ज्योति क्यापिटल लि.
JYOTI CAPITAL LTD

THE OBSERVER

JYOTI MONTHLY OUTLOOK

Month: Baisakh End, 2083

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Market Update

1. Technical Overview
2. Looking Back the Metrics
3. The Rankers

The Economy
Banking and Insurance Statistics
What's in the Stock ?

Market Update

Technical Overview

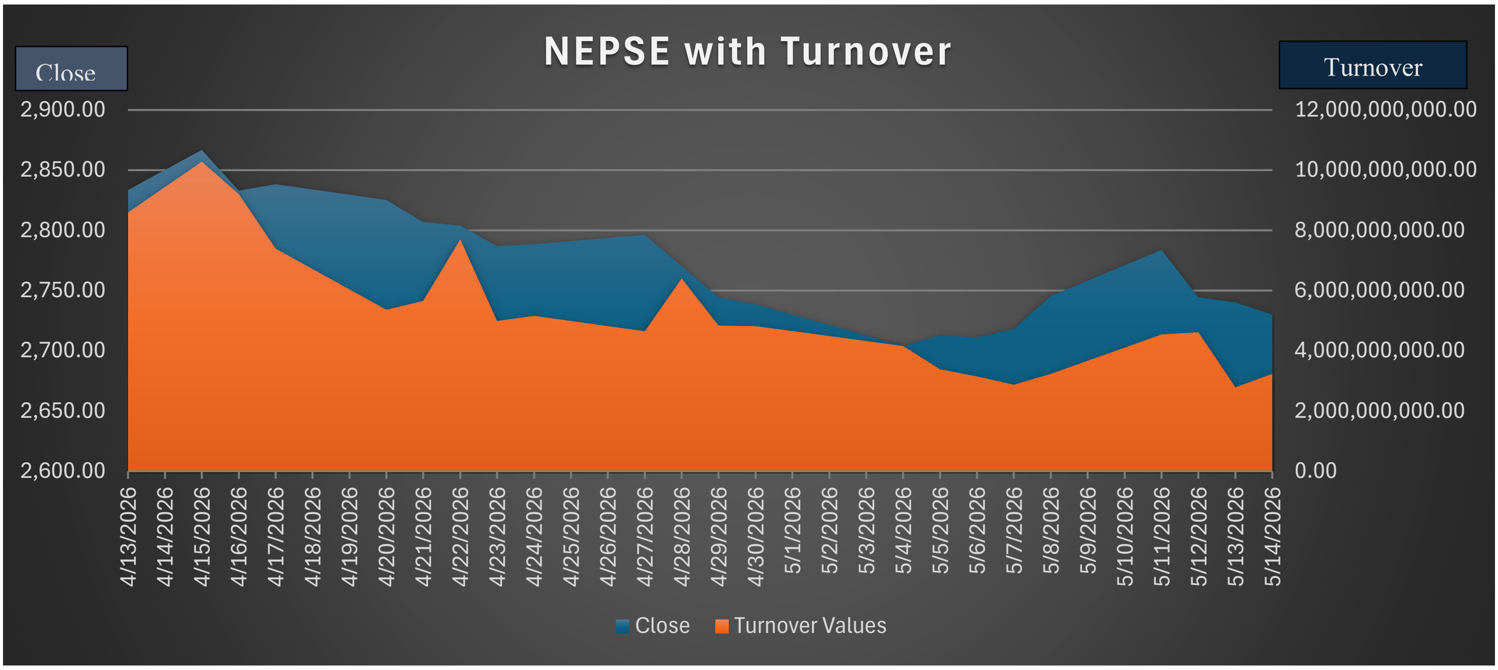
The NEPSE Index has been taking support from its 200-Day Moving Average (DMA). On the upside, the 50-Day Moving Average has continued to act as an immediate resistance zone. However, the recent price action has witnessed a breakout above the prevailing trendline and has maintained a consolidating structure below the resistance level. Trading volume has also increased following the breakout, providing additional confirmation of the price movement. Furthermore, the Relative Strength Index (RSI) has remained supportive of the prevailing trend, staying above the 50 level since the breakout.

The market appears to be reacting to expectations surrounding the Budget Speech for F.Y. 2083/84. However, the sustainability of the recent price action will largely depend on the contents of the actual budget announcement. Market participants should assess whether the anticipated capital market reforms and policy measures, as reflected in the pre-budget optimism, are effectively incorporated into the final budget.

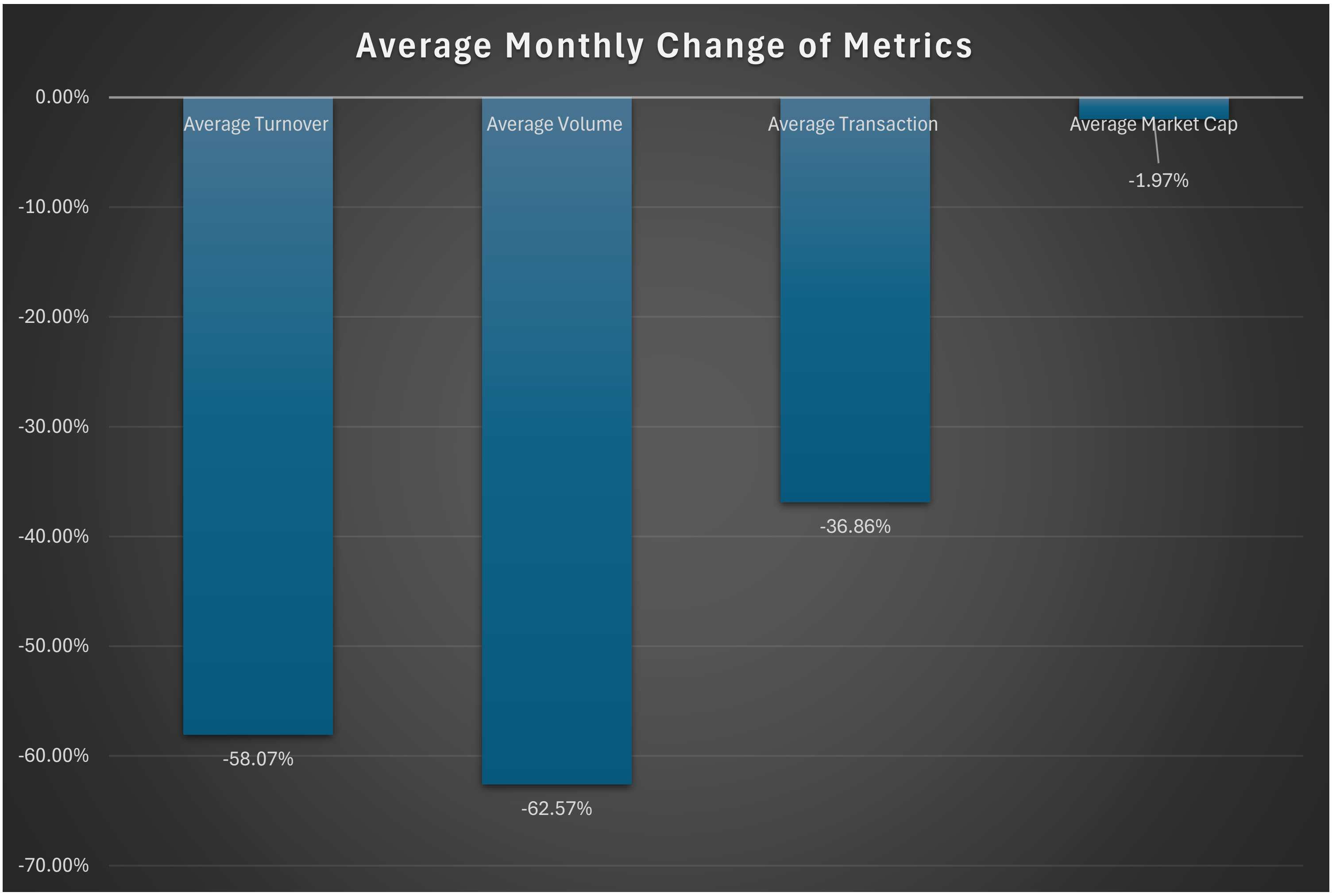
On the downside, immediate support for the index is expected at the confluence of the 200-Day Moving Average and the lower band of the Bollinger Bands. On the upside, resistance is likely to persist around the 50-Day Moving Average and the upper Bollinger Band.

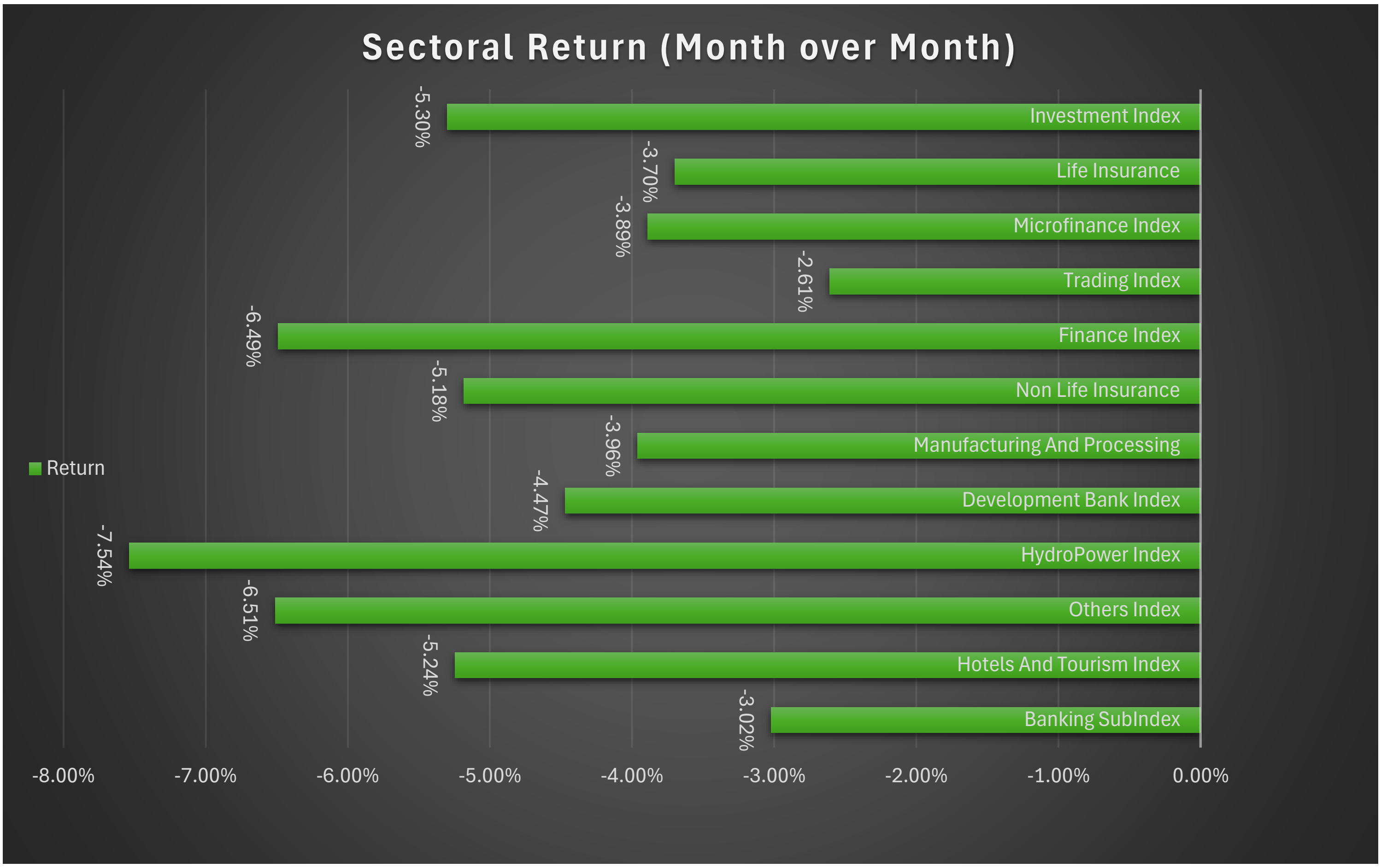
Advisory: Maintain a cautious "wait-and-watch" approach during the first hour of trading. The prevailing negative market sentiment may outweigh the positive impact of any prospective capital market reforms announced in the budget. Nevertheless, selected sectors and individual stocks may experience heightened volatility in response to budget-related developments.

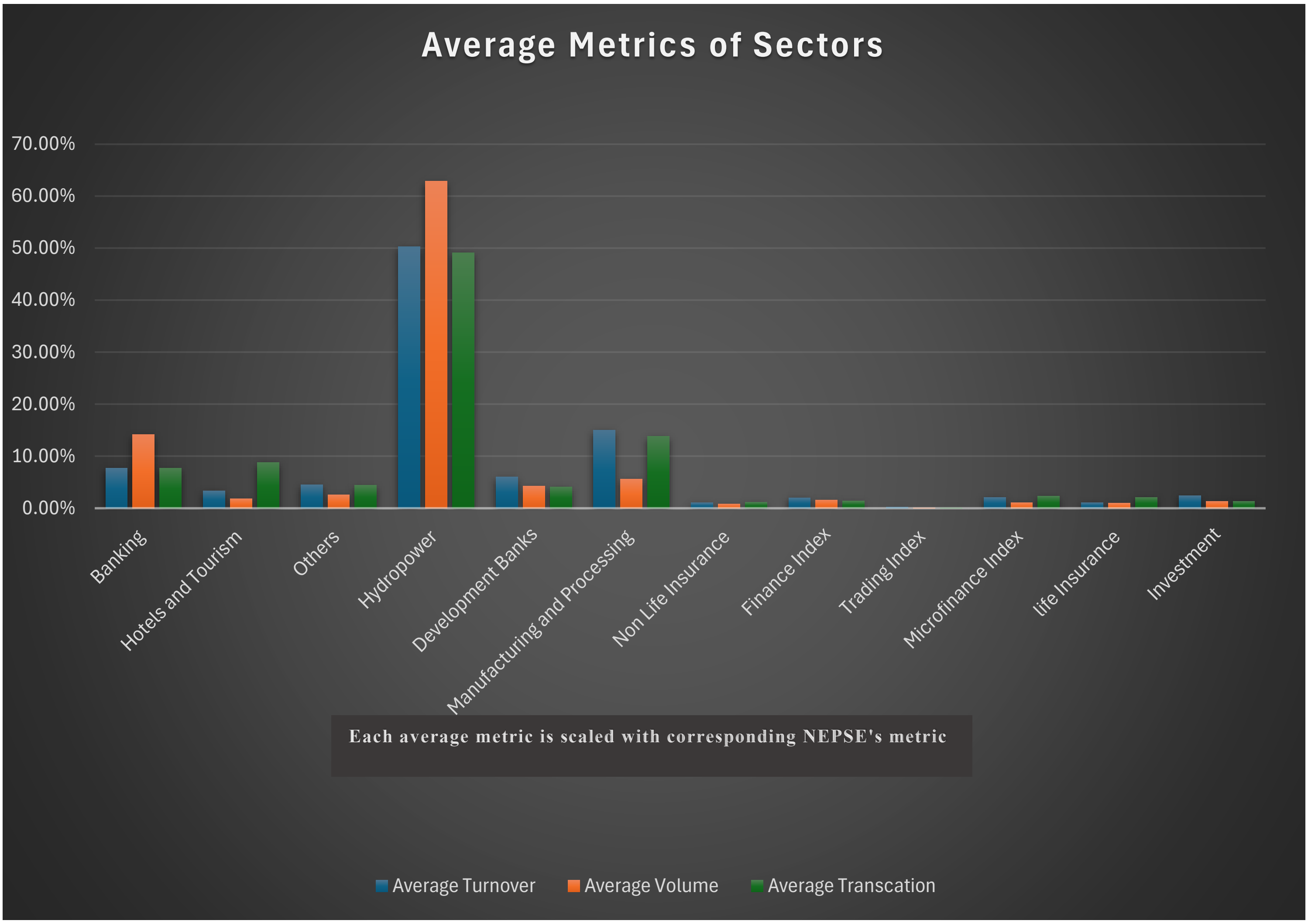
Looking Back: Month of Baisakh



Metrics	Chaitra End, 2082	Baisakh End, 2083	Monthly Change
NEPSE	2,833.60	2,730.18	-3.65%
Turnover (in NPR. Millions)	268,023.30	110,380.18	-58.82%
Volume	18,619,984.00	6,118,038.00	-67.14%
Total Transactions	2,766,612.00	1,747,124.00	-36.85%
Total Scrip Traded	408.00	401.00	-1.72%
Total Market Capitalization (in NPR. Millions)	4,832,847.51	4,656,451.17	-3.65%




Sectoral Return (Month over Month)
Return
Investment Index -5.30%
Life Insurance -3.70%
Microfinance Index -3.89%
Trading Index -2.61%
Finance Index -6.49%
Non Life Insurance -5.18%
Manufacturing And Processing -3.96%
Development Bank Index -4.47%
HydroPower Index -7.54%
Others Index -6.51%
Hotels And Tourism Index -5.24%
Banking SubIndex -3.02%
-8.00%
-7.00%
-6.00%
-5.00%
-4.00%
-3.00%
-2.00%
-1.00%
0.00%


Average Metrics of Sectors
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
Banking
Hotels and Tourism
Others
Hydropower
Development Banks
Manufacturing and Processing
Non Life Insurance
Finance Index
Trading Index
Microfinance Index
life Insurance
Investment
Each average metric is scaled with corresponding NEPSE's metric
Average Turnover
Average Volume
Average Transcation

The Rankers:

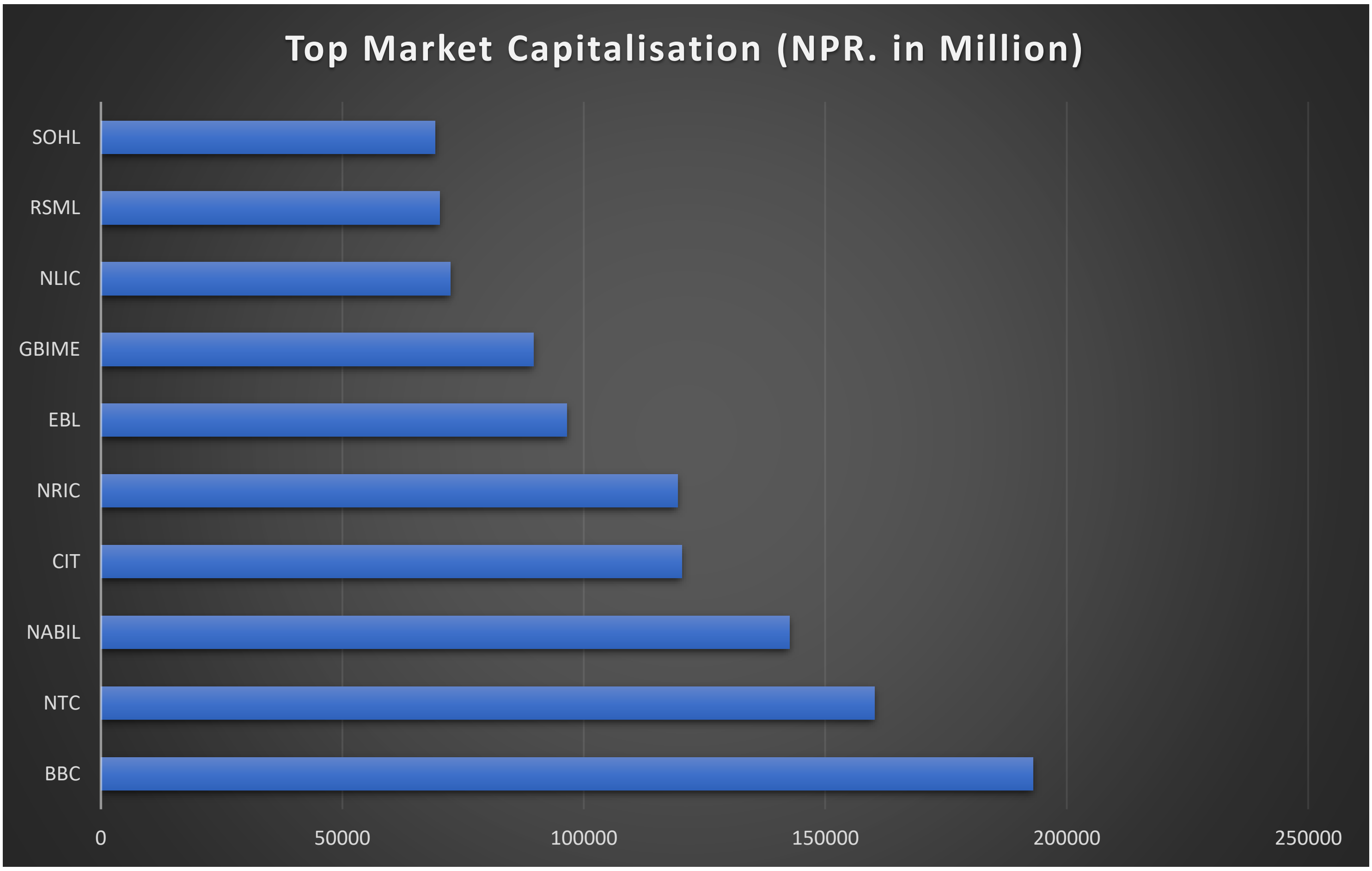
Monthly Top Ten Losers		
Sector	**Name**	**Gain**
Hydro Power	Mai Khola Hydropower Limited	-29.85%
Hydro Power	Dolti Power Company Limited	-27.45%
Hydro Power	Bhujung Hydropower Limited	-25.94%
Development Banks	Salapa Bikas Bank Limited	-24.16%
Hydro Power	Menchhiyam Hydropower Limited	-23.90%
Manufacturing & Processing	Reliance Spinning Mills Limited	-23.11%
Hydro Power	Super Khudi Hydropower Limited	-22.36%
Hydro Power	Bhugol Energy Development Company Limited	-22.00%
Development Banks	Narayani Development Bank Limited	-19.86%
Hydro Power	Modi Energy Limited	-18.67%

Monthly Top Ten Gainers		
Sector	**Name**	**Gain**
Others	Pure Energy Limited	3.85%
Commercial Banks	Sanima Bank Limited	3.86%
Tradings	Salt Trading Corporation	4.37%
Hydro Power	Ridge Line Energy Limited	6.70%
Hydro Power	Sahas Urja Limited	6.98%
Development Banks	Corporate Development Bank Limited	11.46%
Hotels And Tourism	Hotel Forest Inn Limited	17.56%
Others	Jhapa Energy Limited	22.23%
Hydro Power	Suryakunda Hydro Electric Limited	41.16%
Hydro Power	Shikhar power Development Limited	131.75%
Manufacturing And Processing	Palpa Cement Industries Limited	132.23%

Top Ten Turnover		
Scrips	**SYMBOL**	**Turnover (NPR. in million)**
Reliance Spinning Mills Limited	RSML	5,271.911
National Hydro Power Company Limited	NHPC	5,024.59
Solu Hydropower Limited	SOHL	4,590.37
Ankhu Khola Jalvidhyut Company Ltd	AKJCL	3,362.15
SY Panel Nepal Limited	SYPNL	3,345.13
Ridi Power Company Limited	RIDI	3,279.53
SHIVAM CEMENTS LTD	SHIVM	3,124.21
Ngadi Group Power Ltd.	NGPL	2,542.74
Hotel Forest Inn Limited	HFIN	2,440.84
NRN Infrastructure and Development Limited	NRN	2,355.693

Top Ten Volume		
Scrips	**SYMBOL**	**NO OF SHARES (in thousand)**
National Hydro Power Company Limited	NHPC	1,6485
Ridi Power Company Limited	RIDI	9,187
Ankhu Khola Jalvidhyut Company Ltd	AKJCL	8,908
Himal Dolakha Hydropower Company Limited	HDHPC	8,575
Kumari Bank Limited	KBL	8,030
Solu Hydropower Limited	SOHL	5,927
Ngadi Group Power Ltd.	NGPL	5,649
Shiva Shree Hydropower Ltd	SSHL	5,299
Api Power Company Ltd.	API	5,235
Shivam Cements Ltd.	SHIVM	4,573

Top Ten Transactions		
Scrips	**SYMBOL**	**Number of Transactions**
Hotel Forest Inn Limited	HFIN	133,099
Solu Hydropower Limited	SOHL	127,655
Palpa Cement Industries Limited	PCIL	121,493
Super Khudi Hydropower Limited	SKHL	51,330
Ridge Line Energy Limited	RLEL	49,969
Shikhar power Development Limited	SIPD	45,599
National Hydro Power Company Limited	NHPC	39,398
Himalayan Reinsurance Limited	HRL	33,242
SY Panel Nepal Limited	SYPNL	32,383
Reliance Spinning Mills Limited	RSML	27,040



Commentary:

1. The month of Baisakh reflected some market reaction to the upcoming Budget Speech for F.Y. 2083/84.

2. The NEPSE Index and turnover exhibited a positive co-movement during the review period. Both the index and turnover remained on a downward trend, with some visible upward spurts.

3. A considerable decline in key market metrics was observed during the month.

4. Daily average metrics such as turnover and trading volume decreased compared to the corresponding averages of the previous month, indicating reduced participation and investor interest in the market.

5. All sectoral indices generated negative returns compared to the previous month. The largest declines were recorded in the Hydropower, Investment, Finance, and Others sectors.

6. Despite the decline, the Hydropower Index remained the most actively traded sector during the review month.

7. Most of the top losing scrips during the month of Baisakh belonged to the Hydropower sector.

8. The top ten gainers of Baisakh comprised scrips from various sectors. Scrips such as SAHAS and JHAPA recorded notable gains, while several other gainers were recently listed IPOs, which generally have a higher tendency for price inflation and volatility.

9. Scrips such as NHPC and AKJCL recorded substantial trading activity in terms of turnover value, trading volume, and number of transactions, indicating widespread investor interest.

The Economy

Current Macroeconomic and Financial Situtaion

Nine Months of F.Y. 2082/83

Particulars	Nine Months, 2082	Nine Months, 2083
Total Budget (In NRs. Billion)	1,860.30	1,964.11
Total Capital Budget (In NRs. Billion)	352.35	407.89
Total Recurrent Budget (In NRs. Billion)	1,140.66	1,180.98
Total Budget Utilization	53.68%	53.97%
Total Capital Budget Utilization	29.20%	23.58%
Total Recurrent Budget Utilization	59.45%	63.30%
Imports (In NRs. Billions)	1,309.50	1,490.50
Exports (In NRs. Billions)	188.2	222.94
Gross Forex Reserves (In US Dollar. Million)	17,627.90	23,554.14
Import Capacity (in Months)	14.2	18.4
Current Account Surplus (In NRs. Billions)	222.7	618.7
Balance of Payment (In NRs. Billions)	346.2	731.2
Remittance (In NRs. Billions)	1192.5	1659.4
Foreign Direct Investment (In NRs. Billions)	8.94	14.55
Commercial Bank Average Base Rate	6.29%	5.06%
Commercial Bank Interbank Rates	3.00%	2.75%
Inflation (CPI)	3.39%	4.47%
Inflation (WPI)	4.20%	3.92%
Total Loans and Advances (In NRs. Billions)	5,534.78	5,905.36
Total Deposits (In NRs. Billions)	6,860.08	7,918.90
Commercial Bank Weighted Average Lending Rate	8.22%	6.77%
Commercial Bank Weighted Average Deposit Rate	4.45%	3.40%
Liquidity Injection (+) /Absorption (-)	(17,183.25)	(35,396.75)
No. of Tourist Arrivals (Up to April End)	116,490.00	107,934.00
No. of Workers for Foreign Employment (New entry and Renewals)	607,874.00	587,445.00

The Nepalese economy currently exhibits strong external sector fundamentals, low inflation, abundant banking liquidity, and accommodative interest rates. However, weak credit growth and reliance on remittances indicate that domestic economic activity remains below potential. While the macroeconomic backdrop is supportive for financial markets, sustained growth will depend on stronger private sector investment, effective government spending, and policy measures that stimulate productive economic activity.

Banking & Insurance Statistics

Commercial Bank's Chaitra Statistics				
Metrics	**Highest (In NPR. Millions)**	**Bank**	**Lowest (In NPR. Millions)**	**Bank**
General Loan Loss Provision	7,133.04	KBL	(350.48)	GBIME
Special Loan loss provision	9,028.10	NIMB	231.52	SCB
Loan Write off	513.03	PCBL	0.11	PRVU
Net profit	6,764.65	NABIL	140.32	NICA

Development Bank 's Chaitra Statistics				
Metrics	**Highest (In NPR. Millions)**	**Bank**	**Lowest (In NPR. Millions)**	**Bank**
General Loan Loss Provision	467.08	GBBL	1.73	NABBC
Special Loan loss provision	2157.75	MNBBL	(301.00)	JBBL
Loan Write Off	31.1	SHINE	6.22	KSBBL
Net profit	1,048.23	GBBL	35.24	GRDBL

Finance's Chaitra Statistics				
Metrics	**Highest (In NPR. Millions)**	**Bank**	**Lowest (In NPR. Millions)**	**Bank**
General Loan Loss Provision	39.34	MFIL	(16.82)	SFCL
Special Loan loss provision	142.91	PROFL	11.92	CFCL
Loan Write Off	16.4	GUFL	0.14	PFL
Net profit	218.91	MFIL	0.74	SFCL

General Insurance's Baisakh Statistics				
Metrics	**Highest**	**GI/Product**	**Lowest**	**GI/Product**
Issued Insurance Contract	345,503.00	UAIL	22,084.00	National Insurance (unlisted)
Premium Collection (In NPR. Lakhs)	51,922.63	SICL	2,535.24	Trust Microinsurance (unlisted)
Sector Wise Issued Insurance Contract	1,383,550.00	Motor	205	Aviation
Sector Wise Premium Collection (In NPR. Lakhs)	126,351.90	Motor	11,119.00	Micro

Life Insurance’s Baisakh end Statistics				
Metrics	**Highest**	**LI/ Product**	**Lowest**	**LI/Product**
Issued Insurance Contract	2,423,429.00	RNLI	274,015.00	PMLI
Premium Collection (In NPR. Lakhs)	411,666.00	LICN	2,696.04	Liberty Micro (unlisted)
Sector Wise Issued Insurance Contract	5,824,926.00	Micro Life Insurance	115,957.00	Single Premium Life Ins.
Sector Wise Premium Collection (In NPR. Lakhs)	646,282.00	Endowment Life Insurance	14,475.51	Term Life insurance

What's in the Stock

Curious Case of National Hydropower Company Limited

NHPC

National Hydropower Company Limited is a hydropower developer and operator. The company currently operates the Indrawati III Jalabidhyut Ayojana, which was completed in 2059 B.S. The project has an installed capacity of 7.5 MW.

Going forward, the company aims to develop and invest in additional hydropower projects to enhance its cash flow generation capacity. Successful and timely completion of these investments could positively impact the company's profitability in the near term. In line with this objective, the company has been pursuing a brownfield investment strategy to strengthen and diversify its project portfolio.

In this report, we analyze the company's performance and prospects through the lens of various financial, operational, and valuation metrics.

Project Profile: The company currently operates a single hydropower project. The project's operating performance has generally remained satisfactory. However, given its age, the project has experienced periodic operational disruptions. Notably, power generation was affected by flooding during Ashad 2081. Furthermore, generation from the project is currently suspended due to a leakage in the penstock pipe. These recurring interruptions may adversely affect generation output and revenue realization if not addressed in a timely manner.

Project	Installed Capacity	Completion Year
Indrawati III Jalabidhyut Ayojana	7.5 MW	2059
License Expiry Year		2105

Features	
Indrawati III Jalabidhyut Ayojana	
Installed Capacity	7.5 M. W
Annual Energy Generation	50 Gwh
Phase	Operating
Energy Generation (81/82)	30.46 GWH
61% of Annual Contracted Power Produced in 81/82	
Energy Generation (80/81)	40.97 GWH
82% of Annual Contracted Power Produced in 80/81	
95% of Half Yearly Contracted Power produced till H82/83	

Despite these operational disruptions, the project has comfortably generated approximately 95% of the half-yearly contracted energy stipulated under the Power Purchase Agreement (PPA) up to the second quarter of FY 2082/83, indicating a satisfactory level of operational efficiency during normal operating conditions.

Furthermore, the management has proposed the development of a new project that is associated with the existing project, which could provide an avenue for future capacity expansion and revenue growth.

Upcoming Project (Work In Progress)	Installed Capacity	Work Completion	Per Megawatt Cost (In NPR., Crore)
Lower Indrawati Jalbidhyut Ayojana	4.5 MW	70%	33.22

As per the Annual Report of FY 2080/81, the project had achieved a progress level of 70%. Subsequently, as per the second quarter report of FY 2082/83, the project is being reconstructed with significant structural improvements.

The original promoter of the project, M/S Sunkoshi Hydro Power Co. Ltd., was an investee company in which NHPC held a 97% ownership stake. However, the investee company has since been fully absorbed by NHPC, bringing the project under the complete control of the parent company in 2079 B.S.

One of the key considerations in this project is the rising per-megawatt cost, which warrants monitoring from a cost efficiency perspective. Additionally, as the project was acquired through a competitive bidding process under the Government of Nepal, NHPC is obligated to make annual payments of Rs. 6.20 Crore from the 7th year to the 16th year of receiving the generation license

Projects promoted by the Company	Installed capacity	Ownership Stake	Work Completion
Tallo Irkhuwa Khola – Lower Irkhuwa Hydro Power Company Ltd.	14.15 MW	45%	100%, Chaitra 2082, IPO in progress
Likhu Khola (Pondage Run of River) -- Ujyalo Energy Solutions Pvt. Ltd.	36 MW	75%	Early Stage, Feasibility study
Trishuli Ganga Jalabidhyut Ayojana	15.6 MW	20%	N/A

The company has indirectly promoted several other major hydropower projects through significant ownership stakes. Early commencement of power generation from these projects is expected to materially enhance the company's cash flow profile in the near term.

Against this backdrop, Tallo Irkhuwa Hydropower Company Ltd. has achieved 100% project completion and is currently in the process of launching its public issue.

Revenue and Top line profitability: The company currently operates a single hydropower project. Revenue from the Indrawati III Jalabidhyut Ayojana has averaged around 80% over the past three years. The project recorded lower sales in FY 2081/82 due to flooding-related damage to civil works. In contrast, FY 2080/81 was a relatively strong year, with the project achieving approximately 82% of its annual contracted generation requirement. The tariff structure is bifurcated into two segments. For output up to 5 MW, the tariff is fixed at NPR 4.83 in both wet and dry seasons. For the remaining 2.5 MW, the tariff is set at NPR 3.75 during the wet season and NPR 4.83 during the dry season. Despite operational fluctuations, the company has maintained a strong gross profit margin, consistently remaining above 50%.

Leverage and Capital Structure: The company's Debt-to-Equity (D/E) ratio has remained broadly stable at around 0.40x. The capital structure remains comfortable, supported by proceeds from the rights issue. However, it is notable that total debt increased by 31.42% YoY in FY 2081/82, which led to a rise in the D/E ratio to 0.41x from 0.31x in the previous period. This indicates a moderate increase in leverage despite an overall stable capitalization profile.

Expenses and Bottom-Line Profitability: Due to an increase in employee benefit expenses on a year-on-year basis, along with lower power sales in FY 2080/81, the EBIT margin declined from 21.70% in FY 2079/80 to 8.77% in FY 2080/81.Furthermore, in FY 2081/82, power sales revenue declined by 13% (vs. FY 2080/81), which resulted in the EBIT margin remaining subdued at 6%. During the same period, the company would have reported a loss-making performance; however, a one-time income of approximately Rs. 1.4 Crore recorded under other income provided a cushion, partially offsetting interest expenses and supporting overall profitability.

Year	79/80 Audited	80/81 Audited	81/82, 4th Quarter	82/83, 3rd Quarter
Gross Profit Margin	59.80%	57.20%	52.31%	61.62%
Net Profit Margin	8.41%	-2.98%	1.92%	14.20%
Debt to Equity (in Times)	0.47	0.31	0.41	0.42
EBIT Margin	21.70%	8.77%	6.20%	25.8%
EBT Margin	11.12%	-3.13%	2.06%	17.74%
Interest Coverage Ratio (in Times)	1.94	0.62	0.47	3.48

Estimated Earnings: As part of the analysis of NHPC, the full-year income estimate for FY 2082/83 has been derived. Based on the Q3 results for FY 2082/83, power sales revenue has been reported at NPR 135,537,344.00. Additionally, one-time income recorded during the quarter is negligible and is not expected to have a material impact on overall profitability.
Accordingly, assuming all other factors remain constant, the earnings for the remaining quarter repair and maintenance work is currently underway at the project site, which is expected to be completed by Jestha end, 2083. This indicates that there will be no power generation until that period. For the final month of the fiscal year, generation has been assumed based on the production levels recorded in Ashad of FY 2080/81.

Power Generation Estimation in Ashad (in KWH)	Applicable Tariff Rate	Sales in NPR.	Total Power Sales in Ashad in NPR.
3,000,000.00	4.83	14,490,000.00	17,940,000.00
920,000.00	3.75	3,450,000.00	

Estimated Yearly Sales Income (In NPR.) of 2082/83	
Earnings till Q3, 20823/83	135,537,344.00
Baisakh, 2083	Plant Closed
Jeshtha, 2083	Plant Closed
Asahd, 2083 (rounded figure)	18,000,000.00
Total Power Sales for F.Y. 2082/83	153,537,344.00

Estimated Net Profit (In NPR.) and EPS Calculation for 2082/83	
Sales F.Y. 2082/83	153,537,344.00
Gross Profit Margin	61.62%
Gross Profit	94,609,711.37
EBIT Margin	25.8%
EBIT	39,668,051.84
EBT Margin	17.74%
EBT	27,237,342.64
Net profit Margin	14.20%
Net Profit	21,802,302.85
Total Number Shares	24,671,629.15
EPS	0.88

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