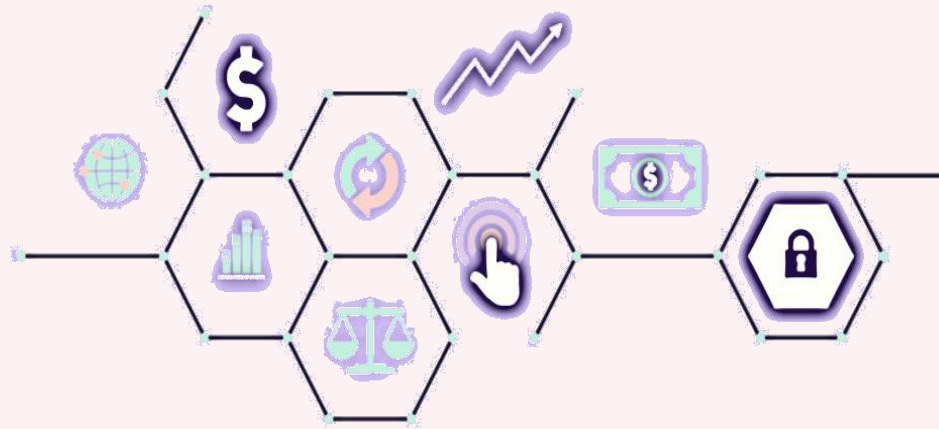
•*Limited Data Availability*: The lack of transparency and data availability make it challenging to conduct thorough ESG assessments, leading to a reliance on third-party ratings that may not capture the full picture.

•*Limited Investment Opportunities*: In some sectors, there may be limited investment opportunities that meet strict ethical or ESG criteria. This can lead to a lack of diversification, which may increase the risk profile of an ethical portfolio. Investors must weigh their ethical priorities against the potential financial impact of limited diversification.

•*Subjectivity in Ethical Judgments*: Ethical investing is inherently subjective. What one investor may consider ethical, another may not. For instance, while some investors avoid alcohol companies, others may have no issue with them. This subjectivity makes it challenging to create standardized ethical investment products that meet the needs of all investors.

*Ethical and ESG investing reflect a shift from focusing solely on financial returns to considering the broader societal and environmental impact of investments. By aligning portfolios with values, investors can achieve financial gains while contributing to positive outcomes. Despite challenges like greenwashing and lack of standardization, these approaches offer a powerful framework for responsible, impactful investing, leading to both financial success and a more sustainable future.*

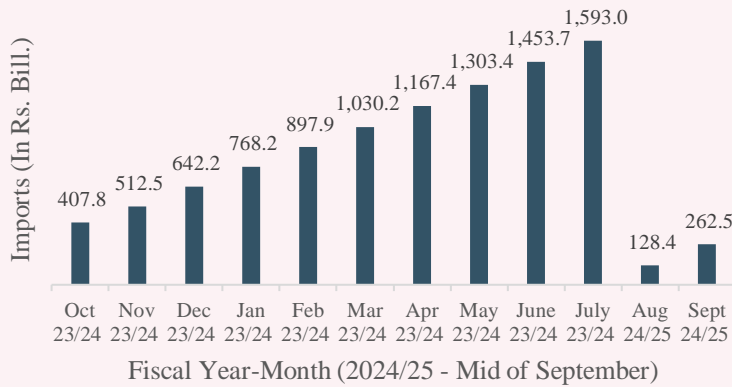
# WHERE DO THE FACTORS STAND?



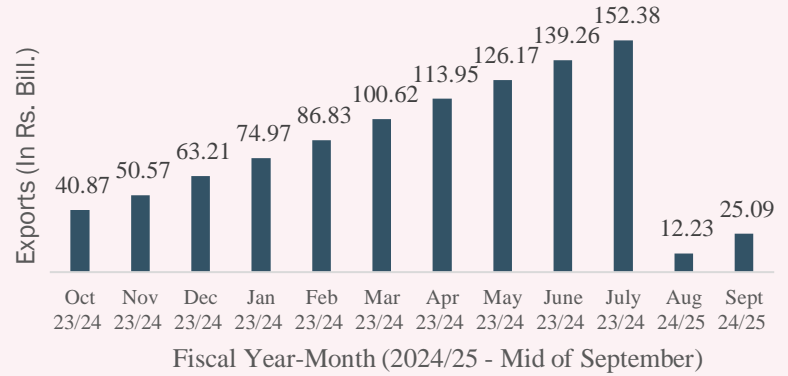
## Liquidity Indicators (As on 16<sup>th</sup> October 2024):

- ❖ BFI's Deposits: NPR. 6,660 billion
- ❖ BFI's Lending: NPR. 5,293 billion
- ❖ CD Ratio: 78.14%
- ❖ Inter-bank Interest Rate: 3%

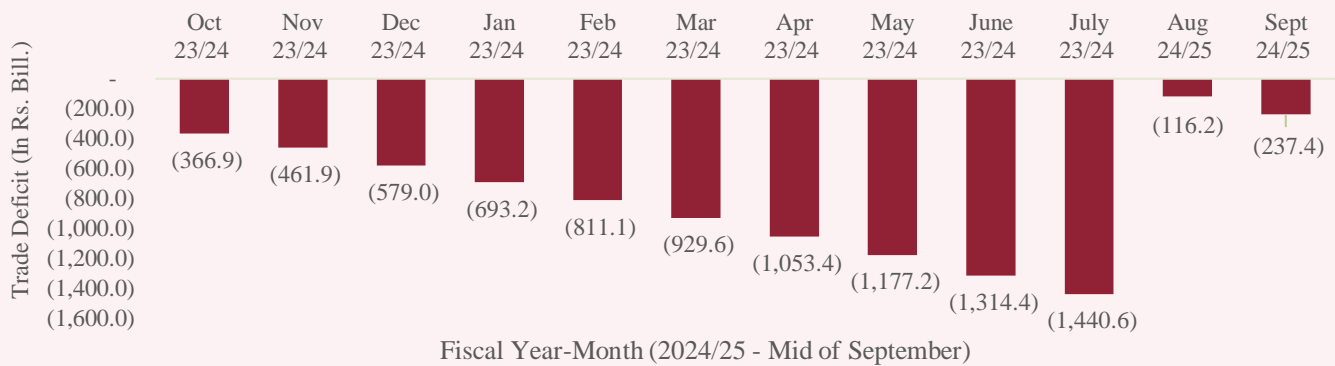
**Total Import (1.1% Y-o-Y)**



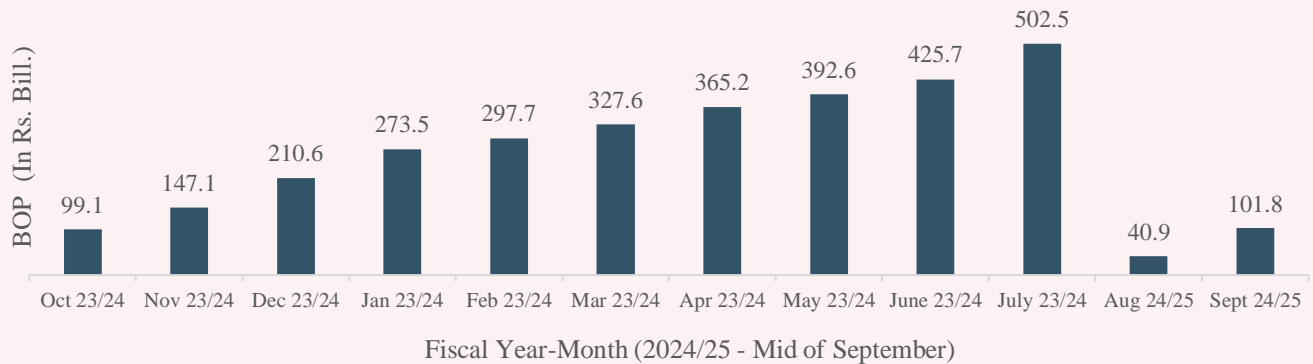
**Total Export (-5.1% Y-o-Y)**



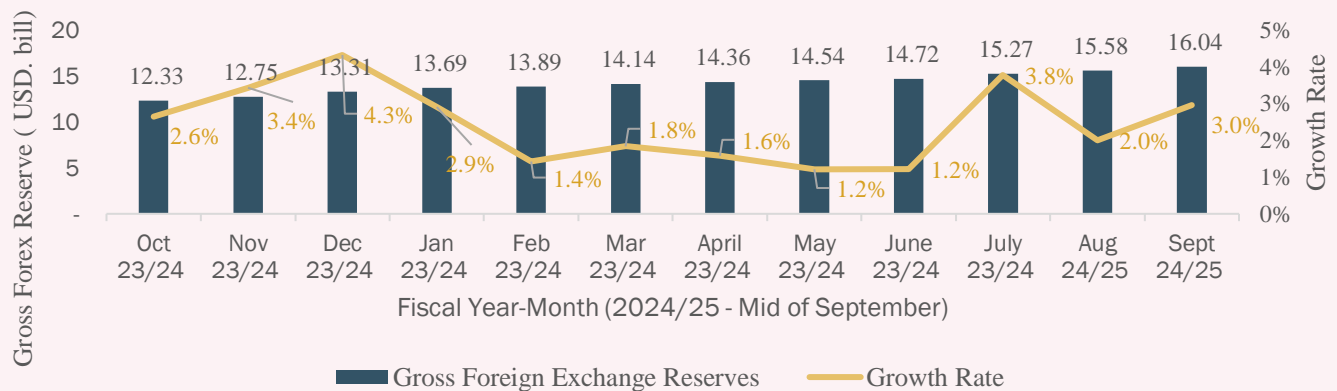
**Trade Deficit**



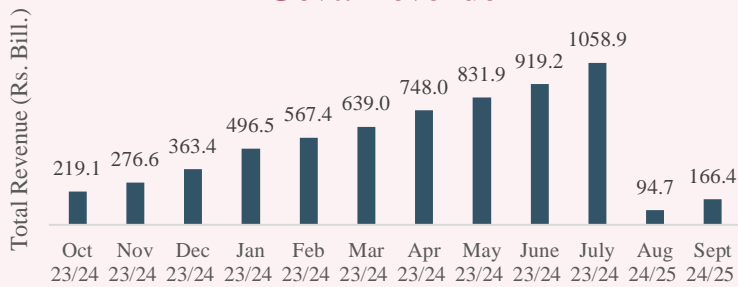
**Balance of Payments (Surplus)**



**Gross Forex Reserve (+33.49%)**

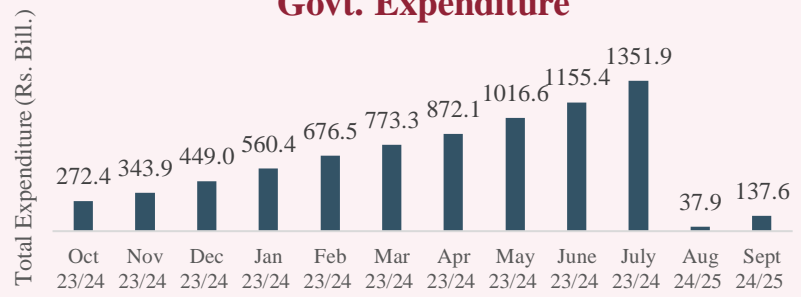


### Govt. Revenue



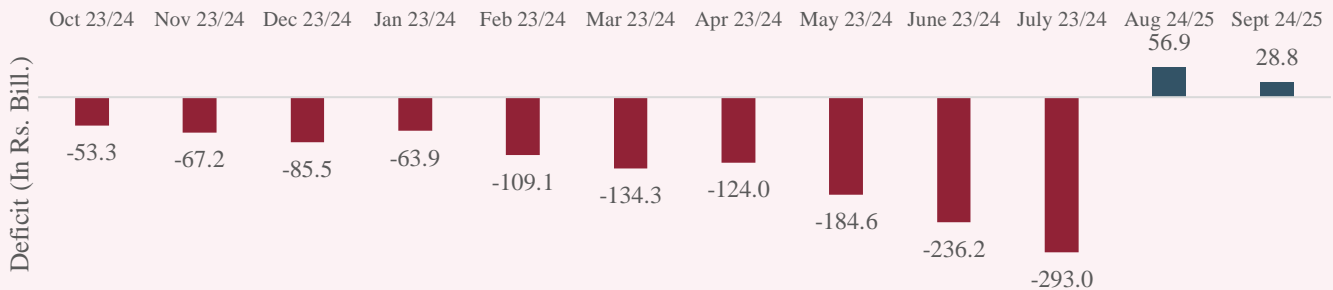
Fiscal Year-Month (2024/25 - Mid of September)

### Govt. Expenditure



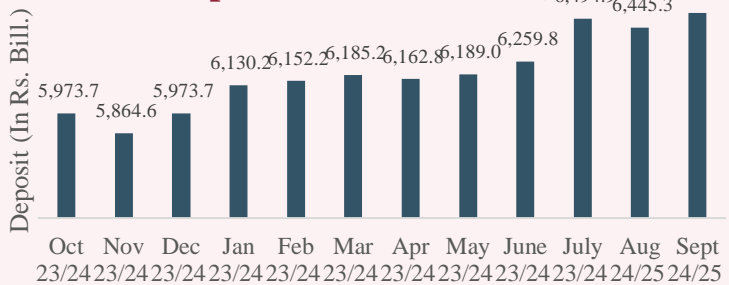
Fiscal Year-Month (2024/25 - Mid of September)

### Fiscal Surplus/Deficit



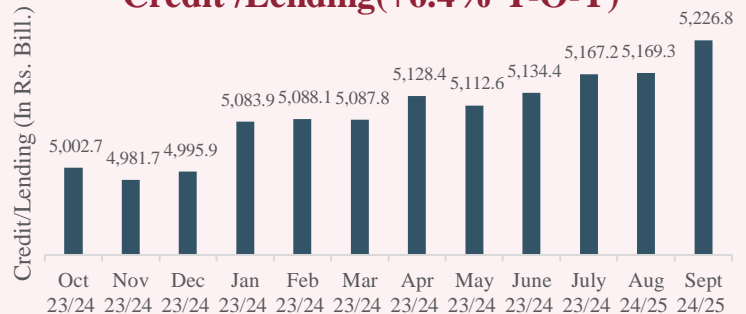
Fiscal Year-Month (2024/25 - Mid of September)

### Deposit (+14.4% Y-O-Y)



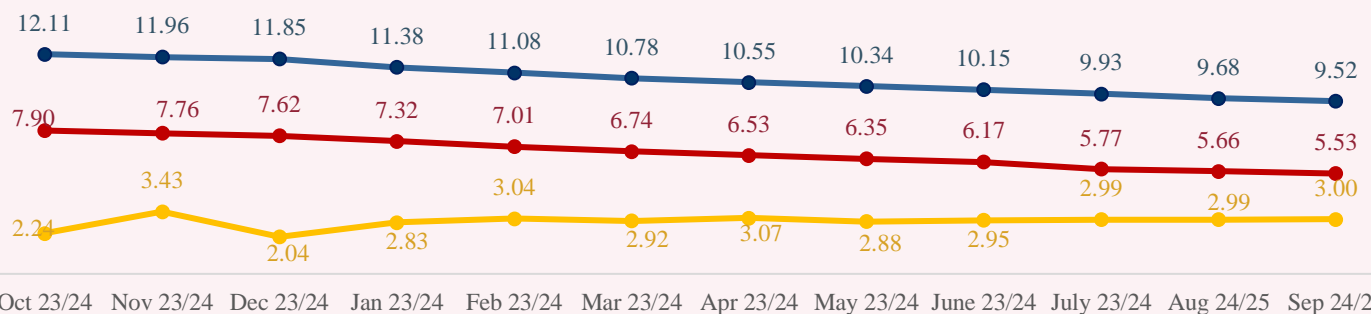
Fiscal Year-Month (2024/25 - Mid of September)

### Credit /Lending(+6.4% Y-O-Y)



Fiscal Year-Month (2024/25 - Mid of September)

### Market Interest Rates



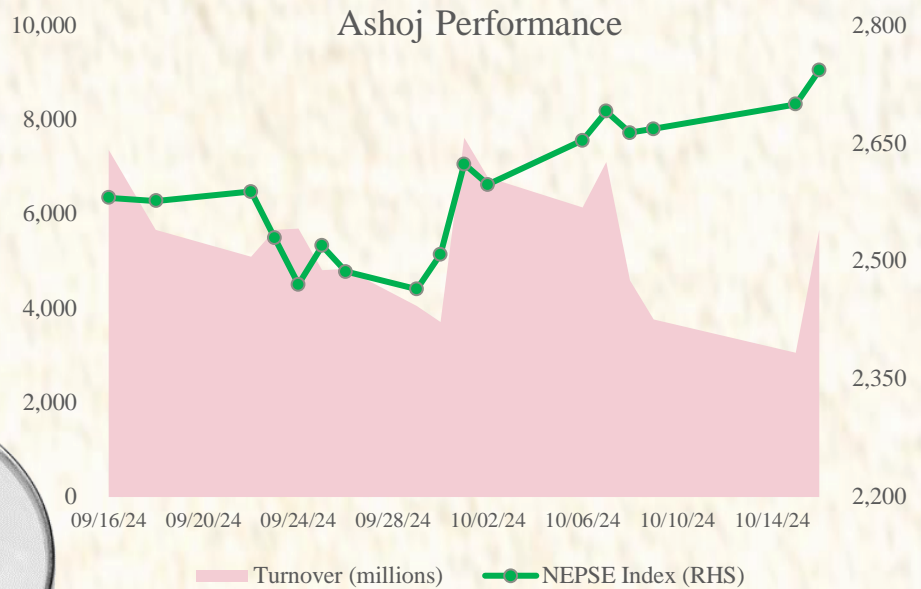
— Interbank Rate (Commercial Banks) — Weighted Average Deposit Rate (Commercial Banks) — Weighted Average Lending Rate (Commercial Banks)

### Short-term Interest Rates (As on 7<sup>th</sup> October 2024):

- ❖ 28 days: 2.76%
- ❖ 91 days: 2.97%
- ❖ 364 days: 3.01%



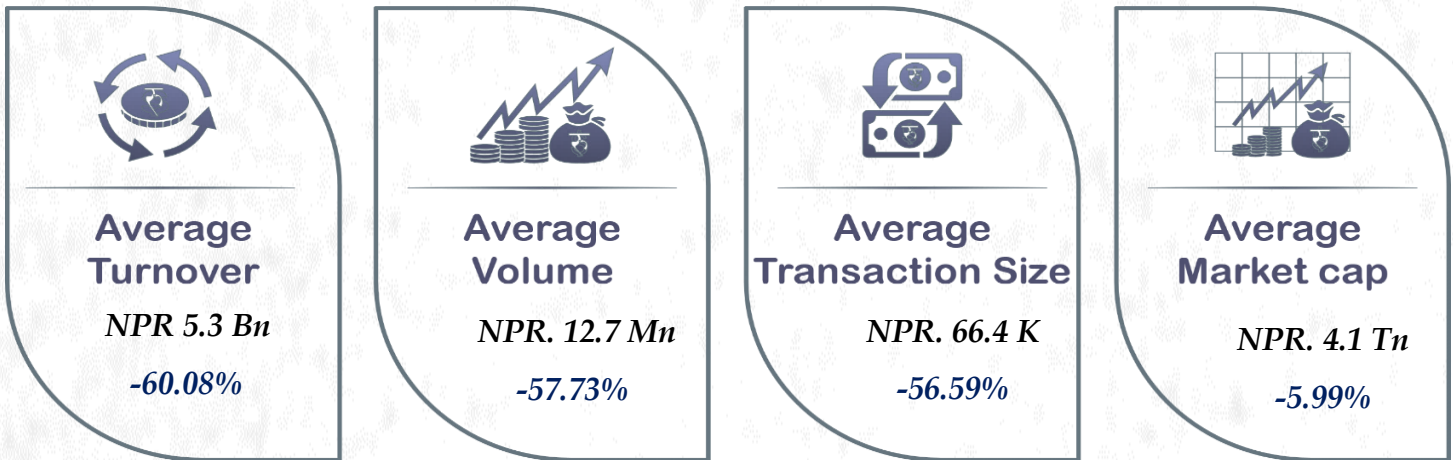
# Market Update: NEPSE SCANNER



Metrics	16.10.24	16.9.24	Monthly Change
<i>NEPSE</i>	2,742.88	2,580.76	6.28%
<i>Sensitive</i>	493.98	460.11	7.36%
<i>Float</i>	189.79	177.48	6.94%
<i>Sensitive Float</i>	163.82	151.43	8.18%
<i>Turnover (Million)</i>	5,660,237,737.60	7,361,988,383.74	-23.12%
<i>Shares Volumes</i>	13,224,322	17,061,807	-22.49%
<i>Total Transactions</i>	65,845	92,815	-29.06%
<i>Total Scrips Traded</i>	320	312	2.56%
<i>Market Cap (Rs. Million)</i>	4,361,453.21	4,103,619.21	6.28%
<i>Sensitive Mrkt. Cap (Rs. Mn)</i>	2,203,236.65	2,052,169.86	7.36%
<i>Float Market Cap (Rs. Mn)</i>	1,541,475.41	1,441,169.90	6.96%
<i>Sens. Float Mrkt. Cap (Rs.M)</i>	847,562.05	787,403.66	7.64%
<i>Average Return</i>	17.83%	16.80%	1.03%
<i>Std. Deviation</i>	23.81%	23.76%	0.05%
<i>10 Day 10% VAR</i>	-6.18%	-6.18%	0.00%
<i>Market Cap / GDP Ratio</i>	76.45%	76.26%	0.19%

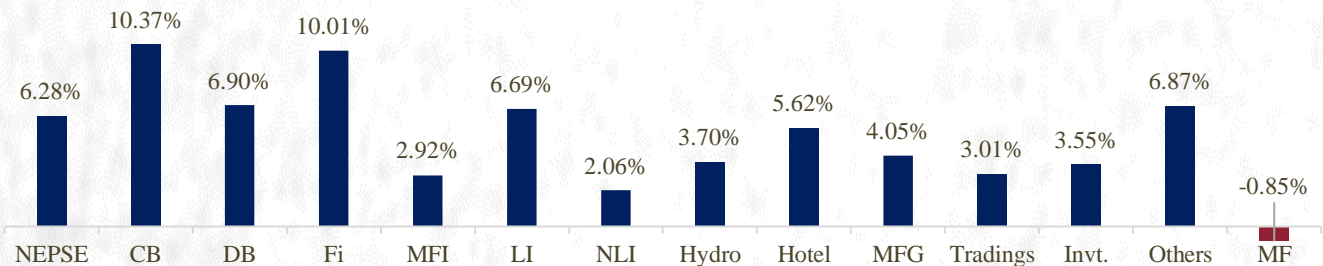
- NEPSE rose to 2742.88 level from 2580.76 (previous month end), gaining 162.12 points (6.28%); high and low index remained 2,748.80 and 2,442.63 resp. in the review month.
- Sensitive, float and sensitive float index increased by 7.36%, 6.94% and 8.18% respectively.
- By the Month end, the turnover witnessed the fall of 23.12% and volume by 22.49%. The transactions fell by 29.06% as compared to the previous month end.
- Monthly average of these metrics computes to Rs. 5.26 billion (-60.08%), Rs. 12.72 million (-57.73%), and Rs.66.37 thousand (-56.59%) respectively.
- Market cap increased by 6.28% to Rs. 4.36 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 7.36% incline, Sensitive float market cap increased by 7.64% and the size of Float market cap rose 6.96%.

- Avg. market return decreased to 17.83% from 16.80%, Standard Deviation slightly inclined to 23.81% and 10-day 10% VAR stood at 6.18%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 76.45%.
- In the review period, market traded for 16 days. Last month, number of trading days was 22.

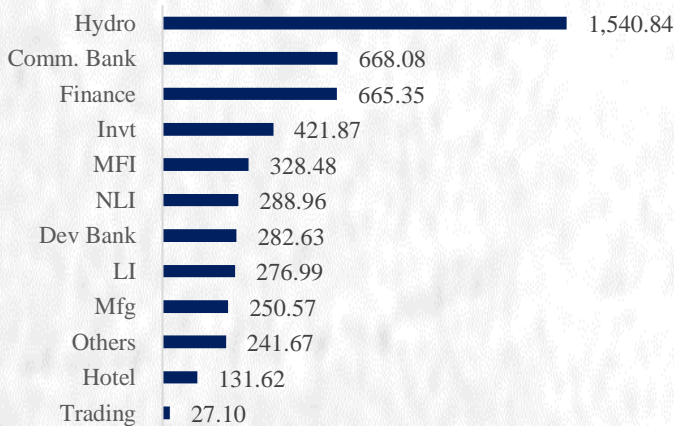


## SECTOR SCANNER

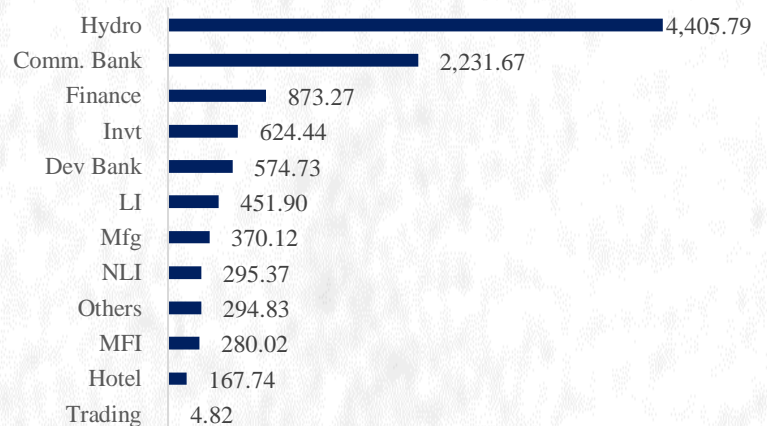
### Monthly Sectoral Performance



### Ashoj Avg. Turnover (Millions)



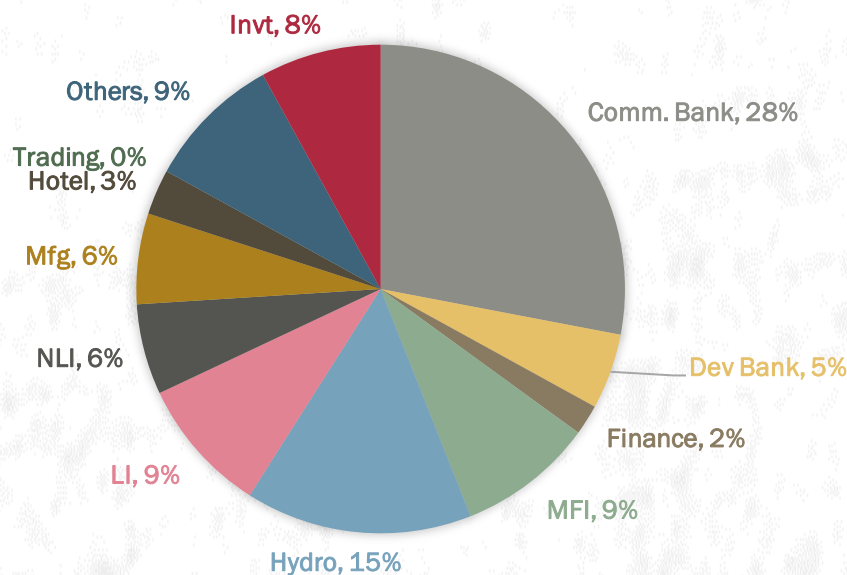
### Ashoj Avg. Volume ('000)





- All the sectors except Mutual Fund saw a rise in this month. Commercial Banks and Finance sectors saw a highest growth of 10.37% and 10.01% respectively followed by Development Banks (6.90%), Others (6.87%) and Life Insurance (6.69%) in the review period. Sectors that witnessed lowest increase are Non-Life Insurance (2.06%), Microfinance (2.92%), and Tradings (3.01%).
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 29.32% and 35.50% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 34.47%. Both Commercial Banks and Finance sector made the notable Turnover of average 12.77% each while their average Transaction size was 12.60% and 10.74% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Ashoj i.e. Wednesday 30<sup>th</sup> Ashoj, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 44%, Commercial Bank alone 28%. Hydro and Hotel has 15% and 3% coverage respectively. Insurance sector occupy 15% (Life – 9% and Non-Life – 6%). Trading sector has the least capitalization, *amounting approx. Rs.21.7 billion.*

### SECTORAL MARKET CAPITALIZATION

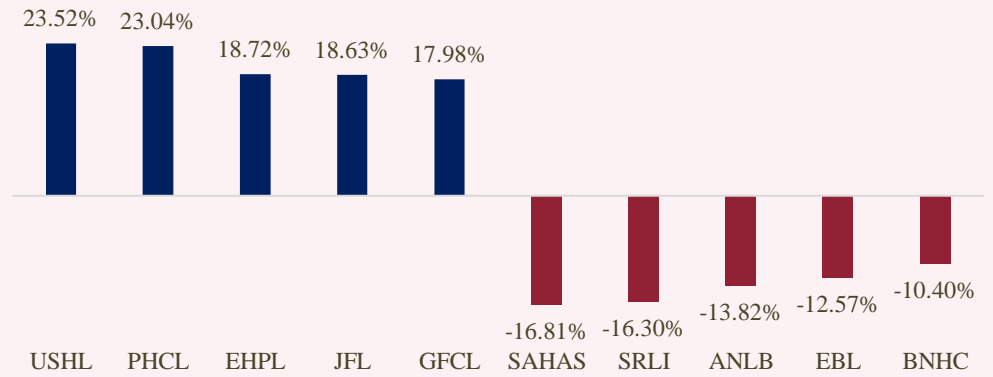


#### Monthly Terminology: Paradox of Thrift-

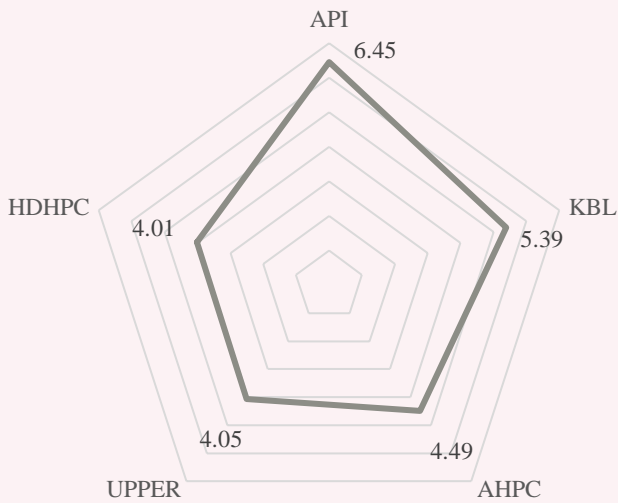
*“The **Paradox of Thrift** is an economic principle that highlights the potential downside of increased saving behaviour by individuals during times of economic uncertainty or recession. While saving money is generally considered prudent for individuals, if a large portion of the population simultaneously decides to save more, it can have negative repercussions on the overall economy. This is because increased savings lead to reduced consumer spending, which is a significant driver of economic activity. As consumer demand declines, business sales decrease leading to lower profits, reduced production and layoffs consequently leading the economy in deeper recession.*”

# STOCK SCANNER

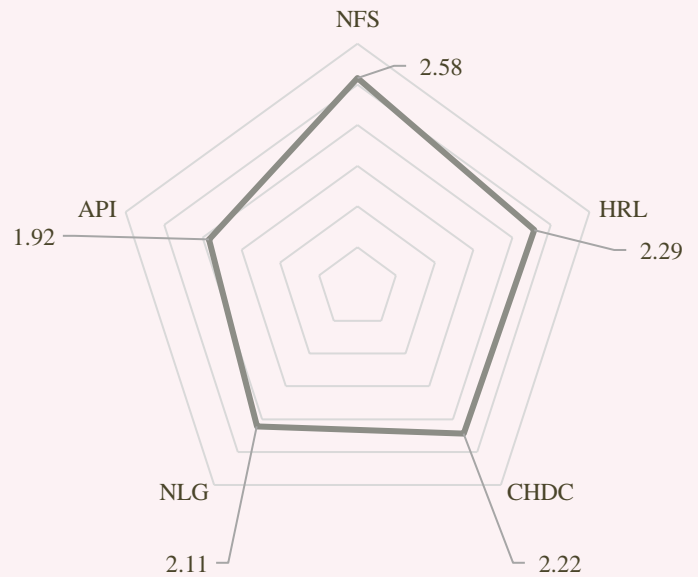
## Top 5 Gaining and Losing Stocks/Scripts



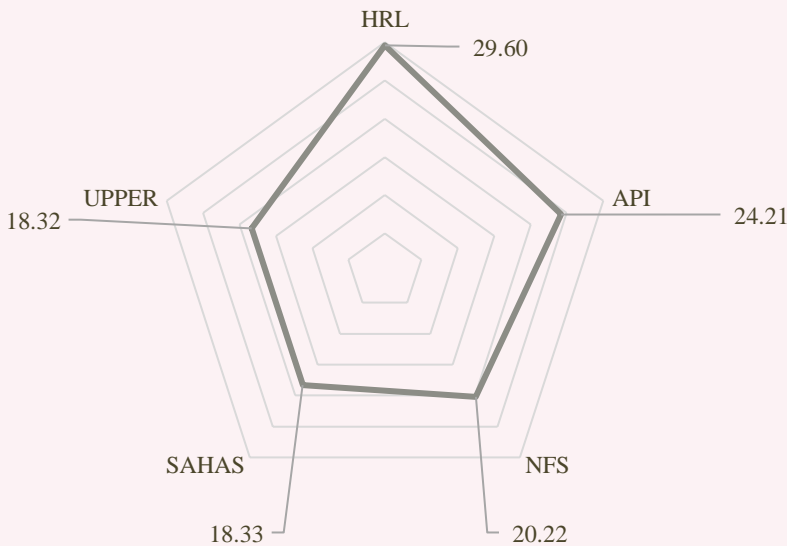
## Stocks with Highest Volume (Millions)



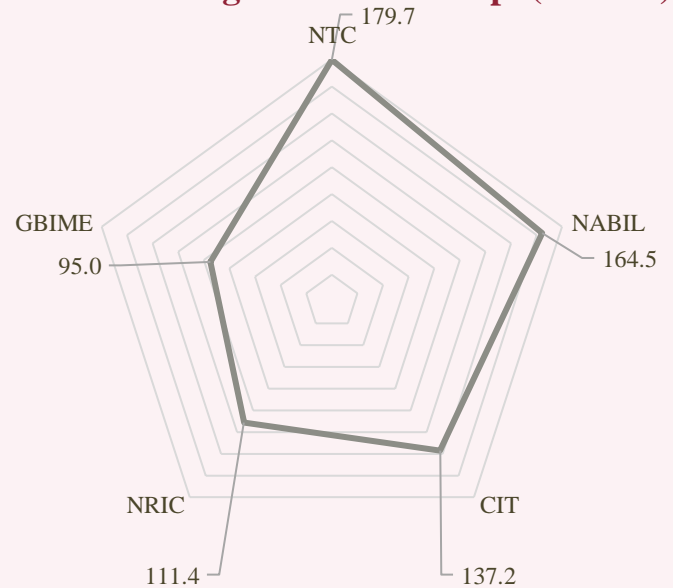
## Stocks with Highest Turnover (Billions)



## Stocks with Highest Transaction Size ('000)



## Stocks with Highest Market Cap. (Billions)





# TECHNICAL OUTLOOK...



**Technical Indicator (16<sup>th</sup> Oct.) Value**

RSI	59.50
MACD line	6.26
Signal line	-17.28
Bollinger Upper Band	2760.59
Bollinger Middle Band	2600.05
Bollinger Lower Band	2439.52
ADX	19.58
Exp. Moving Avg. (9 Days)	2624.22
Exp. Moving Avg. (26 Days)	2641.70
Exp. Moving Avg. (50 Days)	2607.20
Exp. Moving Avg. (200 Days)	2320.92

**Technical Overview:**

Technical analysis based on weekly charts display a strong resistance level at 2770 which market is facing difficulty to pass. Success in crossing 2770 level will give next up target of 3060, the highest level in recent bull. The current support level is at 2590. The bull trend still exists in weekly chart as 50D EMA (2333.17) and 200D EMA (2108.16) are trading below current index level of 2656.57. The daily chart also signifies similar trend; however, the bullish motion is declining as 50D EMA (2617.45) is very close to current market level.

Bollinger Bands show market falling towards middle band while MACD line has crossed Signal line from above and RSI is continuously dropping and is presently at 57.96. All these indicates bearish momentum in short term period.

## *Key Bulletins of the Month*

- 1) The government's revenue collection for the first quarter of the current FY 2081/82 has reached only Rs. 219.68 billion i.e., 17.49% of its annual target of Rs. 1.419 trillion.
- 2) Commercial Banks have published interest rate for the month of Kartik; Average FD rate for Institutional Client- 4.94% and for Individual Client- 6.21%.
- 3) NRB has released the CME report (Two months till mid- September); Inflation rate came down to 3.85%, Remittances increased 15.2% in NPR terms, Balance of Payments at surplus of Rs. 101.77 billion.
- 4) The government has accepted USD 150 million concessional loan from the World Bank and has formed a team to negotiate an additional USD 135 million loan for green and inclusive development projects.
- 5) BFIs has provided Rs. 9.67 billion in share-backed loans during the first two months of the current FY while it issued Rs. 90.09 billion as of the end of the last FY 2080/81.
- 6) The "Bank Account Freezing and Unfreezing Regulations 2081" passed by NRB now allow licensed institutions to freeze and unfreeze bank accounts without prior approval from the central bank; rather notify NRB after freezing an account.
- 7) The average interest rate on loans from Nepal's commercial banks has fallen to 9.68%, a decrease of 20.91% over the past year, down from 12.24%, marking the lowest rate in nearly three years.
- 8) Nepal's trade deficit rose by 1.78% in the first two months of fiscal year 2081/82, as imports increased by 1.08% to Rs.262 billion while exports fell by 5.12% to Rs.25.09 billion.
- 9) The government collected Rs.2.57 billion in CGT from share transactions between mid-August and Mid-September, despite an 11% NEPSE drop and a revenue decline from previous period.
- 10) The Asian development bank (ADB) projects Nepal's economy to grow by 4% in FY 2024/25, driven by rising domestic demand, capital expenditure and a recovery in tourism, supported by favorable agricultural conditions and electricity expansion.
- 11) Floods and landslides in Nepal damaged 16 hydropower projects, which have been halted due to significant damages.
- 12) Nepal to import 300MW electricity from India due to damages caused by floods and landslides.
- 13) NRB now permits promoters and major shareholders to obtain loans from their own institutions under strict conditions, including limits on collateral and shareholding thresholds.
- 14) Nepal exported Rs. 7.54 billion worth of electricity to India in the first two months of 2081-82, despite flood related disruptions.
- 15) In the first two months of FY 2080/81, insurance companies collected Rs.7.85 billion, led by Sagarmatha Lumbini Insurance at Rs.1.1 billion and Shikhar Insurance at Rs.723 million.

**Dividend Announced for FY 2080/81 during the Month**

Company	Ticker	FY	Bonus (%)	Cash (%)
1. Nepal Lube Oil Limited	NLO	2080/81	20	5
2. Asha Laghubitta Bittiya Sanstha Limited	ALBSL	2080/81	14.25	0.75
3. Ru Ru Jalbidhyut Pariyojana Limited	RURU	2080/81	15	-
4. Sanima Bank	SANIMA	2080/81	-	5.26
5. Global IME Bank	GBIME	2080/81	5.5	-
6. Api Power	API	2080/81	5	0.26
7. Citizens Bank International Limited	CZBIL	2080/81	4	0.21
8. Unilever Nepal Limited	UNL	2080/81	-	1714
9. Super Madi Hydropower Limited	SMHL	2080/81	5	0.263
10. Mandakini Hydropower Limited	MHL	2080/81	5	0.26
11. Hathway Investment Nepal Limited	HATHY	2080/81	10	0.26
12. Forward Community Microfin Bittiya Sanstha Ltd	FOWAD	2080/81	13.3	0.7
13. Arun Valley Hydropower Ltd	AHPC	2080/81	3	0.157

**Important Disclaimer:**

*This report has been prepared by the Research and Product Department of Garima Capital Limited after the study and analysis of publicly available data and information and does not use any inside information. The data and information studied are believed to be proper and reliable. However, we do not guarantee the correctness and completeness of the same, neither any independent verifications of the same are made by third parties.*

*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.*

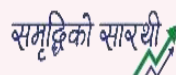
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नेपाल फिनिंग ब्रोडिङ्ग सेन्टर लिमिटेडको सहायक ग्यां अनुमति प्राप्त संस्था



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