

The Pulse

Market Growth, Risks and Outlook

Mangsir 2080

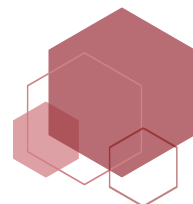
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Himalayan Capital





A Wholly Owned Subsidiary of Himalayan Bank Limited



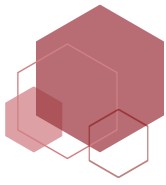
Global Markets Overview

€	1.10 \$ (4.03%)	S&P 500	4,550.58 (10.50%)
£	1.27 \$ (4.77%)	BSE SENSEX	66,901.91 (4.81%)
₹	83.31* (0.02%)	NIKKEI 225	33,321.22 (7.37%)
¥	147.06* (-1.81%)	FTSE 100	7,423.46 (1.77%)
A\$	0.66 \$ (4.79%)	DAX	16,166.45 (10.07%)
₱	0.74 \$ (2.16%)	CAC 40	7,267.64 (6.79%)
		HANG SENG	16,993.44 (-2.38%)
		SSE COMPOSITE	3,021.69 (0.11%)

*Values Per 1 \$

	Gold(\$) Per Oz. 2,044.15 (2.42%)		Bitcoin(\$) 37,827.60 (9.33%)
	Brent Crude(\$) Per Barrell 83.24 (-1.13%)		Ethereum(\$) 2,027.23 (12.66%)

#All Changes are in MoM basis.



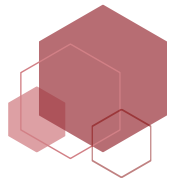
Currency Market Trends

In November, the local currency (NPR) demonstrated remarkable stability against the US dollar, fluctuating within a narrow range of 133.35 to 133.70. However, the currency exhibited underperformance against the Euro (EUR) and British Pound (GBP), depreciating by 3.98% to 146.83 against the EUR (compared to the previous 141.21) and by 4.76% to 169.98 against the GBP (from the earlier 162.25). Throughout October and November, the Reserve Bank of India maintained the USD/INR within the range of 83.20-83.30, providing support to the local currency, which is pegged against the INR at 1.60.

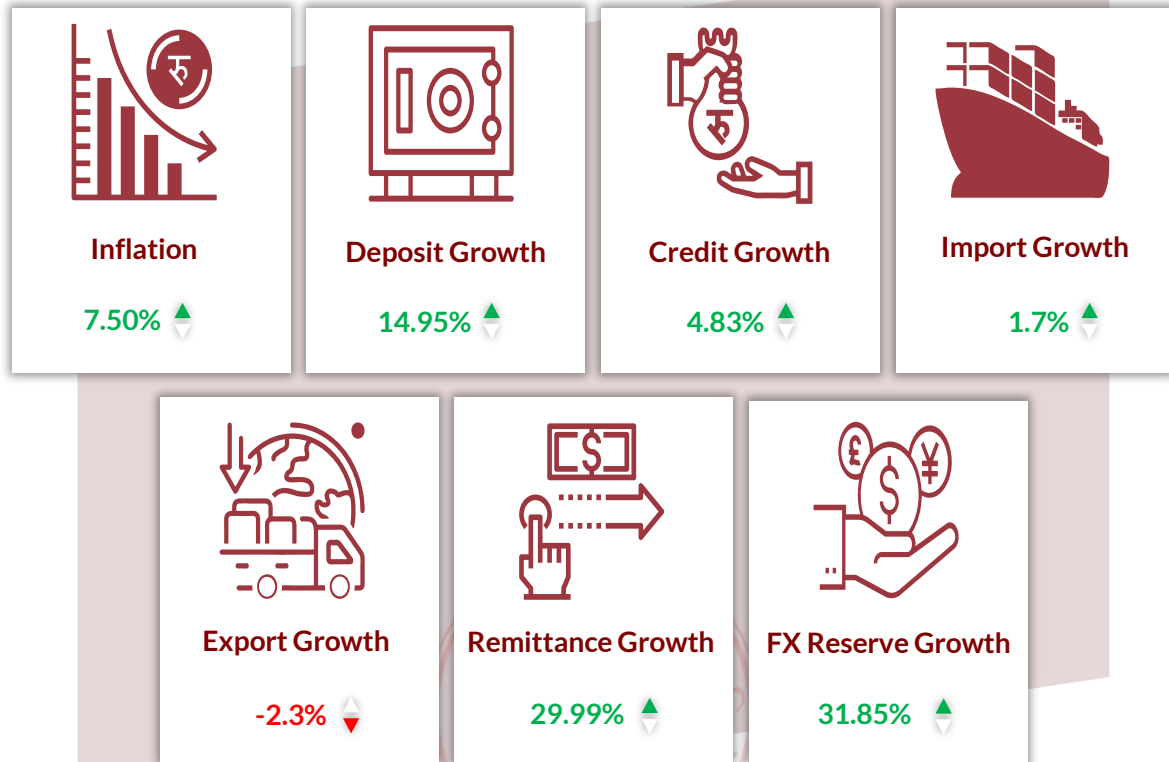
The Federal Reserve retained interest rates at 5.25-5.50%, with expectations of a dovish turn in US interest rates and potential rate cuts starting in April/May 2024. This sentiment impacted the dollar index and the US dollar, leading to declines against the GBP, EUR, and some Asian currencies. Gold prices approached USD 2050 per ounce globally, influenced by global unrest and a bearish outlook on the dollar's interest rate. Locally, gold set a record at NPR 119,300 per tola.

Oil prices hovered around 83.3 per barrel, influenced by rising oil inventory and speculations of a Saudi Arabia price cut for Asian buyers. The upcoming OPEC and OPEC+ meetings are anticipated to play a crucial role in determining oil price movements.

In summary, the US dollar experienced a decline, with the EUR, GBP, and JPY gaining strength against it. Investors shifted focus to gold due to market uncertainty, while geopolitical tensions, such as those between Israel and Hamas, the US/Syria, and Russia/Ukraine, continued to exert pressure on oil prices. Despite the USD/INR targeting 83.50, the Reserve Bank of India's continuous supply of dollars in the local market has maintained stability in this currency pair.



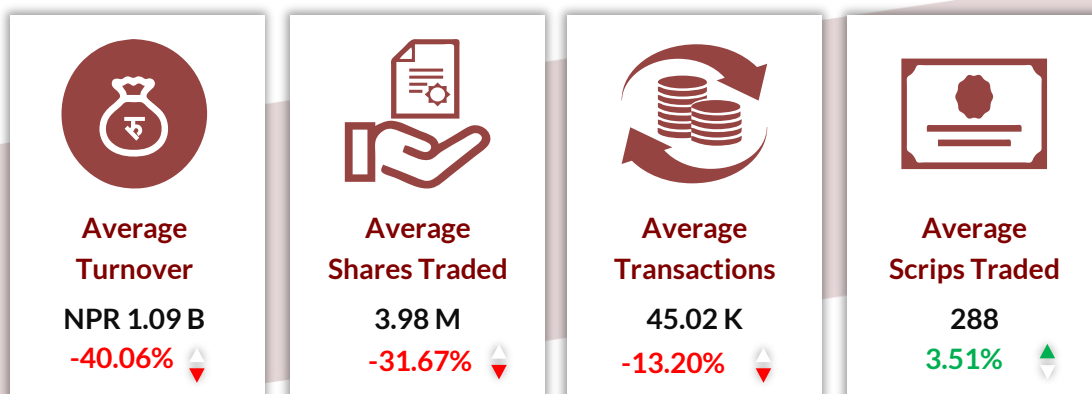
Macroeconomic Overview



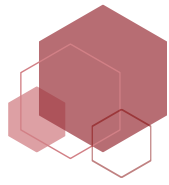
* Growth refers to the change between three months of FY 79/80 and FY 80/81.

* Credit refers to claim on private sector.

Monthly Trading Statistics



* For the period (October-31, 2023) - (November-28, 2023)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Ashwin-79	Bhadra -80	Ashwin-80	Kartik 24	Mangsir 8	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	9.20	5.33	3.23	3.27	2.48	-5.97	-2.10	-0.79
Wt.Avg 91 Days TB rate (%)	10.14	5.95	4.94	4.11	3.91	-5.20	-1.01	-0.20
Wt.Avg 364 Days TB rate (%)	10.53	6.44	5.87	5.70	5.70	-4.66	-0.57	0.00
Wt. Avg Interbank Rate (%)	8.50	5.86	2.24	2.80	2.28	-6.26	-3.62	-0.52
CapEx (In Billion NPR)	19.68	8.16	17.83	29.99	30.28	-1.85	9.67	0.29

B. Money Market Indicators

Particulars	30-Nov-23	27-Oct-23	% Change	Month High	Month Low
SLF Rate	7.00%	7.00%	0.00%	7.00%	7.00%
Market Excess Liquidity (NPR in Billion)	35.00	12.32	184.09%	50.82	6.13

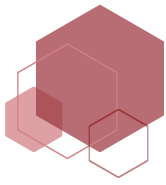
C. BFI Statistics

Description	Value As On					Change		
	Ashwin-79	Bhadra -80	Ashwin-80	Kartik 24	Mangsir 8	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	8.16	8.06	7.90	8.06	8.06	-0.26	-0.16	0.00
Wt. Avg Lending Rate (%)	12.19	12.23	12.11	12.23	12.23	-0.08	-0.12	0.00
Base Rate (%)	10.34	10.14	9.94	10.14	10.14	-0.40	-0.20	0.00
CD Ratio (%)	86.90	82.53	81.74	81.35	81.05	-5.16	-0.79	-0.30
Fixed Deposits/Total Deposits (%)	58.22	60.70	59.74	60.70	60.70	1.52	-0.96	0.00
Total Liquid Assets/Total Deposits (%)	25.02	26.48	27.46	26.48	26.48	2.44	0.98	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	Mangsir 12	500.00	0.00	16	72	6.81	500.00	1.64	1.95	1.75
91 Days	Mangsir 1	800.00	-	17	76	3.85	800.00	3.79	4.22	4.11
182 Days	Mangsir 12	600.00	0.00	20	95	6.29	600.00	3.49	4.19	3.88
364 Days	Mangsir 12	750.00	0.00	15	55	2.82	750.00	4.19	4.92	4.62

*Figures are in Millions NPR

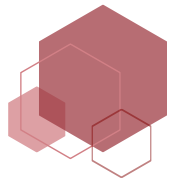


Sectoral Movement

Index	Kartik 13	Mangsir 12	Change
NEPSE	1,878.70	1,894.53	0.84%
Hotels & Tourism	4,722.18	5,266.17	11.52%
Life Insurance	9,794.73	10,468.27	6.88%
Non Life Insurance	9,684.42	10,070.61	3.99%
Investment	65.20	67.64	3.74%
Trading	2,700.83	2,779.11	2.90%
Hydropower	1,974.98	2,030.28	2.80%
Finance Company	1,640.86	1,680.75	2.43%
Others	1,387.90	1,417.33	2.12%
Development Bank	3,634.58	3,697.21	1.72%
Manufacturing & Processing	4,963.15	5,010.83	0.96%
Commercial Bank	1,201.15	1,169.57	-2.63%
Mutual Fund	18.45	17.83	-3.36%
Microfinance	3,507.53	3,294.81	-6.06%

Major Movers

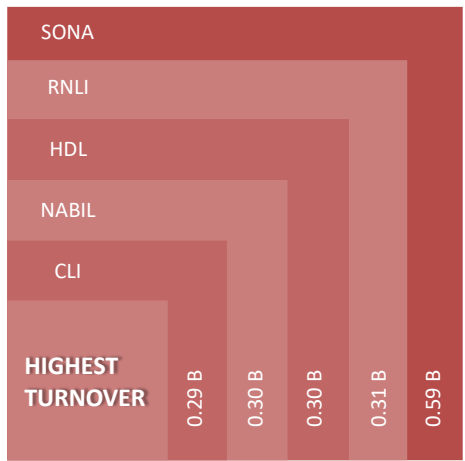
HATHY	42.16%	SPHL	-18.69%
SAMAJ	25.94%	ULBSL	-18.33%
TRH	25.45%	SMFBS	-18.01%
UNL	22.08%	FOWAD	-14.73%
BNHC	20.00%	NESDO	-14.62%



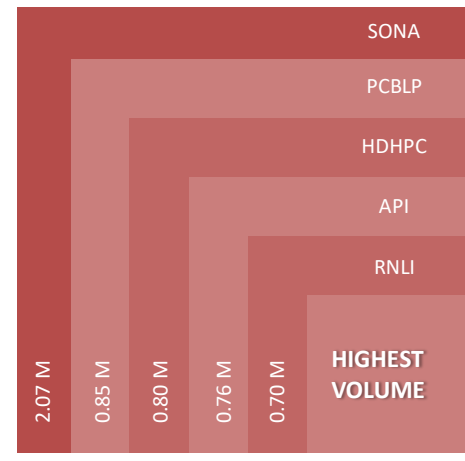
Sectoral Divergence-Turnover

Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	1.82 B	1.09 B	-40.06%
Manufacturing And Processing	0.15 B	0.15 B	2.44%
Investment	0.08 B	0.06 B	-15.22%
Life Insurance	0.21 B	0.16 B	-25.73%
Hydro Power	0.32 B	0.22 B	-29.90%
Microfinance	0.12 B	0.07 B	-41.48%
Non Life Insurance	0.15 B	0.09 B	-42.09%
Tradings	0.02 B	0.01 B	-43.41%
Hotels And Tourism	0.11 B	0.06 B	-46.68%
Commercial Banks	0.34 B	0.18 B	-47.70%
Others	0.05 B	0.02 B	-47.92%
Development Banks	0.12 B	0.05 B	-54.20%
Finance	0.10 B	0.04 B	-60.48%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview

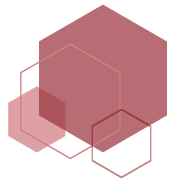


On November 29, 2023, the NEPSE flagship index closed at 1,876.60 points, with a monthly average turnover of NPR 1.06 billion. There was a decrease in turnover compared to the previous month.

The Relative Strength Index (RSI) currently stands at 47.55 points, placing it in the neutral zone. A bearish crossover has been identified based on the 20-day and 50-day Simple Moving Average (MA).

The Moving Average Convergence and Divergence (MACD) indicator indicates an uptrend due to a bullish crossover between the MACD line and the signal line. Additionally, the indicator lines are below the baseline, reflecting a negative market sentiment.

Looking forward, the NEPSE index's immediate support levels are at 1,815 (S2), 1,750, and 1,650 (S3), while the immediate resistance levels are at 1,960 (R1), 2,025 (R2), and 2,080 (R3). These support and resistance levels serve as guidance for investors in making trading decisions.



B. Long Term Overview



Following a significant downturn of over 40%, the local stock market appears to have stabilized around the previous resistance zone of 1800-1900, which had previously served as a crucial support zone in the last cycle. Analyzing this historical bull-bear pattern, the 1800 level could be considered the bottom of the current cycle, with the potential to ascend to levels as high as 3800-4000, as indicated by Fibonacci extension and pitchfork bands.

In addition to these considerations, the NEPSE index's immediate support levels are identified as (S1) 1,815, (S2) 1,750, and (S3) 1,650, while the immediate resistance levels are set at (R1) 1,960, (R2) 2,025, and (R3) 2,080. These support and resistance levels provide valuable insights for investors making strategic decisions.



SCRIP ANALYSIS

Bottlers Nepal (Terai) Limited

A. Technical Analysis



On November 29, 2023, the closing stock price of BNT was NPR 11,800.00. This figure represents a decrease of -27.65% from its peak on July 23, 2023.

The Relative Strength Index (RSI) for the stock currently stands at 31.48 points, suggesting that the stock is approaching the oversold zone.

The Moving Average Convergence Divergence (MACD) indicator indicates a bearish trend due to a crossover in the bearish direction between the MACD line and the signal line. Additionally, the indicator lines are situated below the baseline, reflecting a negative sentiment in the market.

BNT's immediate support levels are set at NPR 11,270.00 (S1), NPR 10,640.00 (S2), and NPR 10,010.00 (S3), while the resistance levels are at NPR 12,850.00 (R1), NPR 13,200.00 (R2), and NPR 13,515.00 (R3). These levels provide crucial insights for investors in making informed decisions.

B. About the Company

Bottlers Nepal (Terai) Limited (BNT) is a prominent entity in the Nepalese beverage industry, specializing in the manufacturing and distribution of carbonated non-alcoholic



drinks. Founded in 1987, the company has established a strong foothold in the market and operates as the authorized bottler for The Coca-Cola Company (TCCC) in Nepal. BNT, in conjunction with its parent company Bottlers Nepal Limited (BNL), possesses exclusive rights to produce and distribute globally recognized Coca-Cola brand beverages within the country.

A significant majority of BNT's shares, approximately 91%, are under the ownership of its parent company BNL, showcasing a robust alignment of interests and strategic integration within the Coca-Cola distribution network in Nepal. The remaining shares are publicly held. Being a publicly listed company, BNT's shares are actively traded on the Nepal Stock Exchange Limited, providing investors with an opportunity to participate in the company's growth and performance.

BNT's product portfolio encompasses a variety of popular carbonated beverages under well-known brand names such as Coca-Cola, Sprite, Fanta, and Kinley. This diverse range of products positions BNT as a dominant force in the Nepalese market, offering consumers a selection of globally recognized and widely consumed beverage options. The company's exclusivity in producing and supplying Coca-Cola brand beverages further solidifies its market position.

Having maintained a longstanding presence in Nepal, BNT has established itself as a trustworthy and influential player in the beverage industry. The company's unwavering commitment to quality, coupled with its strategic partnership with TCCC, positions it for sustained success in meeting the diverse beverage preferences of consumers across the country. As the exclusive producer and supplier of Coca-Cola brand beverages in Nepal, BNT holds a unique and privileged position in the market, making it a noteworthy entity in the Nepalese business landscape.

I. Comparative Annual Performance Visualizations

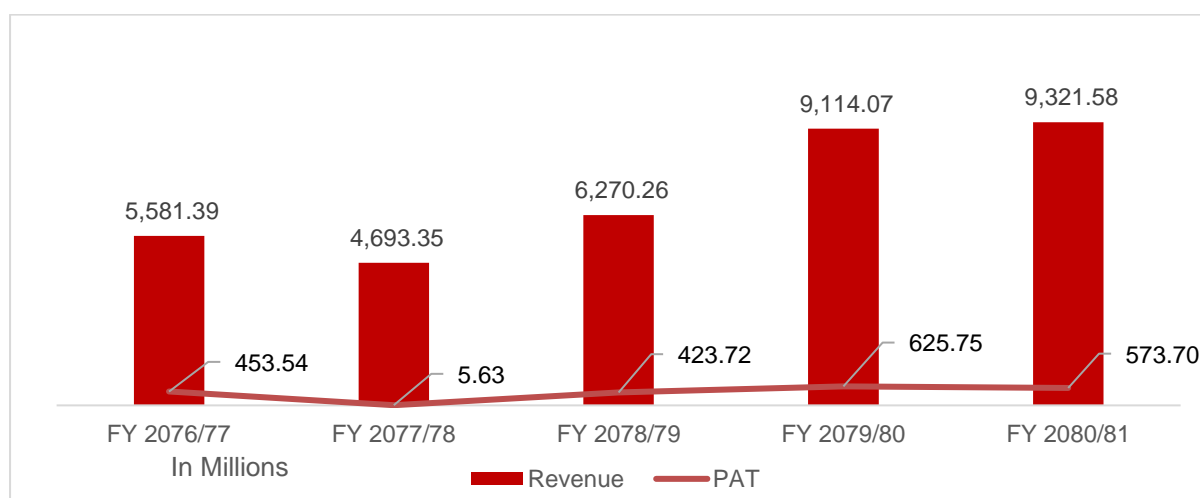


Figure : Annual Comparison of Revenue and Profit after Tax

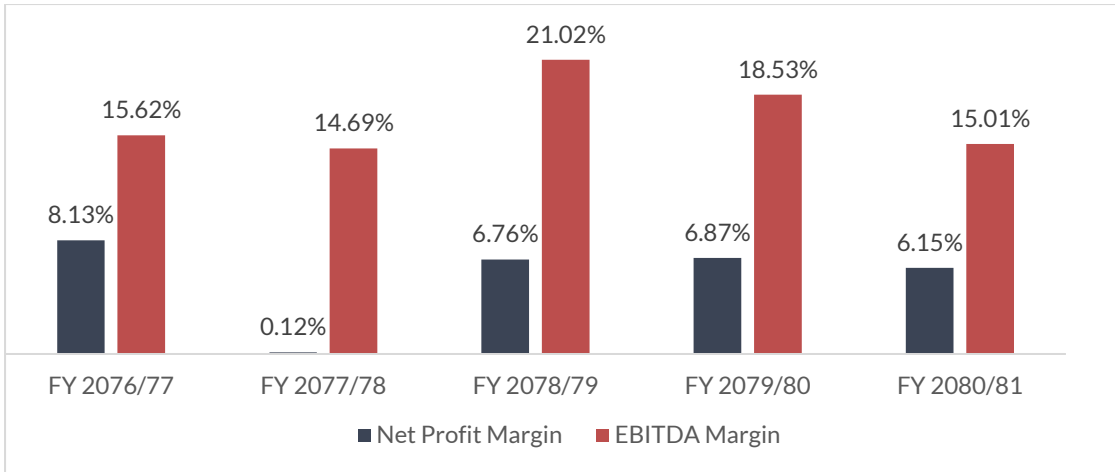
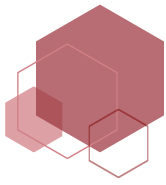


Figure: Annual comparison of Net Profit Margin Income and EBITDA Margin

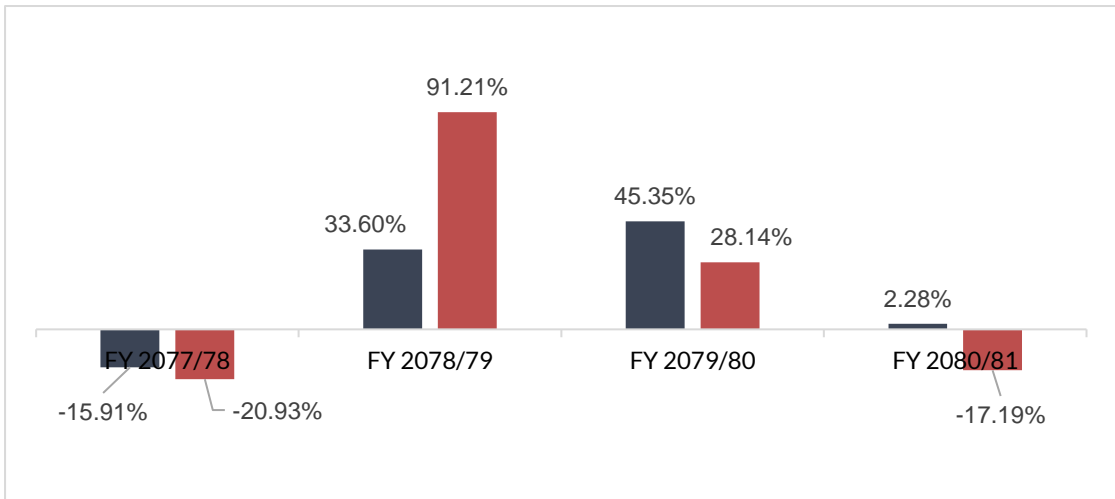


Figure: Annual Comparison of Sales & EBITDA Growth (%)

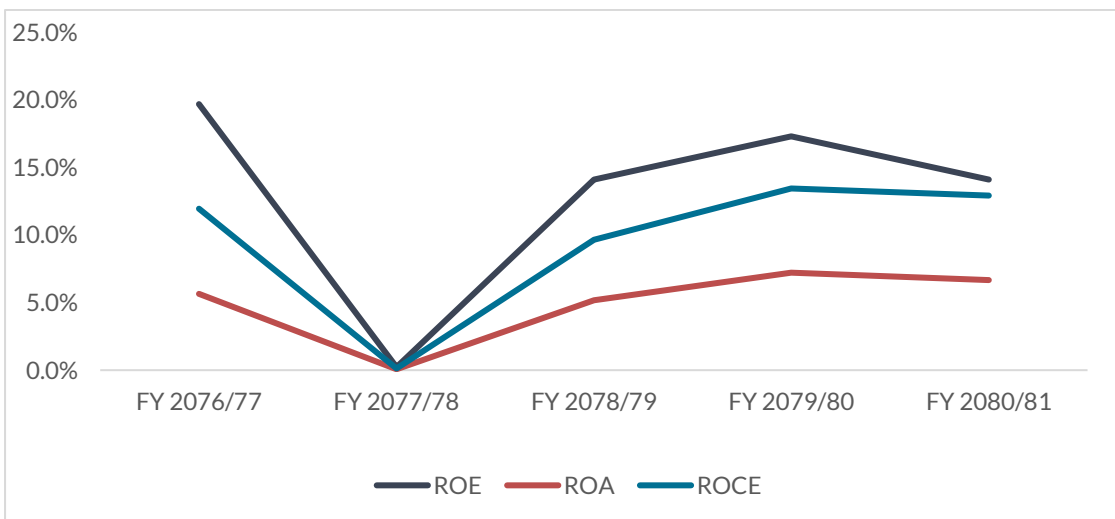
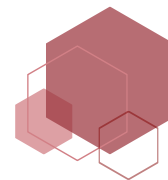


Figure: Annual Comparison of Return on Equity, Return on Asset and Return on Capital employed



II. Key Variables used for Valuation and Assumptions:

1. Sustainable Growth Rate for longer period projection to calculate terminal value (Last 5 years GDP growth rate) =4.74%
2. Discount rate using CAPM Model:
 $Ke = Rf + (Rm-Rf) * \beta$

Specifics	Value
Beta (β)	0.64
Market Return (Rm)	11.60%
Risk Free Rate (Rf)	6.58%
Cost of Equity (Ke)	9.79%

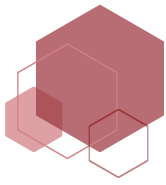
C. Stock Valuation

The final average valuation of BNT based on DCF Approach has been computed as NPR. 10,928.45, which has been tabulated below:

DCF Valuation	Valuation Price
Bear Case	4,435.15
Base Case	9,229.67
Bull Case	19,120.55
Average	10,928.45

D. Conclusion

After the valuation, the final average value of the company is NPR 10,928.45. Comparing the final average value with the trading price as on 29th November, 2023 i.e., NPR 11,800.00, the company's stock price is overvalued by 7.98% of the final average value.



I. Positive & Negative Aspects of the Company

Positive Aspects

- i. Monopoly in Coca-Cola distribution. BNT's exclusive rights to distribute Coca-Cola products in Nepal give it a competitive edge, securing a substantial share of the carbonated beverage market.
- ii. Wide economic moat. BNT, particularly with the globally recognized Coca-Cola brand, benefits from a strong economic moat due to robust intellectual property and innovative marketing campaigns. Strong brand portfolio.
- iii. BNT's diverse product line, featuring globally recognized brands, enhances resilience and offers growth potential in a dynamic consumer market.

Negative Aspects

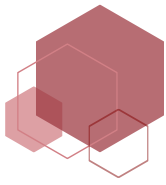
- i. Gradual decline in margins.
- ii. Significant increase in short-term debt to NPR 2.8 billion in FY 2079/80 from NPR 496 million in FY 2074/75.s
- iii. Working capital intensity has risen in recent years, requiring increased investment, and affecting future free cash flows.

ISSUE OF THE MONTH

Effect of Mental Accounting on Treatment of Money

A. What is Mental Accounting?

Human behavior is shaped by conscious and unconscious decisions which can be swayed by behavioral biases. Many people either tend to make decisions based on a set way of thinking or even more problematically based on feelings alone ignoring many relevant facts. Mental accounting is one such cognitive bias wherein people treat money differently based on a subjective criterion, and it often leads people to make financially counterproductive investment decisions.



It is the tendency people have to treat money differently depending on where it came from or what we intend to do with it. A simple example of this can be when a person experiences a certain financial windfall such as winning the lottery. In this case the person is most likely to spend the money on luxurious things as they are of the idea that since the money has come from lottery winning it is additional income that can be splurged without financial ramifications. They treat the additional income differently due to its source and thus fail to properly mobilize the additional resources at their hands.

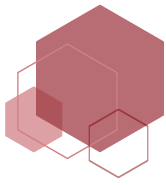
B. Why is Mental Accounting prevalent?

Since, normal people are not well versed with how money works and its proper application, they use mental accounts as a sort of self-control strategy to manage and keep track of their spending and resources. People tend budget money into mental accounts for specific expenses such as saving to purchase a home or expense categories such as maintenance costs for a car, or cost of vacation and generally tend to avoid spending money earmarked for specific purposes besides using it for the specific purpose.

This is because people are unaware of the fungible nature of money. Fungibility of money means that, regardless of where money originates or how we intend to use it, it is still the same money. It doesn't matter which account we spend money from, its value is the same and the reduction in value available to the person making the transaction is the same after making a transaction. However, people tend to not understand this and categorize money differently.

C. Mental Accounting in Investing

Mental accounting also exists in investing, as investors classify the securities in their portfolio as safe and speculative. In this case there is this assumption that safe investments need not be sold even on a good profit as they offer stable returns whereas speculative investments need to be sold upon making small profits or even at a loss as it is better to sell a speculative portfolio than a safe portfolio. Investors even stand to reason that this is true even when both portfolios are making similar losses during a downward market. People would go so far as to even sell speculative portfolios with smaller losses than safer portfolios with larger losses as they are more afraid of losing money on a safe portfolio than on a speculative one even when the money lost on both is the same.



D. Pitfalls of Mental Accounting.

Like many other cognitive processes, mental accounting can prompt biases and systematic departures from rational, value-maximizing behavior leading to financially unsound decisions. These can take a number of forms such as:

- ✓ Impeding financial progress when people treat specific inflows such as tax refunds or discounts as windfalls and spend them haphazardly unlike cash flow from their remuneration/salary.
- ✓ Paying high interest on debt while making low interest on savings that are meant to go towards building a house.
- ✓ Paying off low interest loans faster than necessary when the money from the loan could be used to get higher returns on investment.

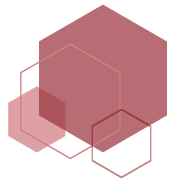
E. Mitigating the Effects of Mental Accounting:

The following steps can be taken to mitigate the effects of mental accounting:

- ✓ Understand that money is fungible (is the same no matter its intended purpose) and treat all cash inflows and outflows the same.
- ✓ Understand your financial position and review it periodically to gauge what to do in case of significant cash inflows or outflow.
- ✓ Maintain financial discipline when cash flow is good to keep a nest for when things might be tricky.
- ✓ Don't make spur of the moment financial decisions based on a sudden windfall.

Overall, while mental accounting allows people to manage their cash flows in a systematic way, it also prevents people from truly being able to utilize the money they have. This is also true for investments wherein classifying an investment as safe or speculative affects an investor's ability to manage it significantly. Thus, understanding this bias and not making simple mental accounting mistakes can help us get better returns on our assets.

**This article was previously published in the Bhadra, 2078 edition of The Pulse.*



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
HRIL	IPO	3,000,000(O)	2023/11/20 AD 2080/08/04 BS	2023/12/04 AD 2080/08/18 BS	NMB Capital
GHL	RIGHT	11,000,000(O)	2023/11/26 AD 2080/08/10 BS	2023/12/17 AD 2080/09/01 BS	Muktinath Capital
PRUVCL	AUCTION	18,758(P)	2023/11/09 AD 2080/07/23 BS	2023/12/13 AD 2080/08/27 BS	NIMB Ace Capital
NICGF2	MUTUAL FUND	85,000,000(O)	2023/11/20 AD 2080/08/04 BS	2023/12/04 AD 2080/08/18 BS	NIC Asia Capital

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