

The Pulse

Market Growth, Risks and Outlook

Shrawan 2078

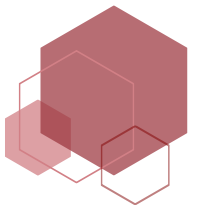
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Himalayan Capital

A Wholly Owned Subsidiary of Himalayan Bank Limited



Macroeconomic Overview



Inflation

4.19% ▲



Deposit Growth

20.8% ▲



Credit Growth

26.3% ▲



Import Growth

25.7% ▲



Export Growth

37.8% ▲



Remittance Growth

12.6% ▲



FX Reserve Growth

4.53% ▲

*Growth refers to the change between the first eleven months of this FY and eleven months of Last FY.

Monthly Trading Statistics



Average
Turnover

NPR 8.64 B

-35.83% ▼



Average
Shares Traded

27.90 M

-0.27% ▼



Average
Transactions

86.36 K

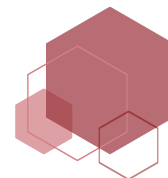
-36.48% ▼



Average
Scrips Traded

213

-3.74% ▼

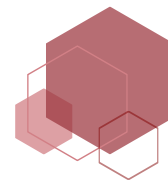


Liquidity Overview

Description	Value as On				Change		
	Last Year	Last Month	Last Week	This Week	YOY	MOM	WOW
Wt. Avg 28 Days TB rate	0.11%	2.13%	4.68%	4.68%	4.57	2.55	0.00
Wt. Avg 91 Days TB rate	1.27%	3.79%	4.92%	3.66%	2.39	-0.13	-1.26
Wt. Avg 364 Days TB rate	2.26%	4.22%	4.45%	3.96%	1.71	-0.26	-0.48
Wt. Avg Interbank Rate	0.10%	3.21%	3.61%	0.64%	0.54	-2.57	-2.97
Wt. Avg Deposit Rate (CB)	6.01%	4.72%	4.72%	4.72%	-1.29	N/A	N/A
Wt. Avg Lending Rate (CB)	10.11%	8.46%	8.46%	8.46%	-1.65	N/A	N/A
Base Rate (CB)	8.50%	6.66%	6.66%	6.66%	-1.84	N/A	N/A
CCD Ratio	72.02%	78.64%	77.57%	76.63%	4.61	-2.01	-0.94
Fixed Deposit/Total Deposits	46.90%	48.34%	48.34%	48.34%	1.44	N/A	N/A

Major Movers

NGPL	94.07%	GAIN	UPPER	-8.69%
MHNL	94.07%		NICL	-8.31%
HPPL	53.39%		NIBD2082	-6.17%
SPDL	52.01%		ICFCD83	-6.00%
NHDL	50.60%		NICAD8283	-4.13%



Sectoral Movement

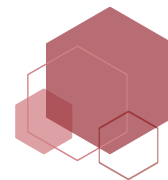
Index	30 th June	30 th July	Change
NEPSE	2,823.87	3,079.83	9.06%
Finance Company	2,163.22	2,685.49	24.14%
Mutual Fund	15.24	17.92	17.59%
Development Bank	4,205.12	4,891.31	16.32%
Hydro Power	2,816.98	3,213.11	14.06%
Hotels & Tourism	3,518.63	3,933.97	11.80%
Manufacturing & Processing	5,963.53	6,650.01	11.51%
Trading	3,666.20	4,079.01	11.26%
Commercial Bank	1,919.91	2,099.58	9.36%
Microfinance	5,169.96	5,571.15	7.76%
Life Insurance	17,059.92	18,272.92	7.11%
Investment	105.86	113.22	6.95%
Non-Life Insurance	14,139.20	14,994.01	6.05%
Others	2,155.50	2,201.22	2.12%

Public Debt Subscription

T-Bill	Issue Date	Issue Amount	Total Applicant	Total Bids	Bid Amount	Excess/ Under	Discount Rate		
							Low	High	Avg
28 Days	Shrawan 5	500.00	28	138	4,139.00	3,639.00	0.15	0.28	0.17
91 Days	Shrawan 5	20.00	15	28	280.00	260.00	1.44	1.44	1.44
182 Days	Ashar 29	600.00	32	151	2,457.00	1,857.00	3.28	4.17	3.95
364 Days	Ashar 30	860.00	29	131	2,402.00	1,542.00	3.28	4.25	3.96

Figures in Million

*Figures are in Millions NPR



Sectoral Divergence-Turnover

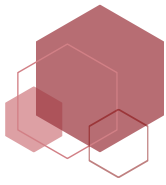
Index	90 Days Avg	Month Avg	Divergence
Mutual Fund	86.53 M	186.52 M	115.55%
Finance	585.97 M	760.65 M	29.81%
Preferred Stock	0.01 M	0.01 M	28.46%
Commercial Banks	2,046.83M	1,997.64M	-2.40%
Hydro Power	1,971.13M	1,631.99M	-17.21%
Development Banks	781.67 M	610.40 M	-21.91%
Manufacturing And Processing	230.84 M	175.43 M	-24.00%
Corporate Debenture	1.87 M	1.42 M	-24.18%
Microfinance	1,002.48M	624.18 M	-37.74%
Hotels	100.38 M	49.25 M	-50.94%
Non-Life Insurance	824.83 M	399.47 M	-51.57%
Life Insurance	485.81 M	233.98 M	-51.84%
Trading	45.93 M	22.04 M	-52.01%
Others	406.76 M	116.85 M	-71.27%

Highest Turnover

NICA	4.10 B
NABIL	3.12 B
MFIL	3.10 B
NBL	2.91 B
HDL	2.70 B

Highest Volume

LEMF	33.74 M
NMB50	26.31 M
SAEF	25.41 M
NBF2	21.58 M
SIGS2	21.21 M



NEPSE Outlook

A. Current Overview



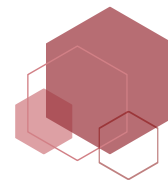
During the review period, the benchmark index NEPSE witnessed an upward trend after making an intraday low of 2,782.01 on 30th June 2021 and the lowest closing of 2,801.13 points on 7th July 2021. After that, the NEPSE index welcomed new FY 2078/79 with a solid gain of 97.23 points, or 3.37% up on the first trading day (18th July 2021) of this fiscal year to close at 2,980.61 points with good volume. The market then continued its upward journey and tested the new intraday high of 3,112.21 points to close at an all-time high of 3,094.95 points on July 28, 2021. The market closed at 3,079.83 points at the end of the review period (i.e., July 29, 2021).

As it can be seen in the chart above, the NEPSE index has been moving upward in a parallel channel pattern taking support and resistance within that pattern and has witnessed a breakout from the mid-channel of the pattern in the current time.

NEPSE index has successfully crossed over both 20 days MA and 50 days MA from below after witnessing a correction, signaling upwards movement in the short run.

NEPSE bounced back from Relative Strength Index (RSI) of 42 from the oversold zone area and is currently at an RSI of 70 which is relatively in the overbought zone.

The Moving Average Convergence Divergence (MACD) line has entered the positive zone and has also crossed over the trigger line from below indicating an upward trend.



The Directional Movement Index (DMI) which identifies the direction in which the price of an asset is moving shows that +DMI is above the -DMI with a rising ADX of 28 indicating that the upward momentum is getting stronger.

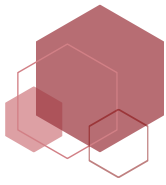
The immediate support levels of NEPSE index stands at: (S1) 3,000, (S2) 2,930 and (S3) 2,880, whereas the immediate resistance levels hold at: (R1) 3,130, (R2) 3,190 and (R3) 3,250.

B. Long-Term Outlook



After making a low of 1,102.47 points on 25th November 2019, NEPSE began its upward journey with a confirmation of golden crossover (i.e. crossover between 50 days MA and 200 days MA from below) as well as a clear breakout from the green-colored trend line shown above, and there has been no looking back for NEPSE as it started breaking records after records with the recent new intraday high of 3,112.21 points leading to it closing at an all-time high of 3,094.95 points on 28th July 2021 supported by good volume and with record breaking turnover of NPR 19.55 billion on 13th June 2021.

As can be seen in the chart above, NEPSE index has achieved major Trend-Based Fibonacci Extensions of 1.61 (2,066.04 points) and 2.61 (2,632.90 points) within a very short span of time and is almost on the verge of testing the 3.61 extension of 3,200 points with the next target being 4.236 extension level of 3,500 points in the mid to long-term.



SCRIP ANALYSIS

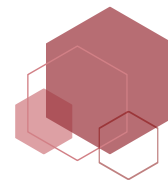
NIC Asia Bank Limited (NICA)

A. Technical Analysis



After a long period of consolidation around Rs. 900, the stock started moving in an upward trend to reach an all-time high of Rs. 1,085 (adjusted price). Currently, the stock is in a minor correction phase due to short-term profit booking as the stock had reached an RSI of 82 which was in the overbought zone. The stock is currently trying to take support at 38.2% Fibonacci retracement level of Rs. 1,020. The stock closed at Rs. 1,036 at the end of the review period as on 29th July 2021.

The scrip has crossed over both 20 days MA and 50 days MA from below indicating upward trend in the short-term. The RSI of the stock reached 82 at overbought zone and witnessed a correction. Currently, the RSI is at 62 relatively in the overbought zone. The MACD line is in the positive zone, above the trigger line, but nearing in towards it signaling minor correction in the short term. Though +DMI is above the - DMI, they are nearing towards each other and a bend in ADX line signal this upward momentum is slightly getting weaker.



The immediate support levels for this stock are: (S1) Rs. 1020, (S2) Rs. 1000 and (S3) Rs. 980, whereas its immediate resistance levels are: (R1) Rs. 1,056, (R2) Rs. 1,092 and (R3) Rs. 1,130.

B. Stock Valuation

The final average valuation of NICA based on Absolute Approach (viz. Capitalized Earnings, Earnings Valuation and Discounted Cash Flow) as well as Relative Approach (viz. P/E Model, P/B Model and Market Price Model) has been computed as **NPR 656.38**, which has been tabulated below:

Method	Valuation Price
Capitalized Earnings	461.84
Earning Valuation	499.94
Discounted Cash Flow	539.03
P/E Model	956.85
P/B Model	550.61
Market Price Model	929.98
Final Average Valuation	656.38

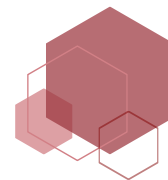
Assumptions

I. Projected Growth Rates

- Perpetual Growth Rate (for longer period projection to calculate terminal value in Earnings Valuation & DCF): last 10 years economy growth rate is 4.65%
- Stable Earnings Growth Rate for calculating capitalization rate (Last seven years Average EPS Growth Rate of NICA) = 8.97%

II. Cost of Equity (CAPM Model)

$$K_e = R_f + (R_m - R_f) \times B$$



Specifics	Value	Remarks
Weekly Beta (B)	1.13	As on 7/29/2021
Market Return (Rm) (average)	15.60%	
Risk Free rate (Rf)	9.00%	Citizen Saving Bond, 2082
Cost of Equity (Ke)	16.46%	

- Industry average P/E Ratio = 27.61 and P/B Ratio = 3.15
- Market Price Model = 120 Day's Closing Price Average

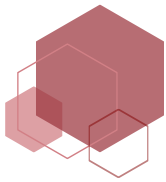
C. Recommendation

The last traded price of NICA as on 29th July 2021 is Rs. 1,036. It is trading at a P/E ratio of 29.90, which is slightly above its industry's average P/E ratio of 27.61, with an EPS of Rs. 34.65. Its book value per share stands at Rs. 174.96. The financial institution has relatively low CAR of 11.44%, a tight CCD ratio of 84.21% and a controlled NPL of 0.47%. In the first nine months of this fiscal year (i.e., Q3 2077/78), its deposit base has grown by 36.55% while its reported credit growth is 49.92%, which is comparatively higher than its deposit growth rate, indicated by its tight CCD ratio. It has reported 19.23% growth in its core business income and a net profit growth of 20.07%.

The company has showcased aggressive business and profitability growth creating visible impact to stand out within the industry within a short span of time. The company has a good year-on-year dividend history and is also backed up by a renowned group of promoters along with an experienced team of Directors and Managers.

Based on its current valuation, the stock is overvalued as it is trading at a premium compared to its intrinsic value of Rs. 656.38 while also trading slightly above the industry average P/E ratio of 27.61. Furthermore, the company has a tight CCD ratio and might have to provision a large amount of assets due to recent changes in NRB directives compared to others, which is likely to impact its bottom line and distributable profit. However, since the company is fundamentally strong and carries growth potential, it could be "HOLD" or, "BUY" for accumulation during this correction phase from a short as well as a long-term perspective, as its fourth quarterly report and dividend announcement for the FY 2077/78 looms in the horizon.

Disclaimer: Investment in equity shares has its own risks. The information contained herein is based on analysis and on sources that we consider reliable. This material is for personal information, and we are not responsible for any loss incurred due to it & take no responsibility whatsoever for any financial profits or loss which may arise from the recommendation above.

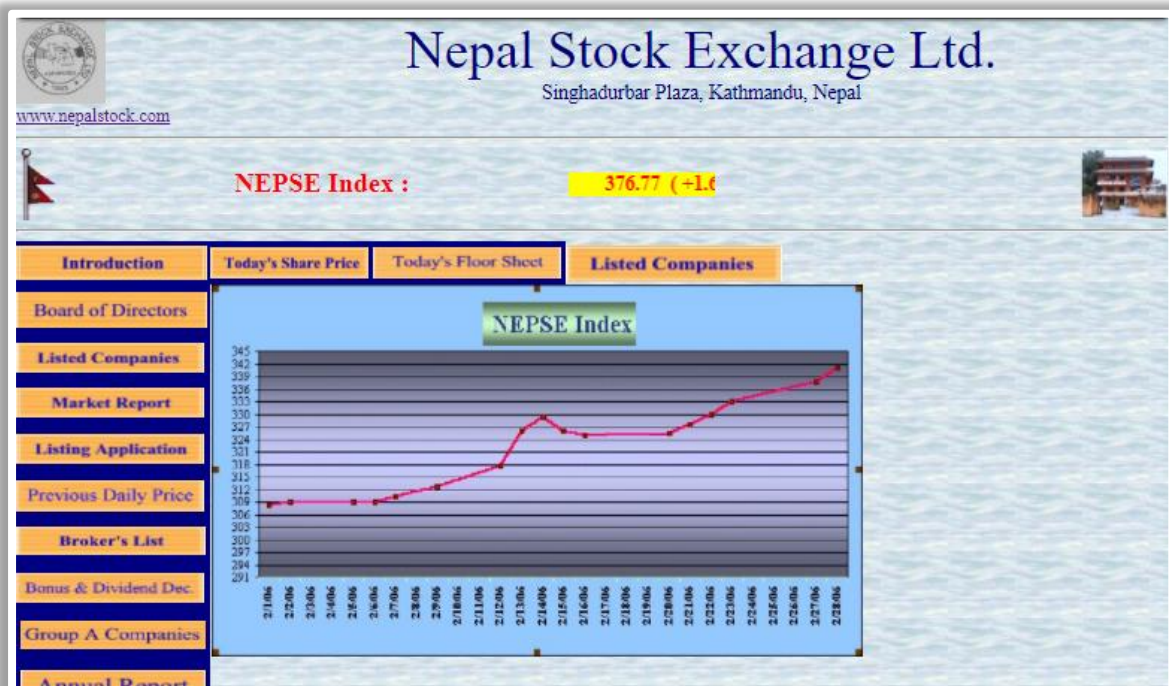


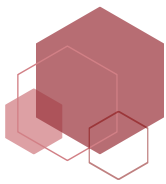
In Pictures (Nepalstock.com)

A. As on 20th July 2001

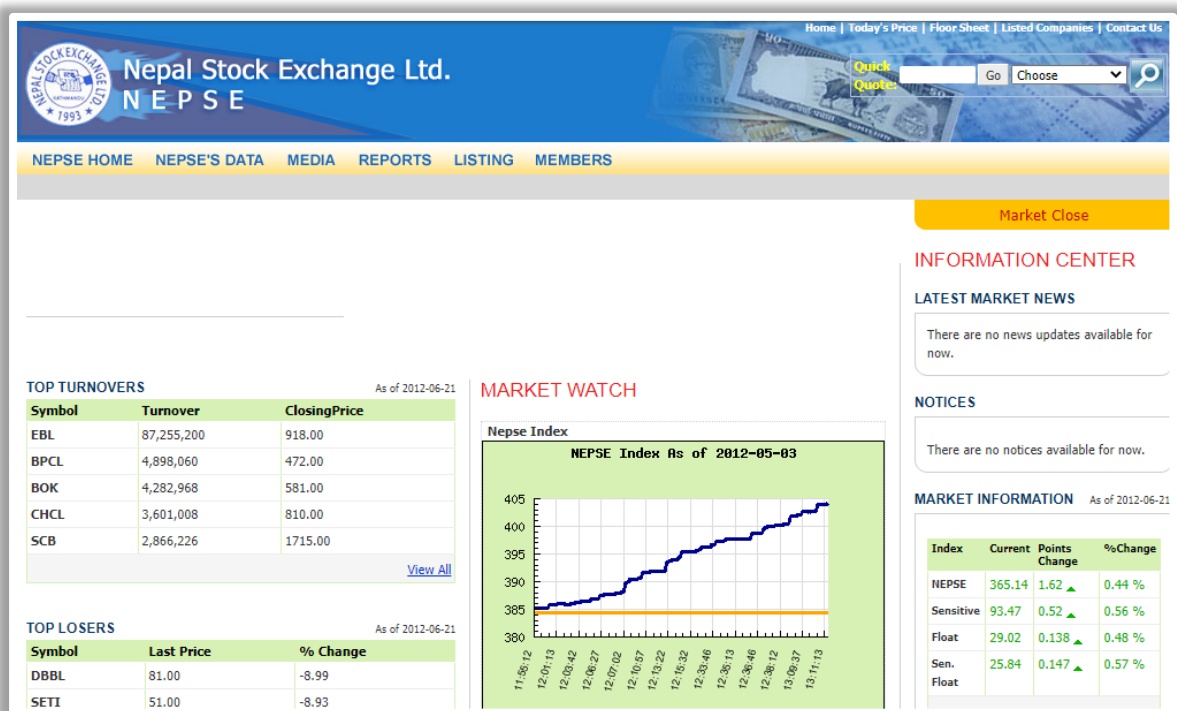


B. As on 2nd July 2006

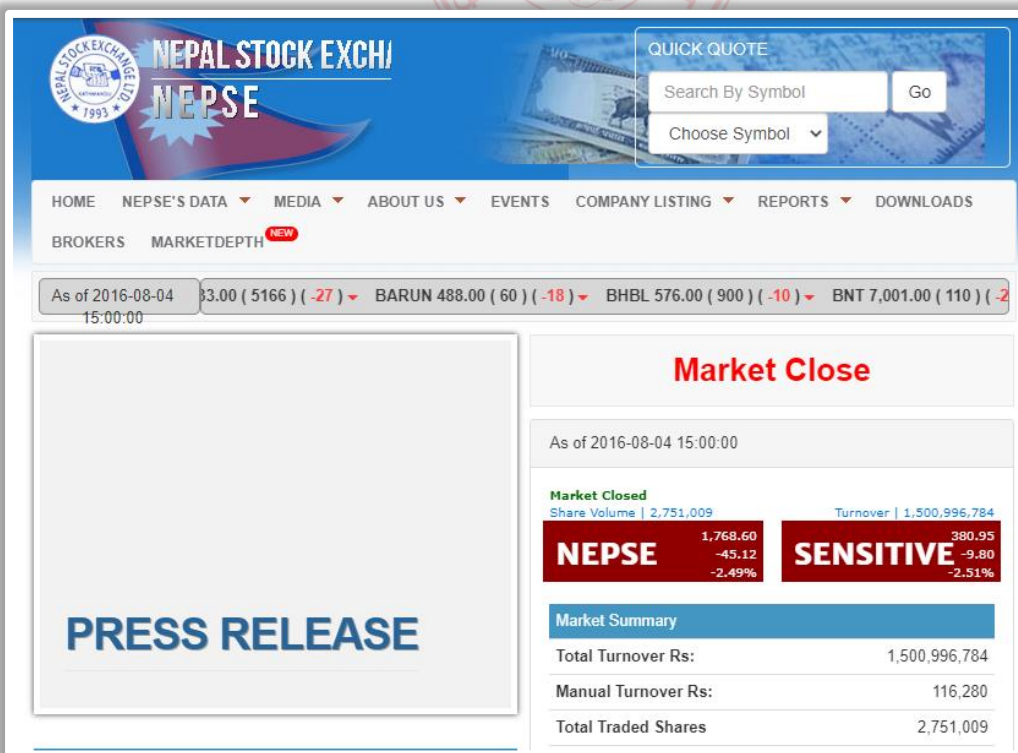


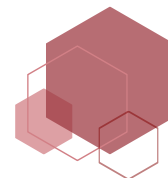


C. As on 22nd June 2011

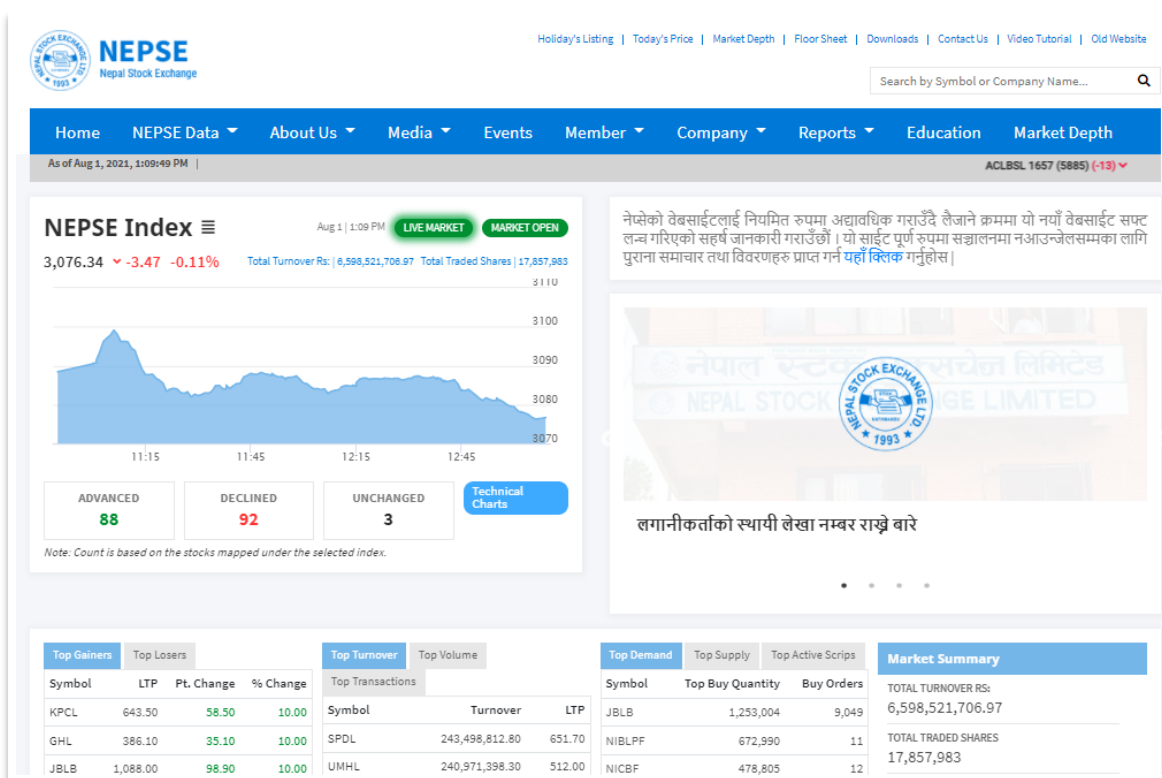


D. As on 5th August 2016



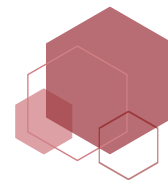


E. As on 31st July 2021



*The last picture is from nepalstock.com.np





Key Dates

Company	Qty.	Type	From	To	Issue Manager
NMFBSP	Auction	65,760 (P)	2021/08/01 AD 2078/04/17 BS	2021/08/15 AD 2078/4/31 BS	RBB Merchant Banking
PRVUPO	Auction	202,186 (P)	2021/07/30 AD 2078/04/15 BS	2021/08/13 AD 2078/04/29 BS	NMB Capital
PICPO	Auction	542,965 (P)	2021/07/29 AD 2078/04/14 BS	2021/08/06 AD 2078/04/22 BS	NIC Asia Capital
MFILPO	Auction	12,587 (P)	2021/07/29 AD 2078/04/14 BS	2021/08/24 AD 2078/05/08 BS	NIBL ACE Capital
API	Auction	215,599 (O)	2021/07/28 AD 2078/04/13 BS	2021/08/04 AD 2078/04/20 BS	Muktinath Capital
MAILUNG	IPO	736,286 (O)	2021/07/29 AD 2078/04/14 BS	2021/08/02 AD 2078/04/18 BS	Siddhartha Capital
ND2085	IPO	3,000,000 (O)	2021/07/25 AD 2078/04/10 BS	2021/08/08 AD 2078/04/24 BS	Himalayan Capital
HIDCL	Right	110,000,000 (O)	2021/07/20 AD 2078/04/05 BS	2021/08/09 AD 2078/04/25 BS	Global IME Capital

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