

The Pulse

Market Growth, Risks and Outlook

Mangsir 2079

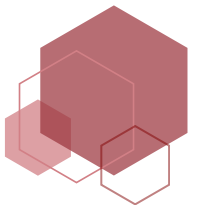
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Himalayan Capital

A Wholly Owned Subsidiary of Himalayan Bank Limited



Macroeconomic Overview



Inflation

8.50% ▲



Deposit Growth

8.19% ▲



Credit Growth

6.37% ▲



Import Growth

-16.2% ▼



Export Growth

-35.7% ▼



Remittance Growth

16.79% ▲



FX Reserve Growth

-5.54% ▼

* Growth refers to the change between Third months of FY 78/79 and FY 79/80

*Credit refers to claim on private sector

Monthly Trading Statistics



Average
Turnover

NPR 1.23 B

-23.58% ▼



Average
Shares Traded

3.3 M

-22.74% ▼



Average
Transactions

22.96 K

-22.08% ▼

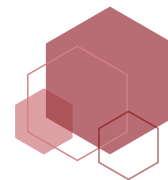


Average
Scrips Traded

228

2.01% ▲

* For the period (October-31) – (November-29)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Ashwin-78	Bhadra-79	Ashwin-79	Mangsir-3	Mangsir-10	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	0.17	8.79	9.20	9.19	8.52	9.03	0.41	-0.67
Wt.Avg 91 Days TB rate (%)	4.86	9.11	10.14	11.01	10.90	5.28	1.03	-0.11
Wt.Avg 364 Days TB rate (%)	4.72	9.03	10.53	10.98	10.98	5.81	1.50	0.00
Wt. Avg Interbank Rate (%)	4.95	8.50	8.50	8.50	8.50	3.55	0.00	0.00
CapEx (In Billion NPR)	14.89	5.86	19.68	26.51	27.04	4.79	13.82	0.54

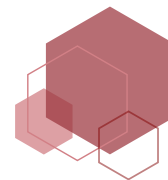
B. BFI Statistics

Description	Value As On					Change		
	Ashwin-78	Bhadra-79	Ashwin-79	Mangsir-3	Mangsir-10	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	5.43	7.81	8.16	8.16	8.16	2.73	0.35	0.00
Wt. Avg Lending Rate (%)	8.69	12.06	12.19	12.19	12.19	3.50	0.13	0.00
Base Rate (%)	7.57	10.01	10.34	10.34	10.34	2.77	0.33	0.00
CD Ratio (%)	88.79	87.63	86.90	86.85	86.81	-1.89	-0.73	-0.04
Fixed Deposits/Total Deposits (%)	49.30	58.19	58.22	58.22	58.22	8.92	0.03	0.00
Total Liquid Assets/Total Deposits (%)	22.53	25.17	25.02	25.02	25.02	2.49	-0.15	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	Kartik 29	200.00	0.00	21	56	5.30	200.00	8.51	8.54	8.52
91 Days	Mangsir 13	313.00	0.00	20	76	3.28	313.00	10.50	11.00	10.80
182 Days	Mangsir 13	600.00	0.00	24	90	2.45	600.00	10.53	12.00	11.38
364 Days	Mangsir 13	750.00	0.00	30	130	2.85	750.00	10.55	12.01	11.50

*Figures are in Millions NPR

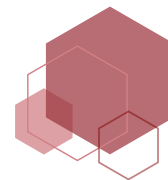


Sectoral Movement

Index	Kartik 14	Mangsir 13	Change
NEPSE	1,874.88	1,953.35	4.19%
Others	1,325.26	1,468.90	10.84%
Finance Company	1,513.46	1,637.57	8.20%
Manufacturing & Processing	4,853.17	5,208.25	7.32%
HydroPower	1,917.53	2,031.36	5.94%
Development Bank	3,322.29	3,494.13	5.17%
Life Insurance	8,708.57	9,147.80	5.04%
Microfinance	4,205.11	4,395.16	4.52%
Trading	1,784.96	1,863.24	4.39%
Hotels & Tourism	2,619.21	2,712.69	3.57%
Investment	55.73	57.58	3.32%
Non Life Insurance	7,520.33	7,672.01	2.02%
Commercial Bank	1,341.31	1,366.57	1.88%
Mutual Fund	13.57	13.49	-0.59%

Major Movers

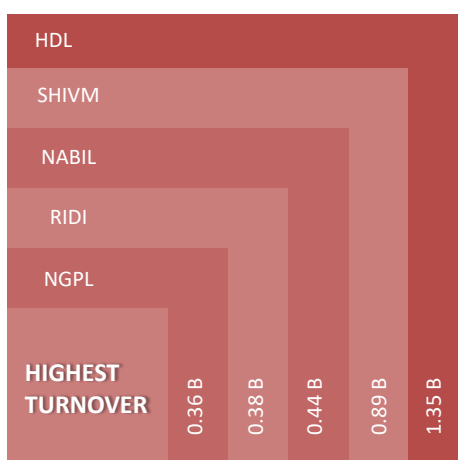
DLBS	48.02%	MLBBL	-10.96%
GHL	31.07%	SMFBS	-8.73%
KRBL	27.62%	SBID83	-8.16%
NESDO	24.29%	GLBSL	-7.63%
MNHL	21.34%	SABSL	-7.60%



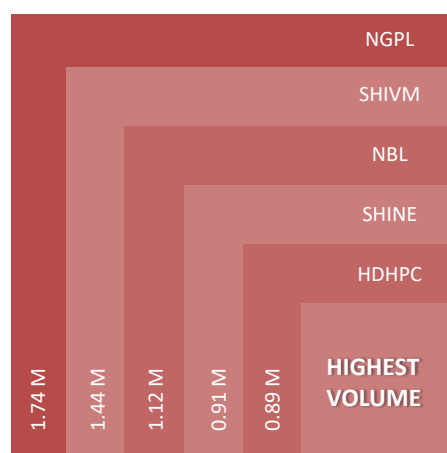
Sectoral Divergence-Turnover

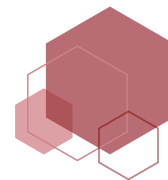
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	1.62 B	1.23 B	-23.58%
Corporate Debenture	0.00 B	0.00 B	22.12%
Manufacturing And Processing	0.14 B	0.16 B	10.47%
Preferred Stock	0.00 B	0.00 B	0.00 B
Commercial Banks	0.23 B	0.21 B	-5.85%
Hotels And Tourism	0.01 B	0.01 B	-16.94%
Microfinance	0.21 B	0.18 B	-17.71%
Others	0.06 B	0.05 B	-22.97%
Development Banks	0.14 B	0.11 B	-23.12%
Tradings	0.01 B	0.01 B	-24.49%
Life Insurance	0.07 B	0.05 B	-25.05%
Finance	0.14 B	0.09 B	-38.91%
Hydro Power	0.41 B	0.25 B	-38.99%
Non Life Insurance	0.05 B	0.03 B	-40.97%
Investment	0.07 B	0.04 B	-42.05%
Mutual Fund	0.00 B	0.00 B	-46.53%
Promoter Shares	0.06 B	0.06 B	-12.72%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview



On 29th November 2022, NEPSE index closed at 1953.35 points with a daily turnover of NPR 957 million. Compared to the previous month's (i.e., 31st October 2022) index position, NEPSE has inclined by 4.18% i.e., 78.48 points along with the daily turnover.

The Exponential Moving Average (EMA) of the index still shows a bearish trend. However, due to the incline in the index with the participation of the investors in the market, the gap between the 20 days EMA and 50 days EMA is declining which might result in a short-term bullish trend signal.

Relative Strength Index (RSI) is at 57.59 points indicating the market is in a neutral position. Comparing recent RSI points with the months ago RSI points, it has increased by more than 10 points indicating that the buyer's participation in the market has increased.

The Moving Average Convergence Divergence (MACD) indicator is indicating a bullish signal as the MACD line has crossed over the signal line. Similarly, both the lines are above the baseline indicating strong momentum in the market.

The immediate support levels of the NEPSE index stand at (S1) 1,912, (S2) 1,880, and (S3) 1,843, whereas the resistance levels hold at (R1) 1,990, (R2) 2,020, and (R3) 2,075.

A cup and handle pattern can be observed in the index which might break the resistance level of the index if supported by green candles and high volumes. Similarly, with the



current level of participation in the market, and possible bullish indication, the index might breach the resistance level if no policies are changed.

B. Long Term Overview

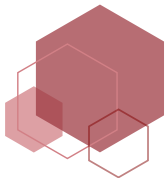


The flagship NEPSE index reached 1,953.35 points on 29th November 2022. On a weekly chart basis, the index has inclined with a weekly average turnover of NPR 1.28 billion. If the recent weekly turnover is to be compared with the previous month (Kartik), it has increased.

As per the trend-based Fibonacci Extension plotted from 1,815 points (trend initial point) to the recent high point of 2,232 points (end of the initial trend) and extending the line to 1,815 points (end of the secondary trend), NEPSE index is taking good support at 23.6% Trend-Based Fibonacci Extension region. According to the indicator, the index's resistance level is 2,021 points and the support level is 1,974 points.

If we observe the 50 days EMA and 200 days EMA, the gap between the two lines is declining because of the falling index which might result in a death crossover. If it happens, then the index might even go down in long run. However, in short term, the index might breach the short-term resistance level.

The intermediate support levels of the NEPSE index stand at: (S1) 1,815, (S2) 1,633, and (S3) 1,550, whereas the resistance levels hold at (R1) 2,143, (R2) 2,232, and (R3) 2,347.



SCRIP ANALYSIS

Soaltee Hotel Limited (SHL)

A. Technical Analysis

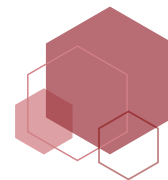


The stock price of SHL is NPR 214.80 on 29th November 2022. The stock price has been increasing since November 29th, 2022, with a daily volume of at least 10,000 units.

Based on Fibonacci Retracement plotted from a swing low of 186.84 to a swing high of 252.55, the stock is currently hovering at 50% Fibonacci level after breaching the resistance level of 211.94 (50% Fibonacci Level) which can be considered a good indicator for the investors to invest in the stock.

Despite of increase in the price of the stock, the Exponential Moving Average (EMA) indicator is indicating a downward signal as 200 days EMA is hovering above 50 days EMA. However, the gap between the lines is becoming thinner which might result in a golden cross-over if the 50 days EMA crosses over the 200 days EMA.

The Relative Strength Index (RSI) of the stock is at 60, which indicates neutral momentum.



The Moving Average Convergence Divergence (MACD) indicator is indicating positive and strong signals as the MACD line has crossed over the signal line, and both lines are above the baseline which indicates strong momentum of the stock.

Based on Directional Movement Index (DMI) indicator, it is indicating a positive signal as a positive DMI is above the negative DMI with a bigger margin. Similarly, the Average Directional Index (ADX) is at 30 indicating that the current trend of the stock is strong.

The immediate support levels for this stock stand at: (S1) NPR 204, (S2) NPR 192, and (S3) NPR 186, whereas the resistance levels hold at: (R1) NPR 220 (R2) NPR 230, and (R3) NPR 250

B. About the Company

Soaltee Hotel Limited (SHL), a pioneer in Nepal's hospitality sector, owns Soaltee Kathmandu, a 12-acre five-star deluxe hotel. A landmark in the city of Kathmandu with a rich heritage, the hotel is the proud recipient of several prestigious awards and accolades over the years. Soaltee Hotel Limited is renowned for its rich history as a pioneer in Nepal's tourism industry with its contribution to luxurious properties and legendary hospitality across the region.

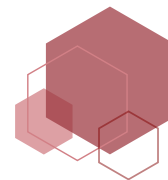
Soaltee Hotel is the first hotel to attract foreign investment and to entrust its management to the leading Indian Hotel Company, the Oberoi Hotels Private Limited in the year 1969. Since then, the Company expanded its horizons and moved with the times to be the first Nepali Company to obtain a loan from the International Finance Corporation (IFC), the private arm of the World Bank, for the construction of additional guestrooms bringing up the number of total rooms to 282 luxurious rooms.

As the tourism industry gradually emerged during the 1970s more international airlines connected Nepal, at this period a need for an on-board catering service was felt, and the Company, Soaltee Hotel Limited started Nepal's first airline's flight catering service for both domestic and international airlines.

Presently subsidiaries and associate companies are currently developing premium hotels across the country to support Nepal's tourism industry and create economic opportunities in new areas through the development of hotels for international and domestic tourists and business travelers.

The company owns and operates the following companies as shown in the figure-





I. Board of Directors

Name	Position
Mr. Dinesh Bahadur Bista	Executive Chairman
Mr. Ravi Bhakta Shrestha	Director
Mr. Rajesh Kazi Shrestha	Director
Mrs. Jaya Rajya Laxmi Shah	Director
Mr. Sashi Raj Pandey	Director
Mr. Nirajan Kumar Tiberwala	Director
Mr. Prakash Bikram Khatru	Director
Mr. Ubraj Adhikari	Director
Mr. Deepak Raj Joshi	Independent Director
Mr. Lil Bahadur Khatri	Company Secretary

II. Performance Visualizations

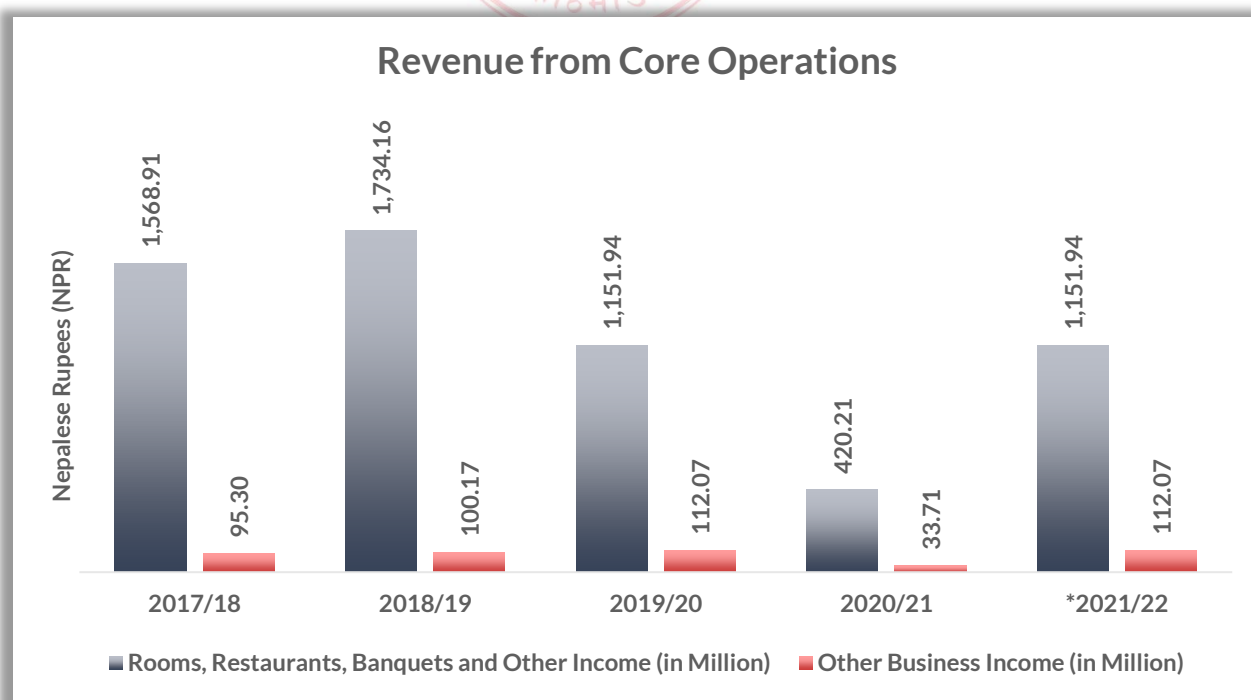


Figure: Revenue from Core Operations

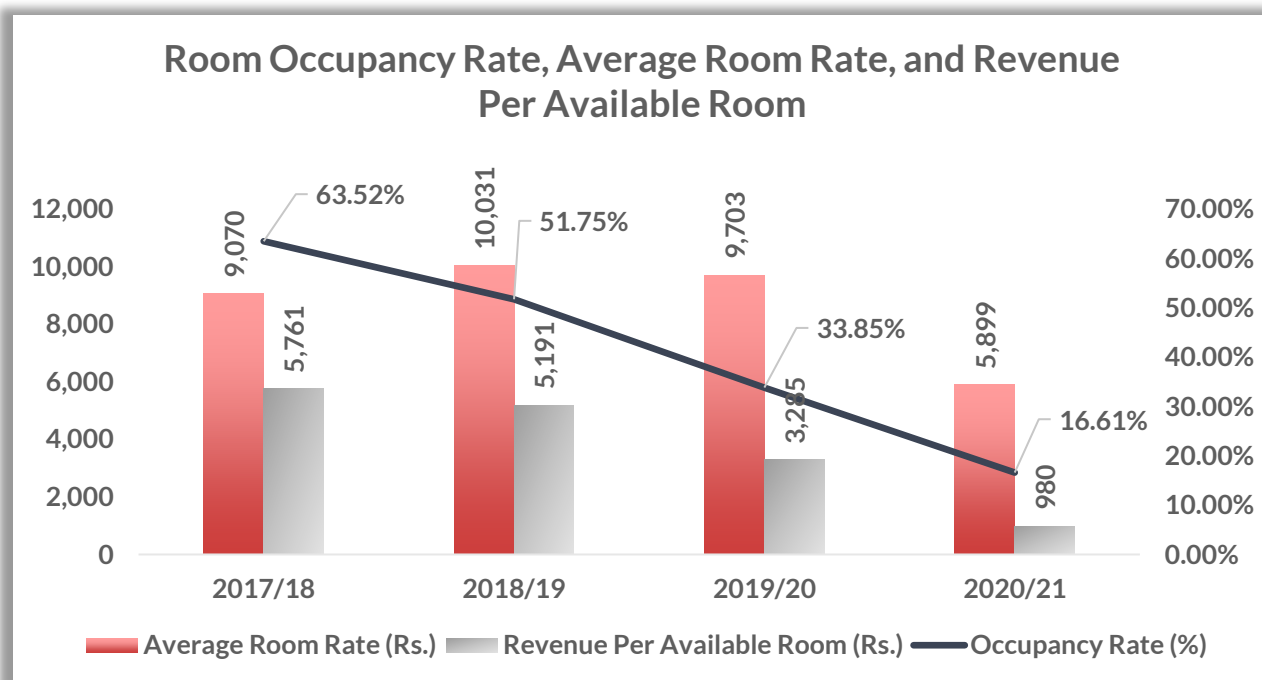
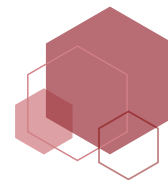


Figure : Room Occupancy Rate, Average Room Rate, and Revenue Per Available Room

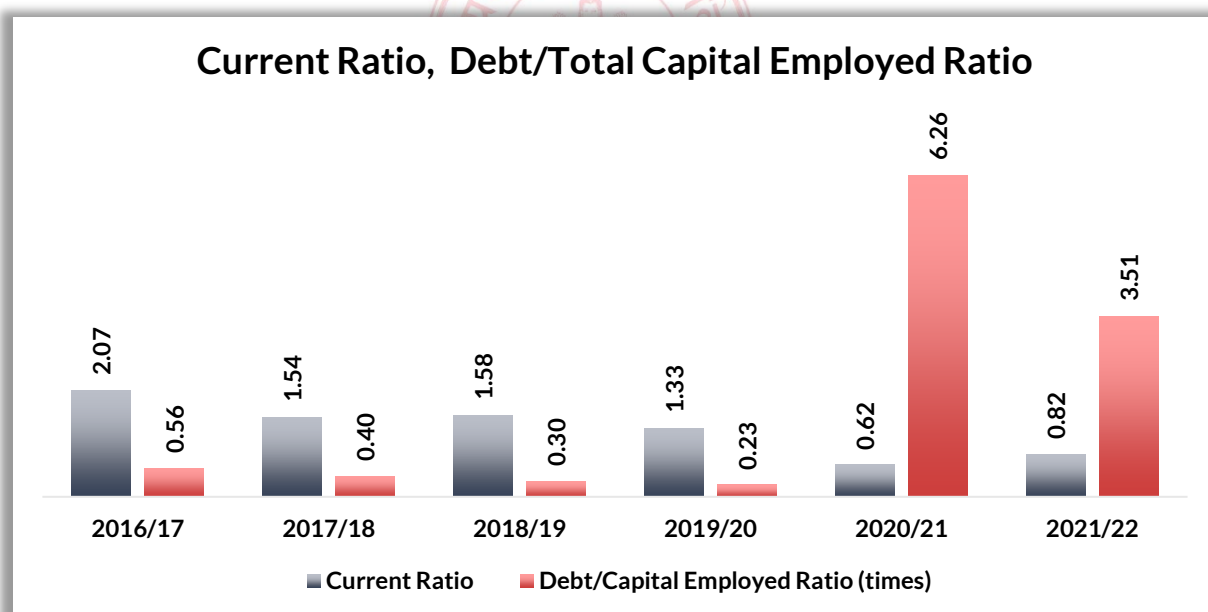


Figure: Current Ratio and Debt to Total Capital Employed Ratio

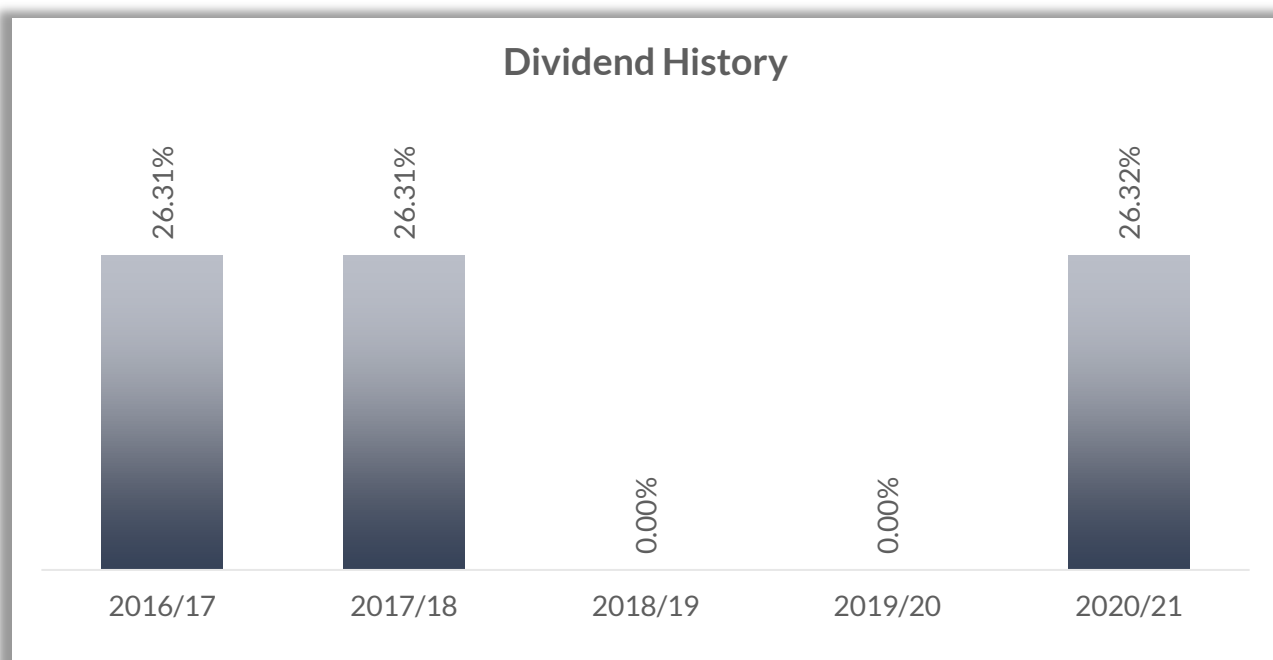
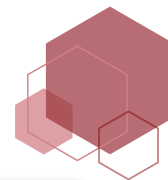


Figure: Dividend History

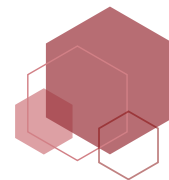
C. Stock Valuation

The final average valuation of Soaltee Hotel Limited (SHL) is based on the Absolute Approach (viz. Capitalized Earnings, Earnings Valuation, and Discounted Cash Flow Method) as well as the Relative Approach (viz. Graham Model) has been computed as NPR 45.66, which has been tabulated below:

Methodology	Valuation Price (NPR)
Discounted Cash Flow (FCCF)	60.36
Earning Valuation	40.72
Earning Capitalization	30.41
Graham's Number	51.14
Final Average Valuation	45.66

Assumptions, Major Variables

Specifics	Value
Beta (Weekly)	0.63



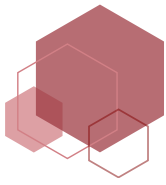
Specifics	Value
Market Return (Rm) (CAGR)	13.62%
Current Inflation Rate	8.50%
91 days T-Bills	2.08%
Nominal Risk-Free Rate (After Tax)	10.76%
Risk Premium	2.86%
Cost of Equity by CAPM Method	12.56%
Tax Rate	22%
Sustainable Growth Rate	4.20%
Cost of Debt	11.78%
WACC	12.54%

D. Conclusion

After the valuation from four different methodologies, the final average value of the company is determined at NPR 45.66. Comparing it with the last trading price of Soaltee Hotel Limited, the company's stock price is overvalued by 368% of the final average value. It can be denoted as one of the most overvalued stocks in NEPSE. The company's group has a single class of equity where shares of Soaltee Hotel Limited have a face value of NPR 10 per share and subsidiaries have a face value of NPR 100 per share.

Due to COVID-19, the company faced significant uncertainties which had impacted the operations of the company adversely. During the current fiscal year 2021/22, the hotel has posted total revenue of NPR 90.50 million till 16th September 2021 against NPR 41.27 million compared to the same period of last year. The room occupancy till 16th September 2021 is 17% as compared to 10.27% same period of last year. Similarly, the average room rate and revenue per available room are NPR 5225 and NPR 888 against NPR 7,502 and NPR 770.52 respectively compared to the same period last year.

Moreover, looking at the history of the company's dividend (refer to figure 6), the company has provided a 26.32% dividend for the fiscal year 2020/21. But before this fiscal year, the company did not provide dividends for two consecutive years due to the impact of COVID-19 on their revenue generation which resulted in a huge decline in net income. However, looking at the current scenario or the recently published quarter

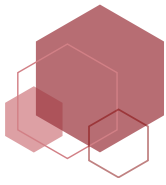


report, the company did improve to the previous year based on its core operational performance.

According to the annual report of the Fiscal Year 2077/78, the board of directors and management team of the company are committed to minimizing the possible negative impact by adopting suitable strategies of survival and focusing on new markets, retaining existing markets with the application of robust marketing practices, continuous upgradation of existing product and services combined with most importantly innovative cost control practices to enable to sustain the profitability of the hotel during COVID-19 pandemic.

Now, talking from technical perspective, the major indicators like RSI, ADX, MACD, and EMA are indicating an upward trend for the company's stock. It would be wise for the investors to take the position of this company's equity after a few corrections. Here, the price of the SHL will not come near to the determined final valuation price if we consider the past price movement of the company and the hotel industry. Hence, the valuation of SHL will not be very useful for the decision-making purpose while trading the stock of SHL. Therefore, it would be wise for investors to invest in this company's stock after analyzing technically and comparing the price movement with the industry index movement.

Disclaimer: Investment in equity shares has its 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.



ISSUE OF THE MONTH

Effect of Mental Accounting on Treatment of Money

A. What is Mental Accounting?

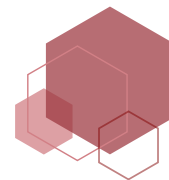
Human behavior is shaped by conscious and unconscious decisions which can be swayed by behavioral biases. Many people either tend to make decisions based on a set way of thinking or even more problematically based on feelings alone ignoring many relevant facts. Mental accounting is one such cognitive 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:

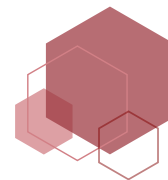
- ✓ Impeding financial progress when people treat specific inflows such as tax refunds or discounts as windfalls and spend them haphazardly unlike cash flow from their remuneration/salary.
- ✓ Paying high interest on debt while making low interest on savings that are meant to go towards building a house.
- ✓ 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
KALINCHOWK	IPO	228,000(O)	2022/11/30 AD 2079/08/14 BS	2022/12/14 AD 2079/08/28 BS	Nabil Investment Banking
MKCL	Right	2,000,000(O)	2022/11/11 AD 2079/07/25 BS	2022/15/15 AD 2079/08/29 BS	Muktinath Krishi Company
SMFPO	Auction	7,150(P)	2022/11/24 AD 2079/08/08 BS	2022/12/11 AD 2079/08/25 BS	RBB Merchant Banking

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