The Pulse

Market Growth, Risks and Outlook

Falgun 2081

Inside This Edition

हिमालयन क्यापिटल लि.
Himalayan Capital
A Subsidiary of Himalayan Bank Limited

Global Markets Overview

€	1.05 $ (-3.44%)
£	1.26 $ (2.67%)
₹	87.16* (6.84%)
¥	149.10* (14.60%)
A$	0.63 $ (-10.06%)
C$	0.70$ (-6.51%)

S&P 500	5,955.25 (-2.39%)
BSE SENSEX	74,602.12 (-2.08%)
NIKKEI 225	38,142.37 (-4.48%)
FTSE 100	8,668.67 (1.96%)
DAX	22,410.27 (4.75%)
CAC 40	8,051.07 (1.56%)
HANG SENG	23,034.02 (14.79%)
SSE COMPOSITE	3,346.04 (2.87%)

*Values Per 1 $

Gold($) Per Oz.
2,918.80 (5.37%)

Bitcoin($)
88,736.17 (-15.26%)

Brent Crude($)
Per Barrell
72.5 (-7.61%)

Ethereum($)
2,493.59 (-24.83%)

#All Changes are in MoM basis.

Currency Market Trends

The currency exchange rates show mixed trends. The Euro, Australian Dollar, and Canadian Dollar have depreciated, with the Australian Dollar experiencing the most significant decline (-10.06%). Conversely, the Japanese Yen and Indian Rupee have seen substantial appreciation, with the Yen increasing by 14.60%, suggesting stronger demand or economic factors favoring these currencies. The British Pound has shown a modest gain of 2.67%, indicating relative stability in the UK market.

Stock market indices present a varied performance. Major indices like the S&P 500, BSE Sensex, and Nikkei 225 have declined, indicating a bearish trend in Western and Indian markets. The Hang Seng index, however, recorded a significant surge of 14.79%, suggesting strong investor confidence in the Chinese market. Similarly, European indices such as DAX, FTSE 100, and CAC 40 experienced moderate gains, reflecting resilience in European stocks despite global market fluctuations.

In the commodities and cryptocurrency markets, Bitcoin and Ethereum have suffered sharp declines, with Ethereum dropping by 24.83%, indicating possible profit-taking or market corrections in the crypto space. Gold, a traditional safe-haven asset, has risen by 5.37%, suggesting a shift in investor preference amid economic uncertainties. Brent Crude oil prices have fallen by 7.61%, which could be due to reduced global demand or increased supply.

In conclusion, global financial markets exhibit divergent trends, with some currencies appreciating while others decline, stock markets showing mixed performances, and cryptocurrencies facing significant losses. Investors appear to be favoring safer assets like gold, while uncertainties persist in equity and currency markets, potentially influenced by macroeconomic factors such as inflation, interest rates, and geopolitical developments.

Macroeconomic Overview

Inflation	5.41% ▲
Deposit Growth	9.93% ▲
Credit Growth	7.01% ▲
Import Growth	7.1% ▲
Export Growth	31.8% ▲
Remittance Growth	4.07% ▲
FX Reserve Growth	27.54% ▲

* Growth refers to the change between six months data of FY 80/81 and FY 81/82.

* Credit refers to claim on private sector.

Monthly Trading Statistics

Average Turnover	NPR 9.51 B	31.99% ▲
Average Shares Traded	18.37 M	21.56% ▲
Average Transactions	94.02 K	23.21% ▲
Average Scrips Traded	313	0.08% ▲

* For the period (January 27, 2025) – (February 25, 2025)

Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Poush-80	Mangsir-81	Poush-81	Falgun 1	Falgun 8	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.44	2.81	2.88	3.00	3.00	0.44	0.07	0.00
Wt.Avg 91 Days TB rate (%)	3.57	2.85	2.81	2.89	2.89	-0.76	-0.04	0.00
Wt.Avg 364 Days TB rate (%)	4.38	2.98	2.95	2.97	2.97	-1.43	-0.03	0.00
Wt. Avg Interbank Rate (%)	2.83	3.00	3.00	3.00	3.00	0.17	0.00	0.00
CapEx (In Billion NPR)	49.24	40.80	56.94	68.83	71.34	7.70	16.14	2.51

B. BFI Statistics

Description	Value As On					Change		
	Poush-80	Mangsir-81	Poush-81	Falgun 1	Falgun 8	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	7.32	4.78	4.75	4.75	4.75	-2.57	-0.03	0.00
Wt. Avg Lending Rate (%)	11.38	8.90	8.69	8.69	8.69	-2.69	-0.21	0.00
Base Rate (%)	9.35	6.82	6.65	6.65	6.65	-2.70	-0.17	0.00
CD Ratio (%)	80.26	78.54	79.43	79.43	79.56	-0.83	0.89	0.13
Fixed Deposits/Total Deposits (%)	59.51	52.63	52.19	52.19	52.19	-7.32	-0.44	0.00
Total Liquid Assets/Total Deposits (%)	27.11	26.44	25.80	25.80	25.80	-1.31	-0.64	0.00

Public Debt Subscription

Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Highest	Average
28 Days	Magh 29	500.00	0.00	16	37	3.86	500.00	2.81	3.00	3.00
91 Days	Magh 29	800.00	0.00	16	28	2.03	800.00	2.75	2.94	2.89
182 Days	Magh 29	600.00	0.00	11	26	2.74	600.00	2.84	3.00	2.93
364 Days	Magh 15	1100.00	0.00	12	32	1.89	1100.00	2.95	3.00	2.99

**Figures are in Millions NPR*

Sectoral Movement

Index	Magh 13	Falgun 13	Change
NEPSE	2,643.93	2,765.88	4.61%
Others	2,084.13	2,450.05	17.56%
Finance Company	2,442.63	2,794.40	14.40%
Investment	103.80	113.16	9.02%
Life Insurance	12,992.23	13,844.34	6.56%
Microfinance	4,939.82	5,226.22	5.80%
Manufacturing & Processing	6,962.79	7,253.14	4.17%
Commercial Bank	1,338.71	1,385.34	3.48%
Non Life Insurance	12,702.09	12,863.45	1.27%
Development Bank	5,594.21	5,644.24	0.89%
Hydropower	3,726.70	3,751.13	0.66%
Mutual Fund	20.19	20.08	-0.54%
Hotels & Tourism	6,804.87	6,714.69	-1.33%
Trading	4,427.30	4,242.40	-4.18%

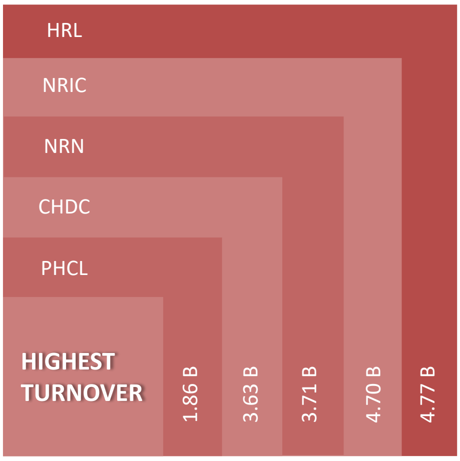
Major Movers

NRIC	39.44%	SAPDBL	-30.09%
CFCL	34.57%	RFPL	-23.40%
JFL	28.33%	DOLTI	-18.59%
EDBL	27.89%	NLG	-11.68%
NABBC	27.64%	GRDBL	-11.19%

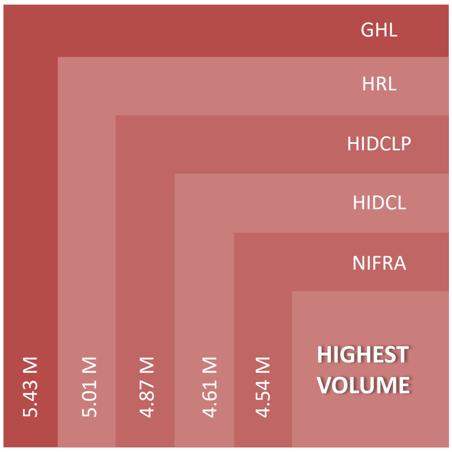
Sectoral Divergence-Turnover

Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	7.20 B	9.51 B	31.99%
Others	0.34 B	0.86 B	149.60%
Investment	0.47 B	0.86 B	82.80%
Life Insurance	0.31 B	0.51 B	68.64%
Microfinance	0.50 B	0.78 B	56.96%
Hydro Power	2.70 B	4.00 B	48.22%
Development Banks	0.64 B	0.91 B	41.74%
Manufacturing And Processing	0.21 B	0.25 B	19.88%
Non Life Insurance	0.24 B	0.27 B	14.74%
Hotels And Tourism	0.11 B	0.11 B	-6.75%
Mutual Fund	0.01 B	0.00 B	-9.98%
Tradings	0.03 B	0.02 B	-15.93%
Commercial Banks	0.58 B	0.47 B	-18.98%
Finance	0.87 B	0.67 B	-22.50%

Highest Turnover



Highest Volume



NEPSE Outlook

A. Current Overview

As of 27 February 2025, the NEPSE index closed at 2,815.04 points, marking a increase of 171.11 points (6.47%) across 20 trading days. The average turnover in these 20 trading days saw a notable increase to NPR 9.60 billion, up from NPR 6.03 billion in the previous month.

The Relative Strength Index (RSI) stands at 76.37 points, indicating the market is in the overbought zone while the Moving Average Convergence Divergence (MACD) indicator suggests a bullish trend.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,755, (S2) 2,650, and (S3) 2,575 while immediate resistance levels are recognized at (R1) 2,815, (R2) 2,860, and (R3) 3,000. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

B. Long Term Overview

The NEPSE index has recently broken through the psychological barrier of 2,200, a level not reached in over two years. This surge is driven by several key factors: a reduction in interest rates, and the Nepal Rastra Bank's (NRB) rate cuts aimed at stimulating economic activity.

The NRB's policy rate reductions have notably benefited the banking, financial institutions (BFI), and construction sectors. Furthermore, the NRB's decision to remove the NPR 20 crore cap on institutional investors is expected to further boost capital inflows into the market.

Given these factors, the market is likely to continue its upward momentum. If the NEPSE index surpasses its previous high of 3,200, Trend Based Fibonacci extension levels suggest it could target 3,400 and 3,690. On the downside, if the market experiences a pullback, long-term support is expected around 2,390, followed by 2,200, the previous resistance level. These levels will depend on broader economic conditions and market sentiment.

SCRIP ANALYSIS

Standard Chartered Bank Limited (SCB)

A. About the Company

Standard Chartered Bank Nepal Limited (SCB) has been a cornerstone of Nepal's banking sector since 1987, standing as the country's only international bank. It operates as a subsidiary of Standard Chartered PLC, UK, a globally renowned banking group with a 160-year legacy, spanning 59 markets and employing over 85,000 professionals. The Group, listed on both the London and Hong Kong Stock Exchanges, specializes in corporate banking, trade finance, retail banking, and wealth management, leveraging its robust presence across Asia, Africa, and the Middle East.

SCB holds the highest credit rating among Nepal's commercial banks, with an ICRANP-IR AAA rating from ICRA Nepal, reflecting exceptional financial strength and stability.

With 15 points of representation and over 504 employees, SCB serves individuals, corporates, multinationals, public-sector enterprises, and development organizations. The Bank pioneered Nepal's first AML framework and KYC implementation, reinforcing regulatory compliance. Leveraging its global network, SCB provides corporate lending, trade finance, cash management, digital banking, and investment advisory services, maintaining its position as a leading financial institution in Nepal.

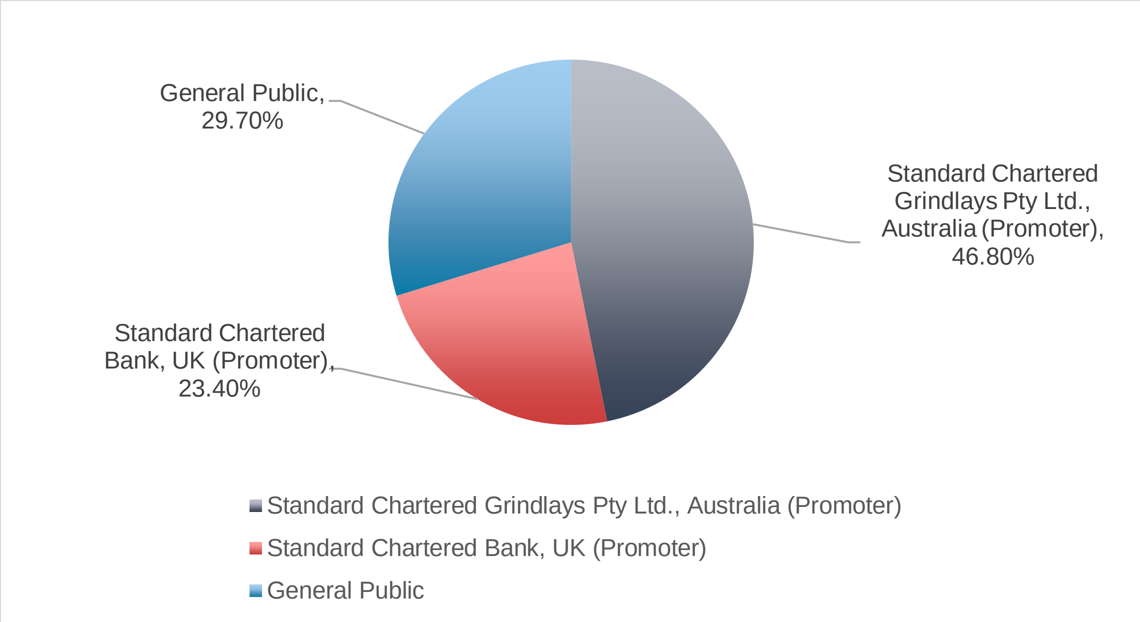


Figure: Shareholding Pattern of SCB

B. SWOT Analysis

A SWOT analysis provides a comprehensive view of Standard Chartered Bank Limited's current position by evaluating its internal strengths and weaknesses alongside external opportunities and threats. This tool highlights the bank's key areas of resilience, such as its strong ownership structure and liquidity, while identifying challenges like asset quality pressure and regulatory constraints. Through this analysis, we can better understand the bank's ability to navigate a dynamic operating environment and capitalize on growth prospects.

Strengths

- **Strong Parentage & Global Support:** SCB benefits from being a subsidiary of Standard Chartered Group, which provides technical and financial support.
- **Robust Capitalization:** The bank maintains a Capital Adequacy Ratio (CAR) of 16.94% and Tier-I Capital of 14.61% (as of Q2 FY 2081/82), exceeding regulatory requirements.
- **Strong Asset Quality:** With an NPL ratio of 1.71% (lower than the industry average of 4.46% as of Q2 FY 2081/82), SCBNL has a stable credit portfolio.
- **Superior Funding Profile:** With a high CASA ratio of approximately 65% and foreign currency deposits comprising 19%, Standard Chartered Bank Nepal Limited benefits from a low-cost funding structure, enabling greater financial efficiency and competitive lending rates. As of March 12, 2024, the bank's weighted cost of deposits stood at just 5.47%, significantly lower than the industry average of 7.51%,

allowing it to enhance profitability while offering attractive banking solutions to customers.

- **Strong Profitability:** ROA of 2.16% and ROE of ~16.10% outperform the industry averages of 0.865% and ~8.16% as of Q2 FY 2081/82.
- **Reputation as a Safe & Stable Bank:** SCB holds the highest credit rating in Nepal (ICRANP-IR AAA), reinforcing its financial stability and trustworthiness.
- **Selective Clientele & Risk Management:** The bank targets multinational corporations and high-quality borrowers, ensuring low default risk.

Weaknesses

- **High Loan Portfolio Concentration:** Top 20 borrowers account for ~40% of total loans, leading to credit risk exposure.
- **Relatively Small Market Share:** Despite its strong positioning as of Poush 2081, SCB holds only 2.08% of Nepal's total deposits and 1.72% of total loans and advances, limiting its market influence.
- **Slow Expansion Strategy:** The bank operates with just 15 points of representation (12 branches and 3 extension counters), significantly lower than its competitors.

Opportunities

- **Digital Banking & Fintech Expansion:** Growing demand for digital banking solutions and SCB's access to global banking technology can enhance customer experience and market share.
- **Expansion in Retail & SME Lending:** Entering the SME segment can help diversify risk and increase revenue, as the bank primarily focuses on corporate clients.
- **Leveraging Foreign Currency Deposits:** SCB's foreign currency deposit base (~19%) provides an opportunity to expand its trade finance and cross-border services.
- **Growing Economy & Financial Inclusion:** Nepal's expanding middle class and increasing financial literacy create a larger potential customer base for SCB.

Threats

- **Regulatory & Political Risks:** Stringent NRB regulations, uncertain political climate, and policy changes (e.g., tighter lending norms) can impact operations.
- **Competitive Pressure:** Local banks with aggressive expansion strategies and digital banking innovations pose a threat to SCB's premium positioning.
- **Economic Slowdown & Credit Risks:** Nepal's liquidity challenges, working capital constraints, and slow credit growth could affect SCB's loan portfolio and profitability.

- **Interest Rate Volatility:** Rising deposit costs and interest rate fluctuations may pressure margins despite SCB's low-cost funding advantage.

C. Comparative Annual Performance Visualizations

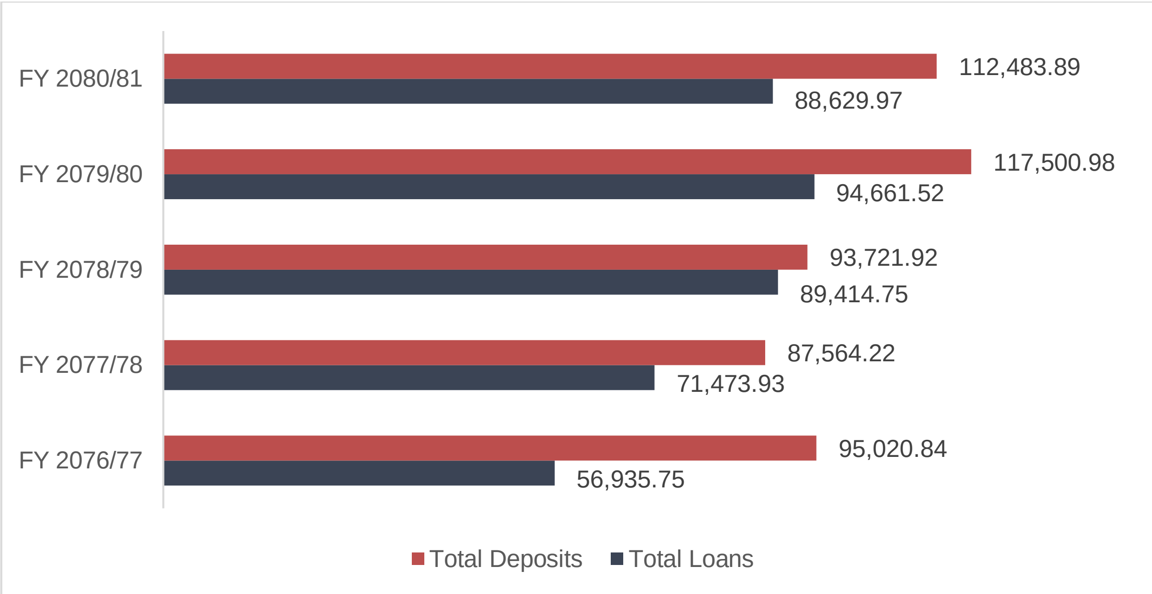


Figure: Total deposits and loans in millions (NPR)

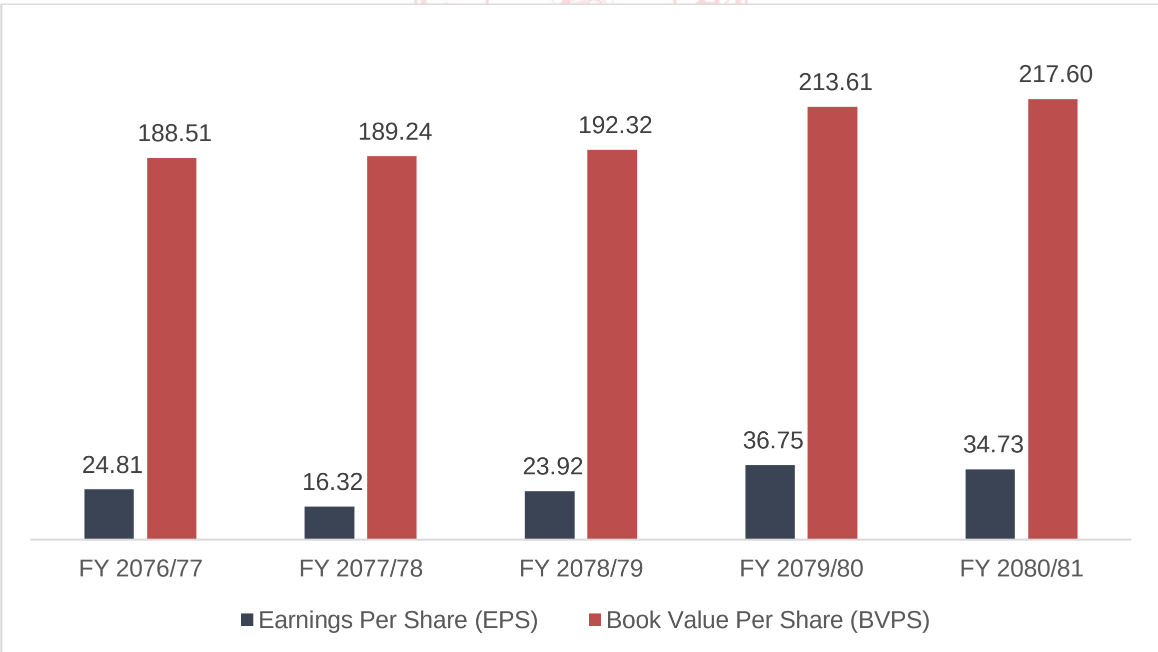


Figure: EPS and BVPS in NPR

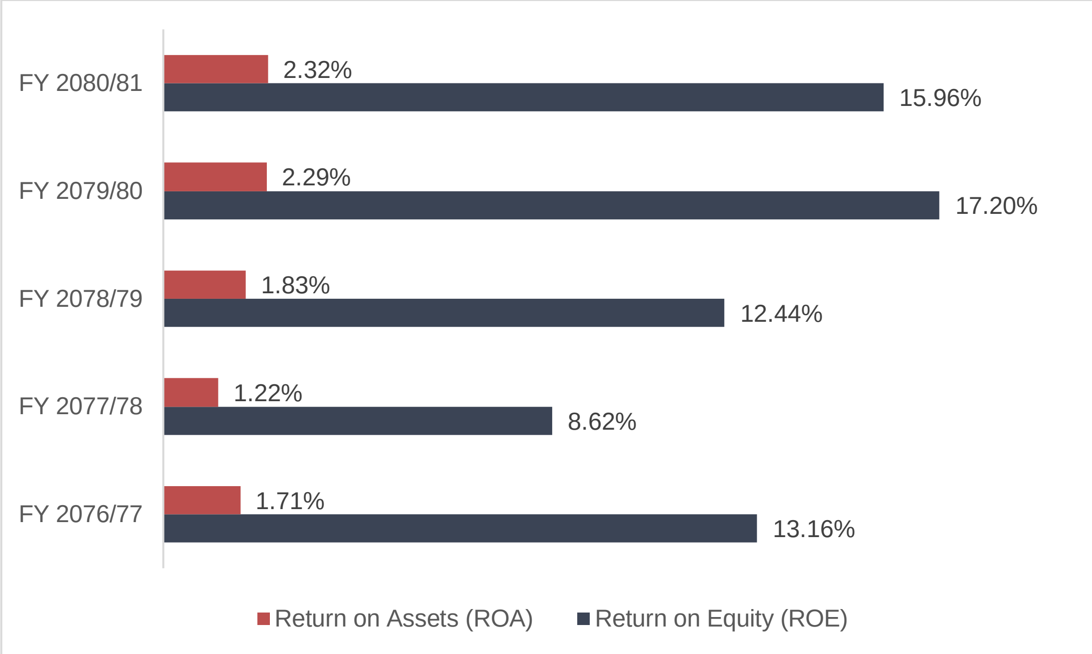


Figure: Comparison of Return on Asset (ROA) and Return on Equity (ROE)

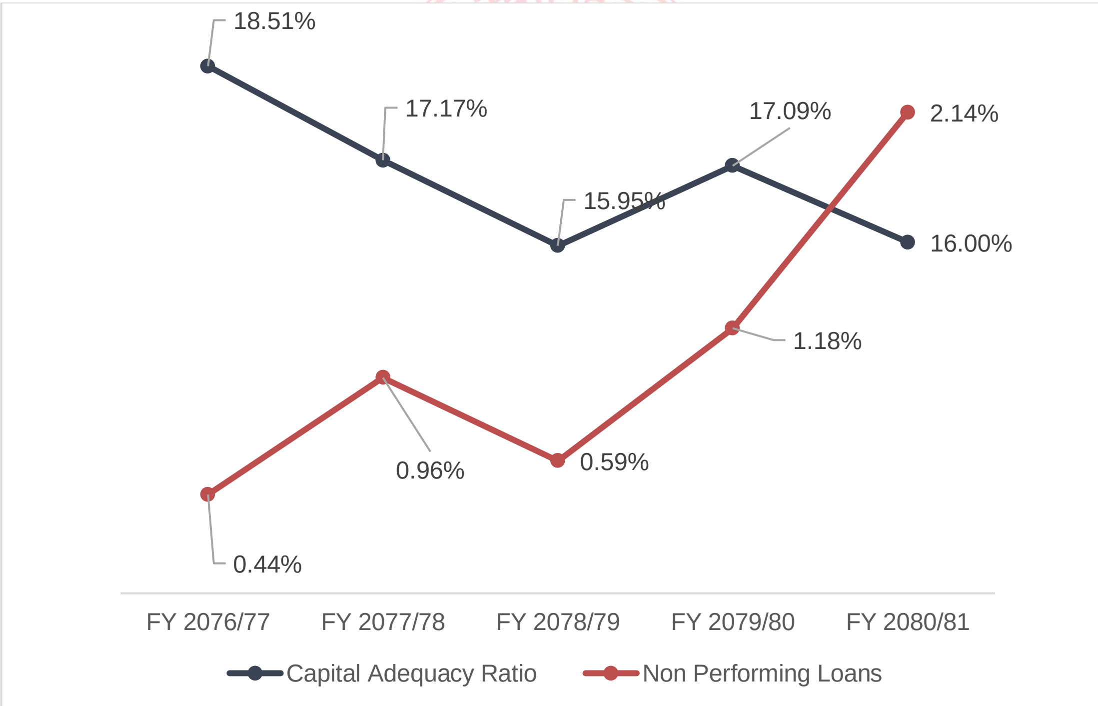


Figure: Capital Adequacy Ratio and Non-Performing Loans

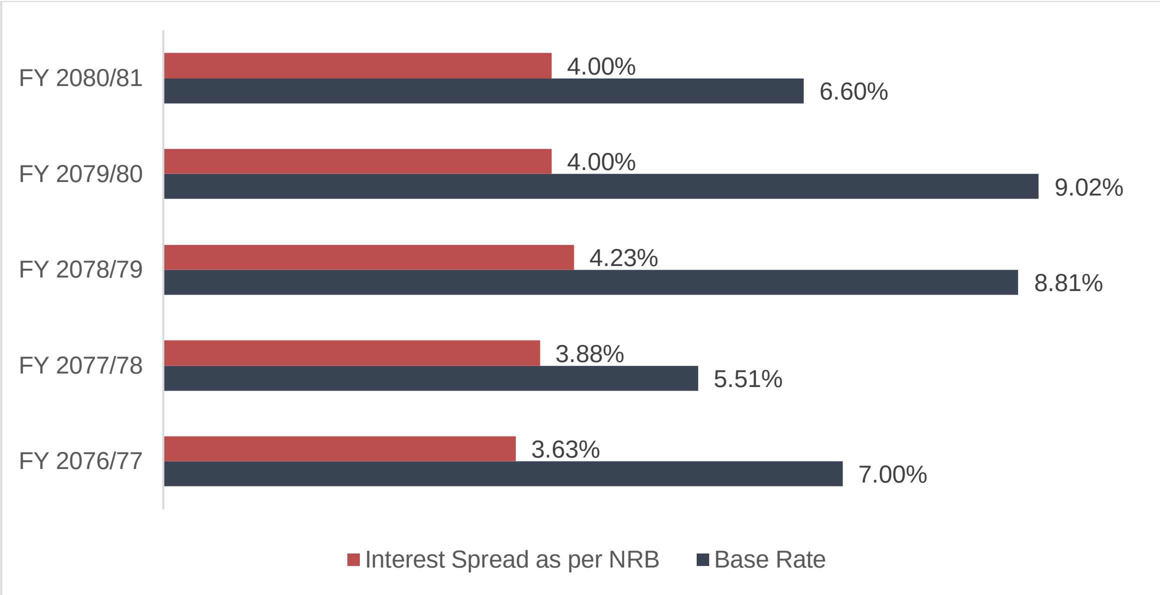


Figure: Base Rate and Interest Spread Rate

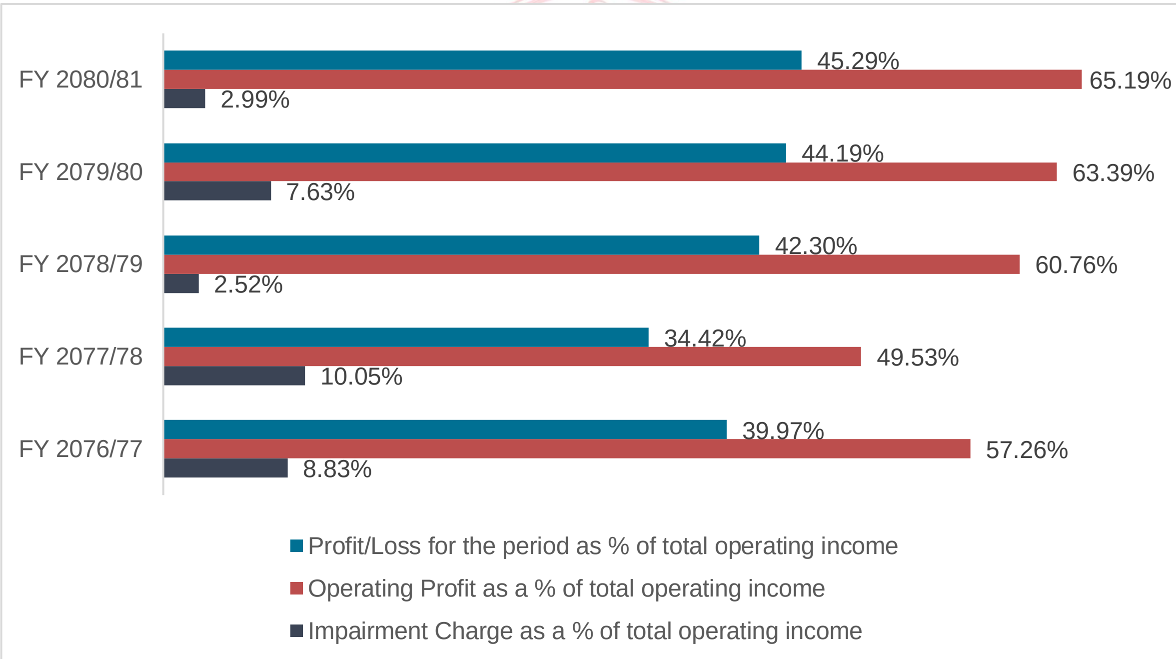


Figure: Annual Comparison of Net profit, Operating Income and Impairment charge (reversal) as a %total operating income

Interest Income Analysis of SCB

Particulars	2076/77	2077/78	2078/79	2079/80	2080/81
Cash and Cash Equivalents	0.00%	0.00%	0.00%	0.00%	0.00%
Balance in NRB	0.00%	0.00%	0.00%	0.00%	0.00%
Balance in other BFIs	4.97%	0.65%	1.03%	5.94%	11.25%
Loans and Advances to BFIs	4.42%	5.84%	8.73%	13.69%	9.64%
Loans and Advances to Customers	83.32%	83.92%	80.90%	69.98%	67.06%
Investment securities	6.54%	8.73%	8.71%	9.65%	10.59%
Loans and Advances to Employees	0.71%	0.86%	0.62%	0.60%	0.73%
Others	0.05%	0.004%	0.02%	0.14%	0.72%

Interest Analysis:

- **Loans and Advances to Customers:** This category has been the dominant allocation, but it has been declining significantly from **83.32% in FY 2076/77 to 67.06% in FY 2080/81**. This suggests a **shift in lending focus or risk management measures**, possibly due to increased defaults, economic uncertainty, or a strategic reallocation of funds.

- **Loans and Advances to BFIs:** The share allocated to **other financial institutions (BFIs)** has been rising, peaking at **13.69% in FY 2079/80**, before declining to **9.64% in FY 2080/81**. This indicates an effort to **diversify interest-earning assets away from direct customer lending**.

- **Investment Securities:** Investment in securities has gradually increased from **6.54% in FY 2076/77 to 10.59% in FY 2080/81**, suggesting a **growing focus on alternative income streams such as government bonds, corporate bonds, or other fixed-income instruments**.

- **Balance in Other BFIs:** A significant increase from **0.65% in FY 2077/78 to 11.25% in FY 2080/81** suggests a shift toward interbank placements, which may indicate **short-term liquidity management strategies**.

Key Takeaways:

- The institution has **reduced its reliance on direct customer loans**, shifting toward investments in **BFIs and securities**.

- A **more balanced approach** is being taken to diversify income sources.

- The decline in **customer lending** may signal **tightened credit policies** or a **more conservative lending approach** due to macroeconomic uncertainties.

Analysis of Operating Income:

Particulars	2076/77	2077/78	2078/79	2079/80	2080/81
Net Interest Income	69.50%	63.83%	70.13%	75.94%	70.99%
Net Fee and Commission Income	15.22%	17.23%	17.49%	16.37%	19.58%
Net trading Income	11.68%	18.68%	12.33%	7.42%	9.40%
Other Operating Income	3.60%	0.26%	0.05%	0.26%	0.03%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

1. **Net Interest Income (NII):**

- The primary source of income, fluctuating between 63.83% (FY 2077/78) and 75.94% (FY 2079/80).
- The highest contribution was in FY 2079/80 at 75.94%, indicating strong interest-earning potential that year.
- However, in FY 2080/81, it declined to 70.99%, suggesting potential margin pressure or a shift in revenue composition.

2. **Net Fee and Commission Income:**

- Increasing from 15.22% in FY 2076/77 to 19.58% in FY 2080/81, indicating a shift toward non-interest income streams.
- The steady rise suggests a focus on fee-based banking services, such as loan processing fees, remittances, and service charges.

3. **Net Trading Income:**

- Volatile across years, peaking at 18.68% in FY 2077/78 but declining to 7.42% in FY 2079/80, before slightly recovering to 9.40% in FY 2080/81.
- This volatility suggests market-dependent earnings, possibly from securities trading or foreign exchange transactions.

4. **Other Operating Income:**

- Negligible contribution, declining from 3.60% in FY 2076/77 to 0.03% in FY 2080/81.
- Indicates that SCB is not significantly reliant on miscellaneous income sources like penalties, lease income, or asset sales.

Key Takeaways:

- Interest income remains dominant, but fee-based income is growing, signaling a strategic shift toward non-interest revenue sources.

- Trading income is volatile, which may indicate exposure to market fluctuations in investments or forex operations.
- SCB needs to further diversify revenue streams to reduce reliance on interest income, ensuring more stable earnings amid fluctuating interest rate environments.

Comparable Company Analysis as of FY 2081/82 Q2

Metrics	SCB	Industry Average
Deposit Growth (YoY)	5.59%	9.03%
Loan Growth (YoY)	-4.23%	6.43%
Total Operating Income (YoY)	-12.05%	1.41%
Net Operating Income (YoY)	-3.85%	4.76%
Impairment Charges (YoY)	-587.94%	-14.00%
EPS in NPR	32.67	14.96
Non-Performing Loans (NPL)	1.71%	4.46%
Cost of Funds	3.38%	4.94%
Credit-to-Deposit Ratio	70.80%	79.94%
Base Rate	5.13%	6.80%
Interest Spread Rate	4.00%	3.92%
Return on Equity (ROE)	16.10%	8.16%
Return on Assets (ROA)	2.16%	0.87%

SCB's financial performance compared to the industry average highlights a mix of strengths and weaknesses. One of the most notable aspects is the significant decrease in impairment charges by 587.94%, whereas the industry saw a decline of only 14.00%. This sharp reduction indicates that SCB has either successfully recovered bad loans, written off substantial provisions, or improved its loan quality. This could be a positive sign of better credit risk management and improved asset quality, reducing the burden of non-performing loans on profitability.

Despite this improvement in impairment charges, SCB struggles with negative loan growth of -4.23%, while the industry experienced a positive 6.43% loan growth. This suggests that SCB may have tightened its lending policies, leading to lower credit expansion and reduced interest income opportunities. This is reflected in the steep decline in total operating income by -12.05%, whereas the industry average grew by 1.41%. Similarly, net operating income fell by -3.85%, while the industry showed a healthy 4.76% increase, indicating that SCB is underperforming in revenue generation compared to its peers.

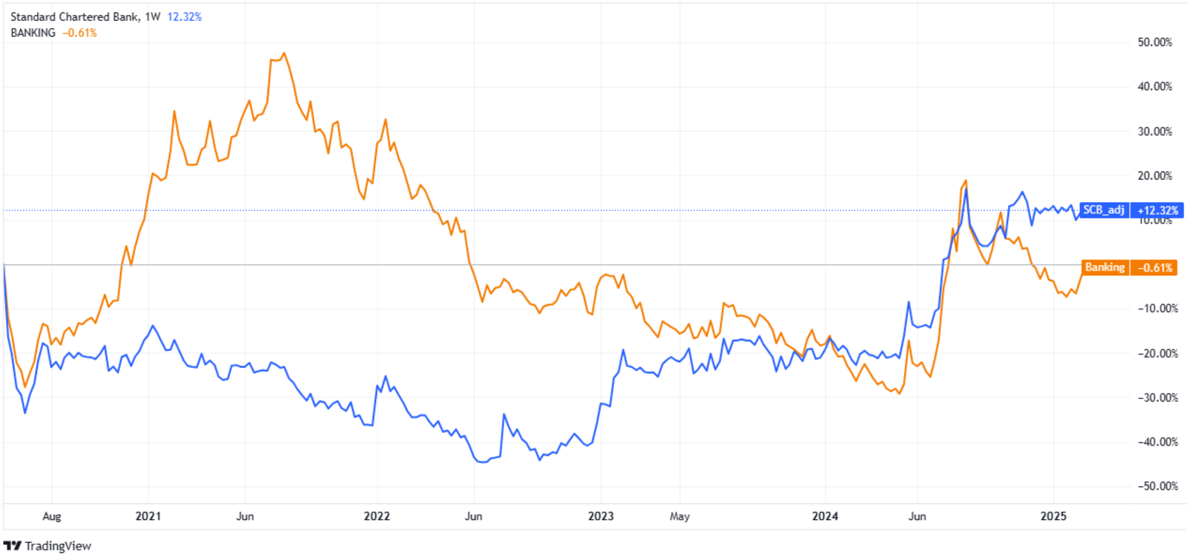
However, SCB's profitability remains strong, with Earnings Per Share (EPS) of 32.67, which is more than double the industry average of 14.96. This suggests that despite revenue struggles, SCB is maintaining solid returns for its shareholders. Additionally, its Non-Performing Loan (NPL) ratio stands at just 1.71%, significantly lower than the industry average of 4.46%. This reflects better credit risk management and a healthier loan portfolio, contributing to improved financial stability.

On the cost side, SCB operates with a lower cost of funds at 3.38% compared to the industry's 4.94%, indicating a competitive advantage in funding costs. Its credit-to-deposit ratio of 70.80% is below the industry's 79.94%, showing a more conservative lending strategy or weaker loan demand. Additionally, SCB maintains a lower base rate of 5.13% compared to the industry's 6.80%, which could make its loans more attractive to borrowers but may also compress interest margins over time.

SCB's profitability metrics outperform industry averages, with a Return on Equity (ROE) of 16.10%, nearly double the industry's 8.16%, and a Return on Assets (ROA) of 2.16% versus the industry's 0.87%. This indicates that SCB is highly efficient in generating returns from its assets and equity, despite its revenue challenges. Furthermore, the interest spread rate of 4.00% is slightly above the industry average of 3.92%, reflecting efficient management of lending and deposit interest rates.

Overall, SCB has successfully reduced impairment charges and maintained strong profitability, asset quality, and cost efficiency, but its weak loan growth and declining operating income raise concerns. To sustain long-term growth, SCB needs to focus on increasing loan disbursements, boosting operating income, and leveraging its cost advantages to regain market share and improve revenue generation.

D. 5 Year Stock Performance Adjusted for Cash Dividends and Financial Performance



Note – BANKING is represented in orange, while SCB is highlighted in blue.

Over the past five years, Standard Chartered Bank Nepal (SCB) has experienced three distinct phases in its stock performance: decline (2020–2022), stabilization (2022–2023), and a strong rebound (2023–2025).

Phase 1: Decline (2020–2022)

SCB, like the broader banking sector, underperformed due to tight liquidity conditions, economic uncertainties post-COVID, and its conservative lending strategy. While this cautious approach limited loan growth, it ensured that SCB maintained strong underwriting standards at a time when most Nepalese banks were exposed to higher credit risks. Unlike its peers, SCB prioritized quality over aggressive expansion, reinforcing financial resilience.

Phase 2: Stabilization (2022–2023)

By 2022, SCB's stock began stabilizing, supported by superior asset quality and a lower NPL ratio. However, operating income remained weak, declining 12.05% year-over-year, reflecting subdued credit demand and sector-wide challenges.

Phase 3: Strong Rebound (2023–2025, as of Q2 2081/82)

In early 2023, SCB broke away from the sector's underperformance, and currently the bank has superior financial metrics as of Q2 FY 2081/82

- Sharp reduction in impairment charges (-587.94% YoY)
- Improved profitability (ROE 16.10% vs. industry 8.16% YoY)
- Lower cost of funds (3.38% vs. industry 4.94% YoY), enhancing margins and making SCB more attractive than its peers.

Additionally, SCB's latest NPL ratio stands at 1.71%, significantly lower than the industry average of 4.46%, reinforcing its superior asset quality and effective credit risk management.

Conservative Loan Strategy: A Strength, not a Weakness

Despite its outperformance, loan growth has declined YoY, mainly due to SCB's deliberate risk-averse strategy, which has helped it maintain strong financial health. The bank has:

- 0% exposure to margin lending, avoiding speculative lending risks.
- A 5.65% YoY decline in demand and working capital loans, ensuring credit discipline.
- A 35% YoY reduction in hire purchase loans, a high-risk category.

Rather than being a cause for concern, this decline reflects SCB's commitment to prudent lending, prioritizing credit quality over volume-driven growth—a stark contrast to the broader banking sector, where aggressive lending has led to elevated impairment charges.

Outlook: Can SCB Maintain Its Leadership?

SCB's ability to sustain its leadership will depend on balancing loan disbursement growth with its conservative risk framework. If the banking sector recovers, SCB is well-positioned to lead further gains, capitalizing on its strong financial foundation and disciplined approach. However, if macroeconomic pressures persist, its upside potential may be constrained, requiring a strategic focus on alternative revenue streams and operational efficiency to drive long-term growth.

Key Variables used for Valuation:

1. Sustainable Growth Rate for longer period projection to calculate terminal value= 4%
2. Other specifics are as follows:

Specifics	Value	Remarks
Adjusted Beta (β)	0.85	Assumption— The raw daily beta of 0.78 since its listing date, will move towards the market beta of 1 over time.
Market Return (Rm)	11.04%	CAGR of closing prices of NEPSE from FY 2001/02 to FY 2023/24.
Risk-Free Rate (Rf)	5.48%	The latest Development Bond Rate is adjusted for a tax rate of 6.00%.
Cost of Equity (Ke)	10.18%	As per the CAPM Model

Other assumptions:

- **Loan Growth Projections:** The base case assumes loan growth rates of 12.5%, 12.5%, 13%, 13.5%, and 14% for the respective years. In the worst-case scenario, loan growth is projected at 7.5%, 8.5%, 10%, 11%, and 11%. Meanwhile, the best-case scenario anticipates higher growth rates of 12.5%, 13%, 14%, 15%, and 16%.
- **Expenses:** Expense projections are based on historical averages, reflecting the company's ongoing operational efficiency.
- **Impairment Charges:** Impairment charges have been estimated for each case scenario, with the worst-case projecting a higher percentage of operating income allocated to impairment, while the best-case assumes a lower percentage.
- **Dividends:** Dividend projections follow historical trends, with future payouts expected to align with the company's past dividend practices.

E. Stock Valuation

We have valued SCB using the Residual Income Model method. The Residual Income Model (RIM) is a valuation method that calculates the intrinsic value of a company by adding the company's current book value to the present value of expected future residual income. Residual income is the net income after subtracting the cost of equity capital. It reflects the value a company generates over and above the required return on its equity.

The Residual Income Model is preferred for banks as it focuses on profitability above the cost of equity and uses book value, which is more relevant for capital-intensive firms. Unlike DCF, RIM avoids complexities related to cash flow estimation for banks.

The final average valuation of SCB based on this approach has been computed below:

RI Valuation	Valuation Price (NPR)
Worst Case	253.68
Base Case	485.42

Best Case	887.94
Average Valuation	542.34

F. Technical Analysis

SCB's stock is currently consolidating within a symmetrical triangle pattern, signaling a potential breakout in either direction. The price is moving between support at ~630 and resistance at ~727, with the current level at 672.30. The RSI at 52.64 indicates neutral momentum, suggesting neither strong buying nor selling pressure. However, a key bullish signal is emerging as the MACD is approaching a positive crossover, which could indicate gaining momentum and a potential breakout to the upside.

If the stock breaks above 727 with strong volume, it could trigger a sustained uptrend. On the downside, if it fails to hold 630 supports, a decline toward 600 or lower could follow. Given the impending MACD crossover and tightening price action, traders should watch for a confirmed breakout above 727 for a bullish move or a breakdown below 630 for a bearish trend continuation.

In short, Immediate Resistance is at NPR 727.00 and Immediate Support is at NPR 630.00.

G. Conclusion

Standard Chartered Bank Nepal Limited (SCB) stands out as Nepal's only international bank, benefiting from strong parentage, superior asset quality, and a well-managed risk framework. Despite holding a relatively small market share (2.08% of deposits and 1.72% of total loans), it remains a highly profitable and stable institution, with an ROE of 16.10% and the highest credit rating in Nepal (ICRANP-IR AAA). Its strong capital position (CAR 16.94%) and high CASA ratio (~65%) provide a competitive funding advantage, supporting low-cost deposits and profitability resilience.

However, Standard Chartered Bank Nepal (SCBNL) faces challenges in loan growth, with a -4.23% YoY decline, primarily due to its conservative lending strategy and strict credit risk management. Additionally, its limited branch network (15 locations) constrains its ability to expand market reach and scale operations. While impairment charges have significantly declined (-587.94% YoY), reflecting improved asset quality and disciplined underwriting, SCBNL's slow expansion strategy and strong reliance on corporate clients limit its growth potential in the retail and SME banking segments, where demand remains strong. To sustain long-term growth, the bank will need to strategically enhance loan disbursement while maintaining its strong asset quality and explore opportunities in diversifying its customer base.

From a stock performance perspective, SCB has outperformed the banking sector in the last 5 years (+12.32% vs. banking index -0.61%), reflecting investor confidence in its financial stability and earnings strength. The stock is currently consolidating in a symmetrical triangle pattern, with a potential bullish breakout above NPR 727. The MACD approaching a positive crossover further supports the possibility of upward momentum.

Overall, SCB remains a safe, well-capitalized, and fundamentally strong bank, but its future growth hinges on improving loan disbursements, expanding market presence, and leveraging its digital banking capabilities. If it can balance risk management with expansion, it has the potential to maintain its premium positioning and long-term investor appeal.

ISSUE OF THE MONTH

The Four Stages of a Bull Market

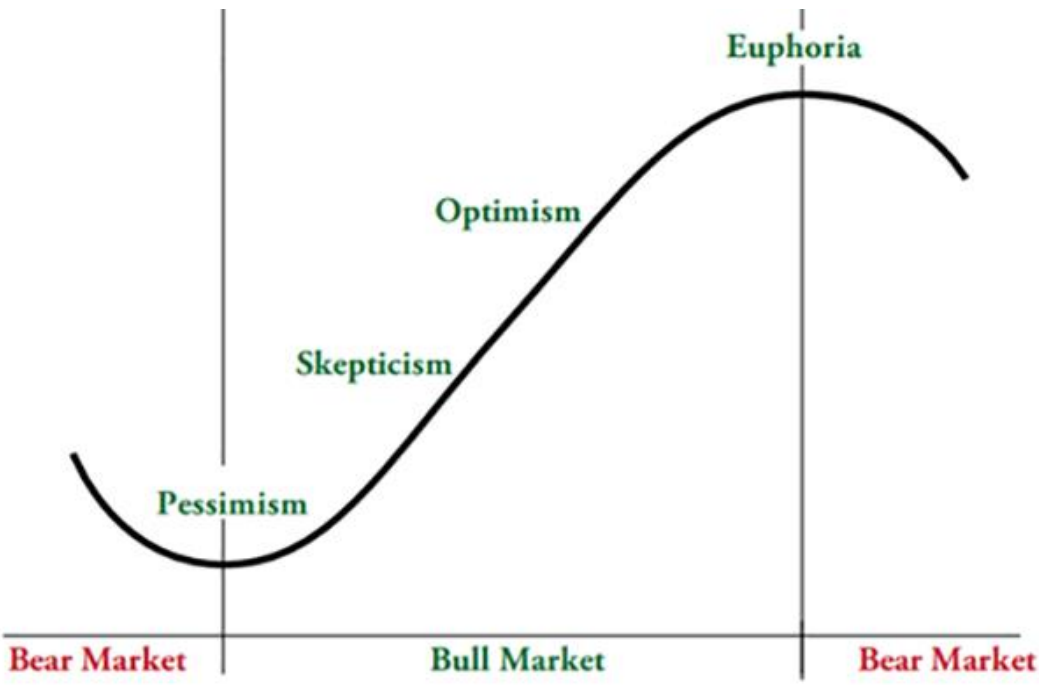
*"**Bull Markets** are born on pessimism, grow on skepticism, mature on optimism and die on euphoria."- Sir John Templeton*

A. What is a Bull Market?

A bull market, also known as a bull, run, is a long, extended period in the market when stock prices are on the rise. There is no single stat or metric that defines when we are in a bull market, but the most common definition is when stock/asset prices increase at least 20% from their most recent low, with signs that they will continue to grow. This is most commonly applied to stock market Indices (NEPSE Index in case of Nepal) which measures overall position and movement of stocks in Nepal Stock Exchange.

A bull market is the reverse of a bear market, which happens when stock prices are falling. Bulls when excited charge rapidly and are known for running at great speeds while bears tend to hibernate and are associated more with defense and thus are used as symbols for markets/assets with similar moods.

B. What are the four stages of a bull market?



Note: Only for illustration, the markets do not move in a smooth trend as shown.

The interesting thing about market trends is that they tend to reverse at an almost counterintuitive time i.e., a bear market starts after the peak of a Bull Run while a Bull Market starts at the bottom of a bear market; this sounds simple enough but therein lies the complexity of buy and sell decisions. Selling too early in a Bull Cycle leads to you losing out on a lot of possible money while buying early in a Bear Cycle leads to losing a lot on your initial investment. Anyone who makes good money in the market does so because they have entered in time and exited in time. Get caught out either at the top or the bottom and you will have to wait a long time to realize the gains seen or recoup the losses seen in the preceding market cycle. Understanding the stages of a Bull market can help an investor buy right and sell right to get a good return on their investment.

I. Pessimism

Bull Markets typically tend to begin when investors show their loss of confidence by selling assets at lower valuations. Good Stocks can be bought below their fair valuations and headlines about market volatility or emphasis on massive amounts of fear about investing in stocks are common. The continuous falls of the market would have scared away most of the short-term investors and speculators. Things look gloomy and many investors would have sold their stocks in panic during the market downturn. People tend to panic-sell near the bottom of a bear market or choose “safer” investments to avoid further loss. It is in this stage that the shrewdest value-based investors operate, buying the best stocks near or below their fair valuations. Public offerings tend to have lower participation from investors and Market Turnover remains apathetic.

II. Skepticism

In this stage, stocks start to climb as prices rebound from deep lows and reach nearer to their fairer valuations while skeptical investors still tend to distrust the prevailing bull market. Price based valuation metrics are used for investing as some skeptics finally start to enter the market. The fear of the bear market starts to diminish slowly as stock prices begin to rise and Investors who resisted selling in the previous bear may start to see their portfolio values rise. Good companies may start offering Public Offerings in this stage. Certain stocks can still be bought below their fair valuations at this stage. The more this stage progresses forward, new, and older investors will enter the market sensing a profit-making opportunity.

III. Optimism

A sustained forward push turns skepticism into optimism fueling the next leg of the bull market. At this stage, most investors will have forgotten the woes of the previous bear market and will be concentrating solely on the fact that there is a substantial profit to be made as everyone realizes that a bull market is underway. Expectations for company earnings rise leading to people paying larger premiums for stock. People start buying poorly managed companies at lower prices as Investors who are not invested well start to develop a fear of missing out on the strong bull market returns. Relatively undervalued companies: even those with huge supplies start to see good gains period on period.

IV. Euphoria

The euphoria stage is when the market has the highest turnover as everyone now wants to buy into the market because greed has replaced fear as the primary driving factor while making a decision. Valuations are often forgotten as people are convinced that stock prices will continue to rally into the future. Even low-quality IPOs might launch and settle into a good price bracket as investors who feared or distrusted the stock market jump stock to stock looking for short term gains. They expect continuous growth and have forgotten there is such a thing as a business cycle.

Stock Market news drives the headline and everyone who can invest will start to invest in the markets. Everyone becomes a pundit because all the stocks keep on moving higher. Investors start chasing the hot stock picks and trade based on rumor. People tend to believe something that has had a strong bull run is safer. So, they switch strategies and make decisions based on short-term enthusiasm. Nothing matters as the market consume everyone's attention. At the end of the bull market's lifecycle, euphoria is usually at its peak, lulling investors into false security. This is the beginning of a bear market as stocks reach ludicrous valuations before either they can move no higher or when a piece of really bad news brings the markets crashing down.

C. Understanding how to act.

When a new bull market starts—typically at the bottom of a bear market most investors will have no desire to own stocks. But this is when the returns are swift and massive, and losses suffered can be recouped quite quickly.

"The best time to invest is at this stage". However, finding the bottom is much harder than it seems so buying good stocks near their book valuations can be akin to buying smart. Then, as the markets and economy improve, the worries gradually fade, and those investors who hesitated now to start showing some enthusiasm about the markets. As the bull matures, investor sentiment shifts to sky-high expectations for market returns before hitting a wall and moving back down again. Even junk stocks look highly appealing in this stage.

Paradoxically, **“The most losses are born from the Top of a Bull Market”** as the bears consume all momentum henceforth and the markets see large corrections as panic prevails.

However, it must be noted that cycles can only be seen clearly in hindsight and a savvy investor must always be looking at the signs that a market is about to turn.

**Note: This article is extracted from Falgun 2077 edition of The Pulse.*

Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
NMIC	IPO	18,45,000 (O)	2025/02/23 AD 2081/11/11 BS	2025/02/27 AD 2081/11/15 BS	NIMB Ace Capital
NIL	RIGHT	50,30,901 (O)	2025/02/20 AD 2081/11/08 BS	2025/03/12 AD 2081/11/28 BS	Sanima Capital
NFSPO	AUCTION	1,090,371 (P)	2025/02/13 AD 2081/11/01 BS	2025/03/21 AD 2081/12/08 BS	Prabhu Capital
JBLBP	AUCTION	845,226 (P)	2025/02/12 AD 2081/10/30 BS	2025/02/25 AD 2081/11/13 BS	NMB Capital
MBLEF	MUTUAL FUND	25,000,000 (O)	2025/02/18 AD 2081/11/06 BS	2025/03/04 AD 2081/11/20 BS	Sanima Capital

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