

# The Pulse

Market Growth, Risks and Outlook

Ashoj 2079

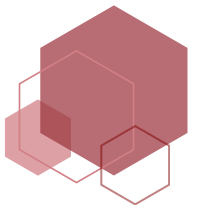
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**Himalayan Capital**

A Wholly Owned Subsidiary of Himalayan Bank Limited



## Macroeconomic Overview



Inflation

8.26% ▲



Deposit Growth

8.62% ▲



Credit Growth

11.78% ▲



Import Growth

-12.9% ▼



Export Growth

-28.7% ▼



Remittance Growth

20.33% ▲



FX Reserve Growth

-11.52% ▼

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

\*Credit refers to claim on private sector

## Monthly Trading Statistics



Average  
Turnover

NPR 1.03 B

-44.03% ▼



Average  
Shares Traded

3.27 M

-34.04% ▼



Average  
Transactions

22.73 K

-32.77% ▼

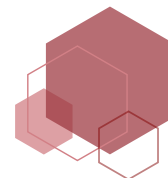


Average  
Scrips Traded

226

1.05% ▲

\* For the period (August-30) – (September-28)



## Liquidity Overview

### A. Major Rates

Description	Value As On					Change		
	Shrawan-78	Ashad-79	Shrawan-79	Ashoj-8	Ashoj-12	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	0.17	10.34	9.00	8.93	8.93	8.83	-1.34	0.00
Wt.Avg 91 Days TB rate (%)	0.66	9.69	9.50	9.87	9.58	8.84	-0.18	-0.29
Wt.Avg 364 Days TB rate (%)	3.96	9.85	9.85	9.03	9.03	5.89	0.00	0.00
Wt. Avg Interbank Rate (%)	2.13	10.34	9.00	8.50	8.47	6.87	-1.34	-0.03
CapEx (In Billion NPR)	0.94	216.37	1.48	8.13	13.88	0.55	-214.89	5.75

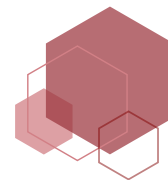
### B. BFI Statistics

Description	Value As On					Change		
	Shrawan-78	Ashad-79	Shrawan-79	Ashoj-8	Ashoj-12	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	4.76	7.41	7.64	7.25	7.25	2.88	0.23	0.00
Wt. Avg Lending Rate (%)	8.48	7.41	7.64	11.42	11.42	-0.84	0.23	0.00
Base Rate (%)	6.71	7.41	7.64	9.30	9.30	0.93	0.23	0.00
CD Ratio (%)	86.98	86.22	88.06	87.30	87.16	1.08	1.84	-0.14
Fixed Deposits/Total Deposits (%)	49.34	54.97	58.14	47.36	47.36	8.80	3.17	0.00
Total Liquid Assets/Total Deposits (%)	24.24	27.52	25.16	24.82	24.82	0.92	-2.36	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	Ashwin 4	200.00	0.00	11	47	2.13	200.00	8.78	9.20	8.93
91 Days	Ashwin 4	553.00	0.00	9	45	0.56	553.00	8.99	11.22	9.87
182 Days	Ashwin 4	430.00	0.00	7	36	0.78	430.00	9.10	9.99	9.69
364 Days	Bhadra 21	200.00	0.00	11	59	3.75	200.00	8.98	9.08	9.03

\*Figures are in Millions NPR

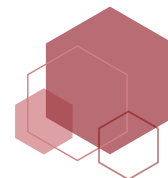


## Sectoral Movement

Index	Bhadra 13	Ashoj-12	Change
NEPSE	1,993.02	1,837.46	-7.81%
Commercial Bank	1,338.82	1,289.03	-3.72%
Non Life Insurance	7,962.31	7,486.70	-5.97%
Hotels & Tourism	2,682.23	2,512.98	-6.31%
Manufacturing & Processing	4,967.62	4,645.31	-6.49%
Mutual Fund	14.35	13.36	-6.90%
Life Insurance	9,369.55	8,719.87	-6.93%
Development Bank	3,573.71	3,270.48	-8.49%
Microfinance	4,507.12	4,123.45	-8.51%
Trading	1,987.91	1,790.15	-9.95%
Others	1,475.26	1,300.71	-11.83%
Finance Company	1,702.97	1,495.39	-12.19%
Investment	63.95	55.98	-12.46%
HydroPower	2,310.48	1,959.67	-15.18%

## Major Movers

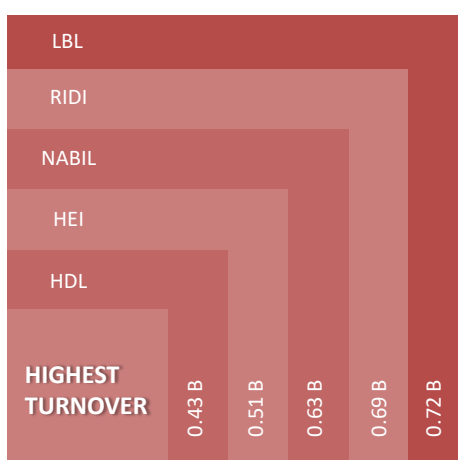
ADLB	14.72%	RADHI	-27.73%
BNL	14.43%	HHL	-27.33%
UHEWA	10.99%	SGHC	-26.56%
NLO	8.15%	USHEC	-23.35%
SPC	3.92%	DORDI	-22.45%



## Sectoral Divergence-Turnover

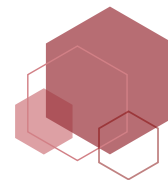
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	1.84 B	1.03 B	-44.03%
Preferred Stock	0.0 M	0.0 M	0.00%
Mutual Fund	5.80 M	4.24 M	-26.87%
Corporate Debenture	0.95 M	0.67 M	-29.89%
Commercial Banks	274.12 M	135.91 M	-50.42%
Development Banks	146.69 M	59.20 M	-59.65%
Tradings	9.91 M	3.93 M	-60.30%
Others	72.07 M	28.60 M	-60.32%
Hotels	13.16 M	5.14 M	-60.93%
Finance	148.04 M	56.07 M	-62.13%
Microfinance	212.54 M	79.98 M	-62.37%
Hydro Power	452.07 M	159.98 M	-64.61%
Investment	87.34 M	30.35 M	-65.25%
Non Life Insurance	54.46 M	18.44 M	-66.14%
Life Insurance	93.95 M	30.92 M	-67.08%
Manufacturing And Processing	137.52 M	36.49 M	-73.46%

## Highest Turnover



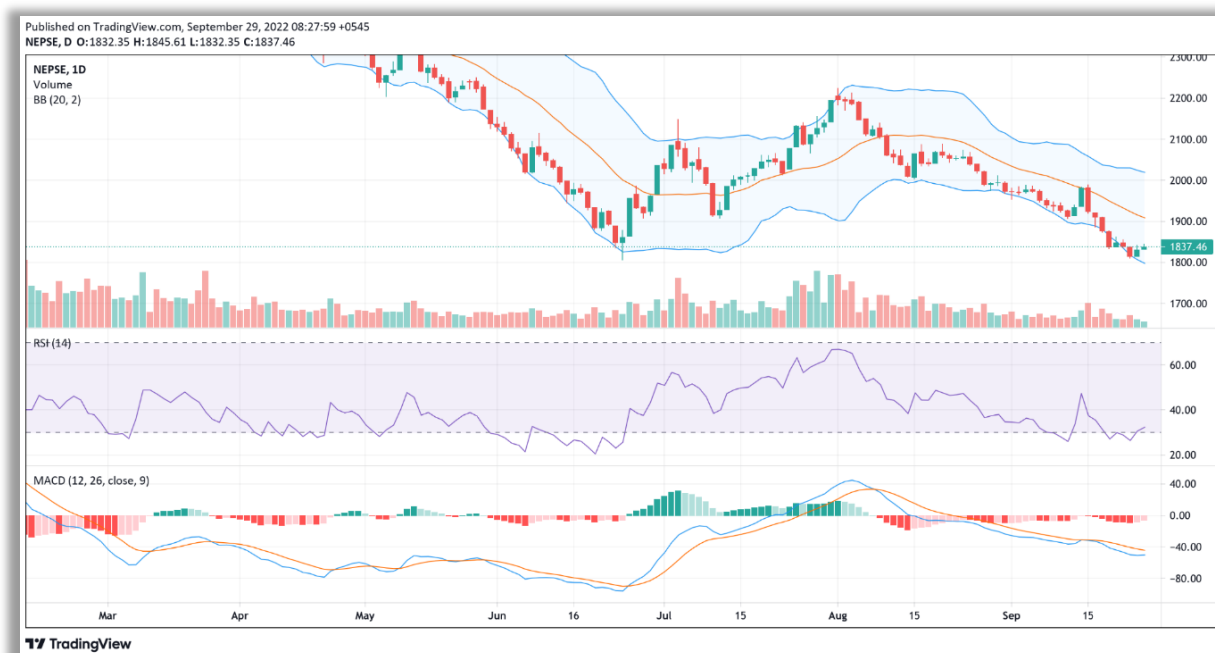
## Highest Volume





# NEPSE Outlook

## A. Current Overview



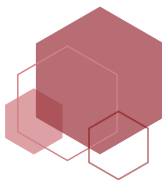
The Flagship NEPSE Index touched 1,837.46 points on September 28, 2022, with Total Turnover of NPR 485 million. Compared to its value at the end of August 29, 2022, the flagship Index has decreased by a further 152.05 points. Owing to negative investor sentiment and higher returns on offered by fixed income instruments as well as an increasing cost of borrowing, the market experienced good selling pressure during the month.

Looking at Bollinger bands, the index has ended up moving closer to the lower band, indicating that the market is oversold.

As long as the Moving Average Convergence Divergence (MACD) line remains below the baseline (i.e., in negative territory), NEPSE index will continue to have poor momentum. The MACD crossing also shows a bearish trend combined with a negative histogram.

The Relative Strength Index (RSI) is at 32.45 points indicating that the market still needs to outweigh sellers to raise the market.

The NEPSE index's immediate support levels stand at: (S1) 1,807, (S2) 1,770 and (S3) 1,634, whereas the resistance levels hold at: (R1) 1,860, (R2) 1,982 and (R3) 2,067.



## B. Long Term Overview

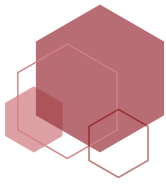


The flagship NEPSE index has been declining with brief market upswings interspersed since the beginning of August, and now it is resting at 1,837.46 on 28 September, 2022 after declining by 387.03 points from the 1 August, 2022. The major reasons for the decline of the index are assumed to be the liquidity crisis in the banking sector, and the rising interest rate of deposits. As a result, the index is currently heading down with a little uptick in between, and it is possible that it may continue to move down. If we examine the crossover of the 50-day and 200-day exponential moving averages on April 4, 2022, a death crossing was visible (EMA). After then, the market started a negative trend and has been unable to recover despite the use of all relevant indexes and economic factors.

According to the trend-based Fibonacci Extension plotted from 1,807.18 points (trend initial point) to the most recent high point of 2,223.94 points (end of the initial trend) and extending the line to 1,807.18 points, the NEPSE index is receiving strong support at the base of the extension (i.e., 1807.18). (end of the secondary trend). According to the indicator, the index's resistance level is 1,905 points, while its support level is 1,807.

The intermediate support levels of NEPSE index stand at: at: (S1) 1,807, (S2) 1,640 and (S3) 1,553, whereas the resistance levels hold at: (R1) 1,905 (R2) 1,966 and (R3) 2,015.





## SCRIP ANALYSIS

### Grameen Bikas Laghubitta Bittiya Sanstha (GBLBS)

#### A. Technical Analysis



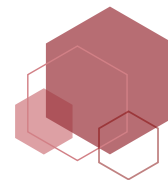
GBLBS trades at NPR 601.20 per share (28th September 2022). During the last two months, the company's stock price has been drifting down with sporadic upswings. Since the stock's most recent peak, which was reached on July 30, 2022, it has dropped by 33.15%. (i.e., NPR 298).

The stock breached the important support level, or NPR 654, in the month of September, indicating a negative trend in the market. The stock has dropped by 8% since breaching the support level and its future is still unclear.

The exponential Moving Average (EMA) of 20 days and EMA of 50 days are indicating downward trend after the occurrence of a bearish crossover on 17 August with other indicators signaling that the stock price might move further down.

The stock's Relative Strength Index (RSI) of is at 28.96, which shows that the stock is oversold. Looking at the Moving Average Convergence Divergence (MACD) Line, we can observe a weak sentiment among investors regarding the stock. As the stock is hovering below the baseline with bearish crossover and negative histogram.





The immediate support levels for this stock stand at: (S1) NPR 590, (S2) NPR 555 and (S3) NPR 535, whereas the resistance levels hold at: (R1) NPR 657, (R2) NPR 690, and (R3) NPR 725.

## B. Stock Valuation

The final average valuation of Grameen Bikas Laghubitta Bittiya Sanstha (GBLBS) has been calculated at NPR 671.05 and is based on both the Relative Approach (i.e., P/E Model and P/S Model) and the Absolute Approach (i.e., Capitalized Earnings, Earnings Valuation, and Excess Equity Return (ERM)). The major reason for the average value to be determined above stock price is due to higher valuations from relative valuation methods.

Methodology	Valuation Price (NPR)
Capitalized Earnings	545.94
Earning Valuation	616.97
Excess Equity Return Method	269.77
P/B Model	424.42
P/S Model	1,194.41
<b>Final Average Valuation</b>	<b>671.05</b>

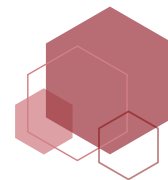
## Assumptions

### I. Major Variables

- ✓ Deposits Growth rate= 9.47% (Here, 9.47% is the historical average deposit growth rate from the past five years)
- ✓ Borrowings Growth rate = 10.95%
- ✓ Loans and advances Growth rate = 13.77%
- ✓ Perpetual Growth Rate for longer period projection to calculate the terminal value (Last 10 years average economic growth rate) = 4.20%

### II. Discounted Rate Using CAPM Model

- $Ke = Rf + (Rm - Rf) \times B$



Specifics	Value
Normal Risk-free rate after tax(90 days T-bills)	8.95%
Rm (Expected Market Return)	13.63%
B (Beta Monthly)	1.47
Cost of Equity (Ke)	15.83%

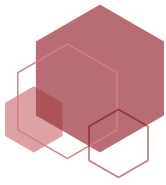
### C. Recommendation

Previously known as Nepal Grameen Bikas Bank Ltd., Grameen Bikas Laghubitta Bittiya Sanstha Ltd. (GBLBS) was founded on August 15, 2014 (Shrawan 30, 2071), after the merger of five regional-level Grameen Bikas Banks that were then active in Nepal's five development areas. The head office of the institution is located in Butwal, Rupandehi district of Lumbini Province.

The company's performance this quarter was merely passable when compared to its previous quarter's financials, despite the fact that it was able to raise income from its main business operations and post a net profit of NPR 198 million. If we compare the most recent quarter's net profit to the fourth quarter report from the prior year, the net profit has actually decreased since human resource costs and other operational expenditures have increased.

As of September 28, 2022, GBLBS was last traded at NPR 601.20. The company may be able to deliver more earnings in the future with an EPS of NPR 20.17 and a P/E ratio below the industry average of 29.8 due to their above-average reserve and surplus. However, the company's ROE and ROA financial numbers do not appear encouraging. The corporation has also never previously paid dividends to its stockholders. Therefore, it is possible that this year will be the same.

The price of GBLBS stock has dropped back to the range it was in before the most recent bull run. Similar to this, from a technical analysis perspective, the stock's RSI is circling in the oversold area, which may present a favorable entry point for investors. Therefore, it would be advisable to invest in the company's shares for the long term with a plan if the price falls below the present price or approaches the value derived by the absolute valuation technique.



## ISSUE OF THE MONTH

### Understanding Stock Splits

In a modern economy, the evaluation of the performance of a company is closely tied to its stock price. Hence, there is a lot of pressure on management to maintain a good stock price for their common stock. The management of a company thus has various tools to increase the per unit value of its common stock. A stock-split is one of the tools/methods through which a company can improve the per unit value of its share.

#### A. What is a Stock Split?

A stock split occurs when the management (Board of Directors) of a company decides to increase the number of its outstanding shares by issuing more shares to its current shareholders. This will be done by reducing the par value per share and increasing the number of outstanding shares in a proportionate manner.

For example: In the case of a 2-for-1 stock split, the company basically increases the number of shares held by a shareholder by a factor of 2 while the par value of the share is also reduced by a factor of two. Hence, if a stockholder were holding 50 units of a company's common stock with a par value of 100 per unit of stock, a 2-for-1 stock split would increase their holdings to 100 units of stock at a par value of 50 per unit of stock.

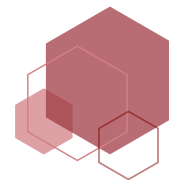
Similarly, if the company performing the split had 100 million shares outstanding before the split, it would have 200 million shares outstanding after a 2-for-1 split.

#### B. Does a Stock Split directly affect Market Capitalization?

A stock split will not affect the Market Capitalization of company as a direct consequence of a split i.e., a 2-for-1 stock split will not double a company's capitalization overnight. This is because the split will also be reflected in the Traded Price of the Company which will also be reduced by a factor of 2 keeping the overall Market Capitalization same.

#### C. Why do companies perform Stock Split?

The price of any asset is determined by two factors, the supply available in the market and the demand for that asset. Given a stable supply and normal conditions, the demand becomes the driving factor in the price of an asset. Since the performance of a company is directly correlated to the increase in stock price of a company by the stakeholders,



management will always be looking for different tools to maintain/improve the stock price of the company's common stock.

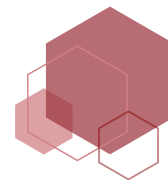
However, the company can go about doing so in one of two ways, either by reducing the available supply at the given price or to increase aggregate demand. In order to increase demand a company may launch a buyback scheme for its common stock which will help reduce the number of publicly traded outstanding shares consequently driving the stock price higher.

Alternatively, a company may also perform a stock-split to increase demand for its common stock in the market. This is different from an approach of issuing bonus or right shares which increase a company's overall capital as the capitalization of the company remains the same with only the par value of existing stocks decreasing with a proportional increase in shares outstanding.

Although, it may seem counterintuitive to increase supply, as it would likely affect aggregate demand, it must be noted that the supply created will be at a much lower cost which can enable more individuals to buy the stock. This is especially true for companies which command hefty premiums in the stock exchange. In this case, even though an investor may be willing to buy the stock, the high cost associated with the purchase of a minimum number of units will deter them from investing. This will in turn limit the demand for the stock in the market, reducing its potential for growth as the demand for an asset is driven by both the willingness and the ability to pay for an asset by a consumer/client. In this regard, as a unit of the stock becomes cheaper, it becomes accessible to a larger pool of investors as the per unit cost decreases which in turn helps increase the willingness of investors to invest in the stock.

The split will also increase the liquidity of the stock and with more investors it will also increase the goodwill of the company. A stock split is a good buying indicator which signals that the prices of shares of a company are increasing. This is why a split occurs; to decrease the price of a unit making it more accessible to everyone.

*\*This article was previously published in the Magh, 2077 edition of The Pulse.*



## Key Dates

Script	Issue Type	Quantity	From	To	Issue Manager
SJCL	IPO	3,650,000(O)	2022/08/21 AD	2022/10/16 AD	Citizen Investment Trust/Sunrise Capital
			2079/05/05 BS	2079/06/30 BS	
PHCL	IPO	3,200,000(O)	2022/09/16 AD	2022/09/30 AD	Sanima Capital
			2079/05/31 BS	2079/06/14 BS	
RADHI	Right	9,535,760(O)	2022/09/21 AD	2022/10/11 AD	Muktinath Capital
			2079/06/05 BS	2079/06/25 BS	
NMFBS	Auction	62,500(P)	2022/09/09 AD	2022/10/13 AD	NIBL Ace Capital
			2079/05/24 BS	2079/06/27 BS	
NGPL	Auction	1,257,290(O)	2022/09/18 AD	2022/09/29 AD	Siddhartha Capital
			2079/06/02 BS	2079/06/13 BS	

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