ज्योति क्यापिटल लि.
JYOTI CAPITAL LTD

THE OBSERVER

JYOTI MONTHLY OUTLOOK

Month: Jestha End, 2083

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Market Update

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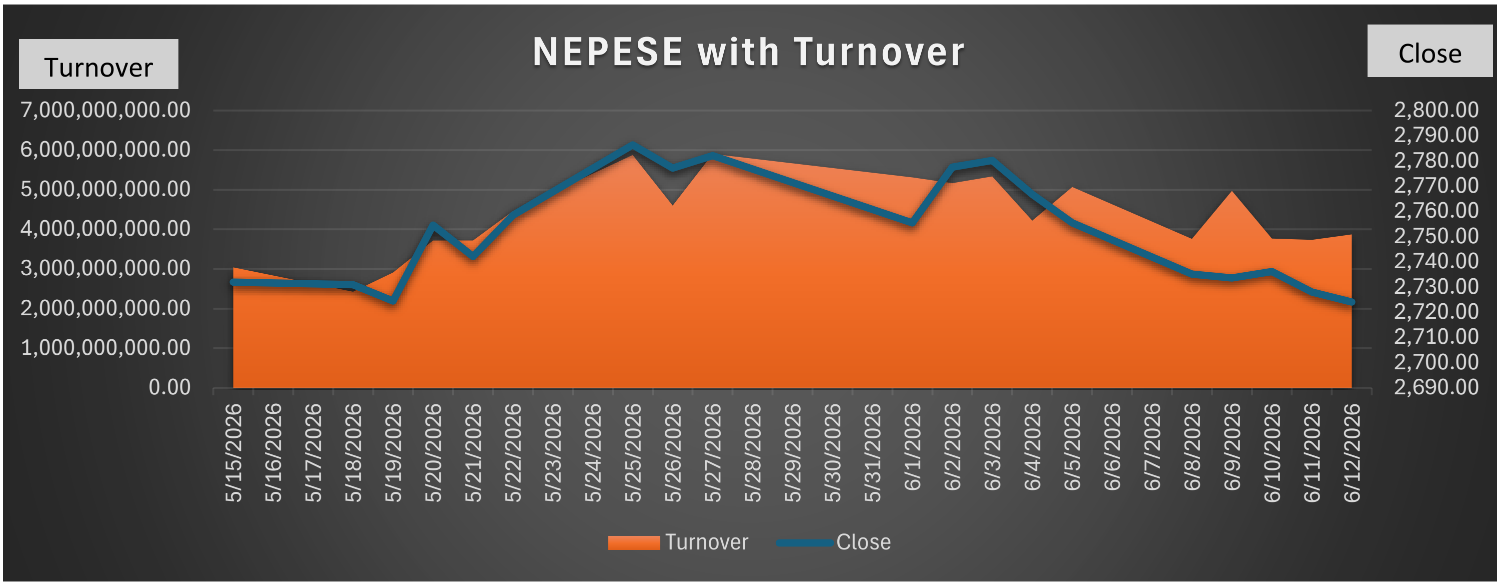
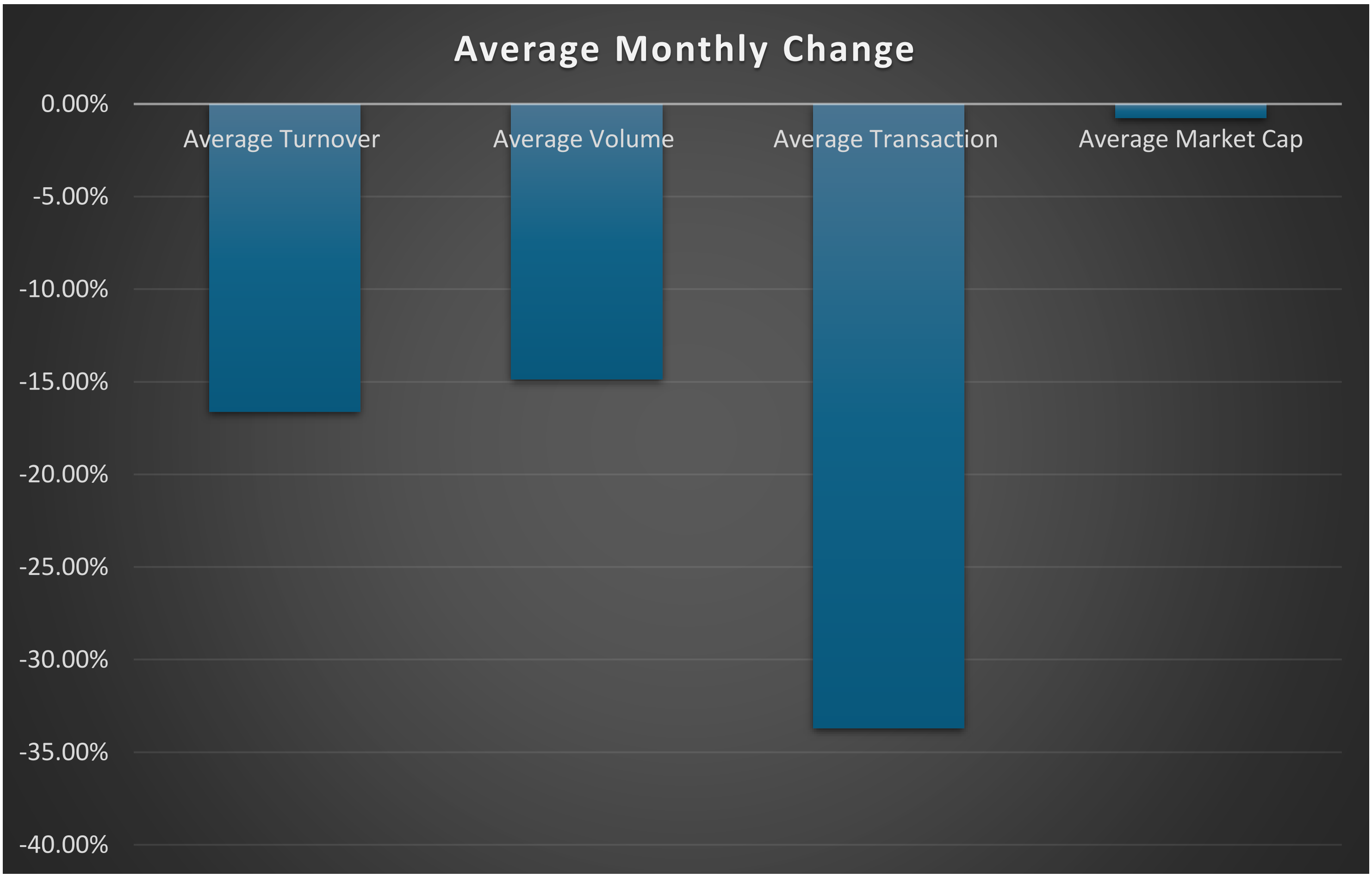
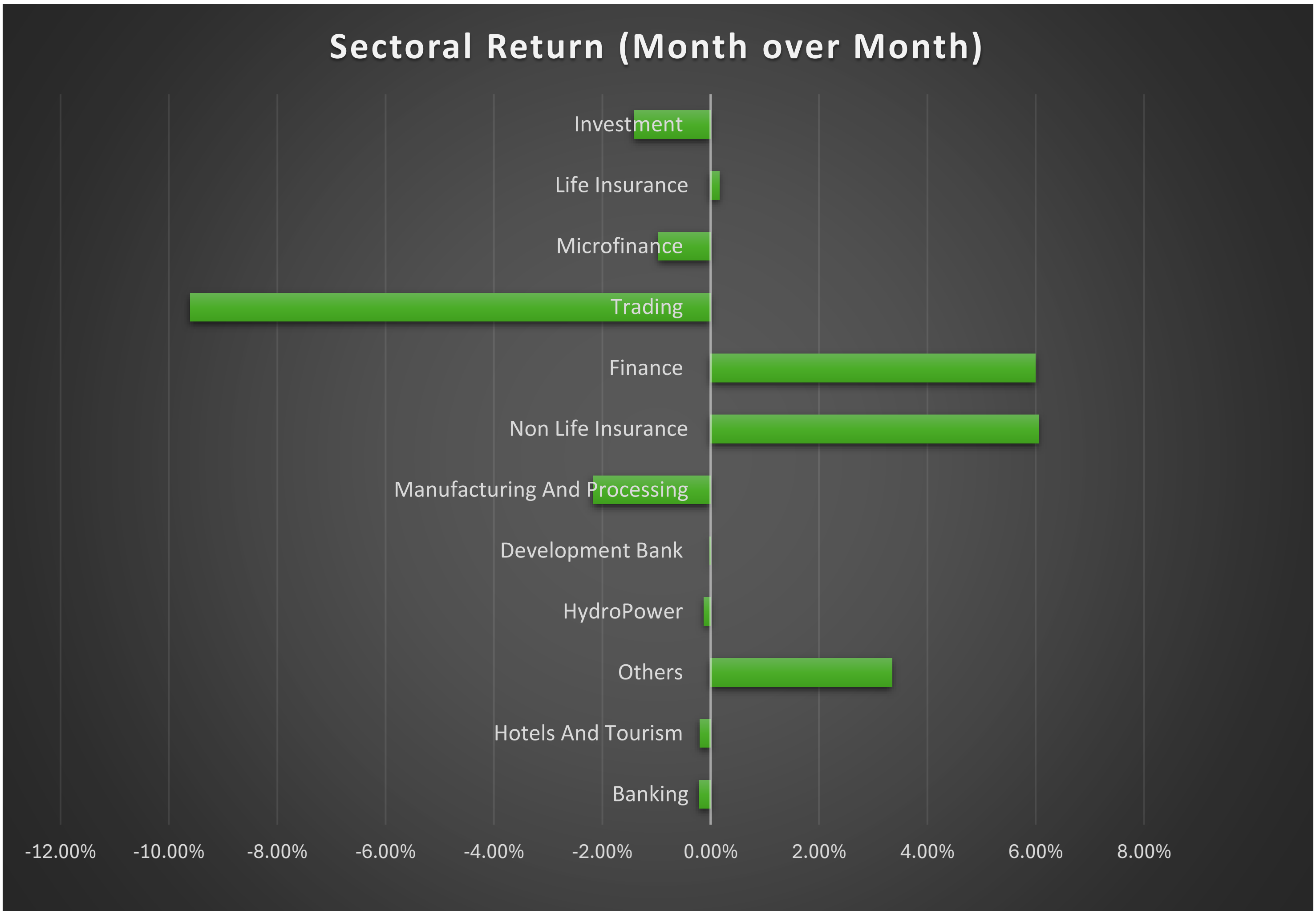
Market Update

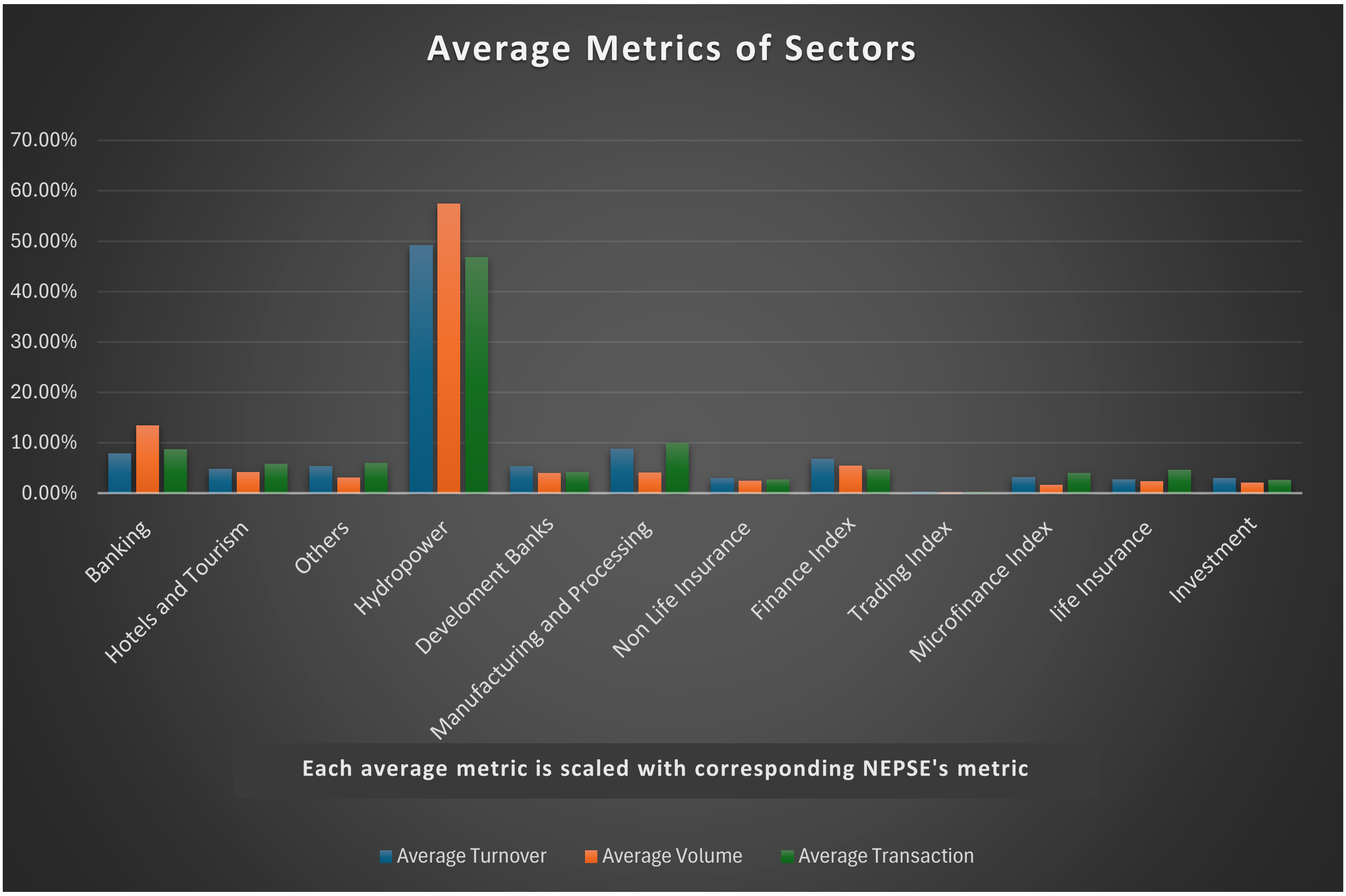
Looking Back: Month of Jestha



Metrics	Baisakh End, 2083	Jestha End, 2083	Monthly Change
NEPSE	2,730.18	2,724.03	-0.23%
Turnover (In NRs. Millions)	110,380.18	87,744.97	-20.51%
Volume (In Thousands)	252,939.99	205,378	-18.80%
Total Transactions	1,747,124.00	1,050,103.00	-39.90%
Total Scrip Traded	401.00	416	3.74%
Total Market Capitalization (In NRs. Millions)	4,656,451.17	4,654,551.64	-0.04%




Sectoral Return (Month over Month)
Investment
Life Insurance
Microfinance
Trading
Finance
Non Life Insurance
Manufacturing And Processing
Development Bank
HydroPower
Others
Hotels And Tourism
Banking
-12.00%
-10.00%
-8.00%
-6.00%
-4.00%
-2.00%
0.00%
2.00%
4.00%
6.00%
8.00%


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
Develoment 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 Transaction

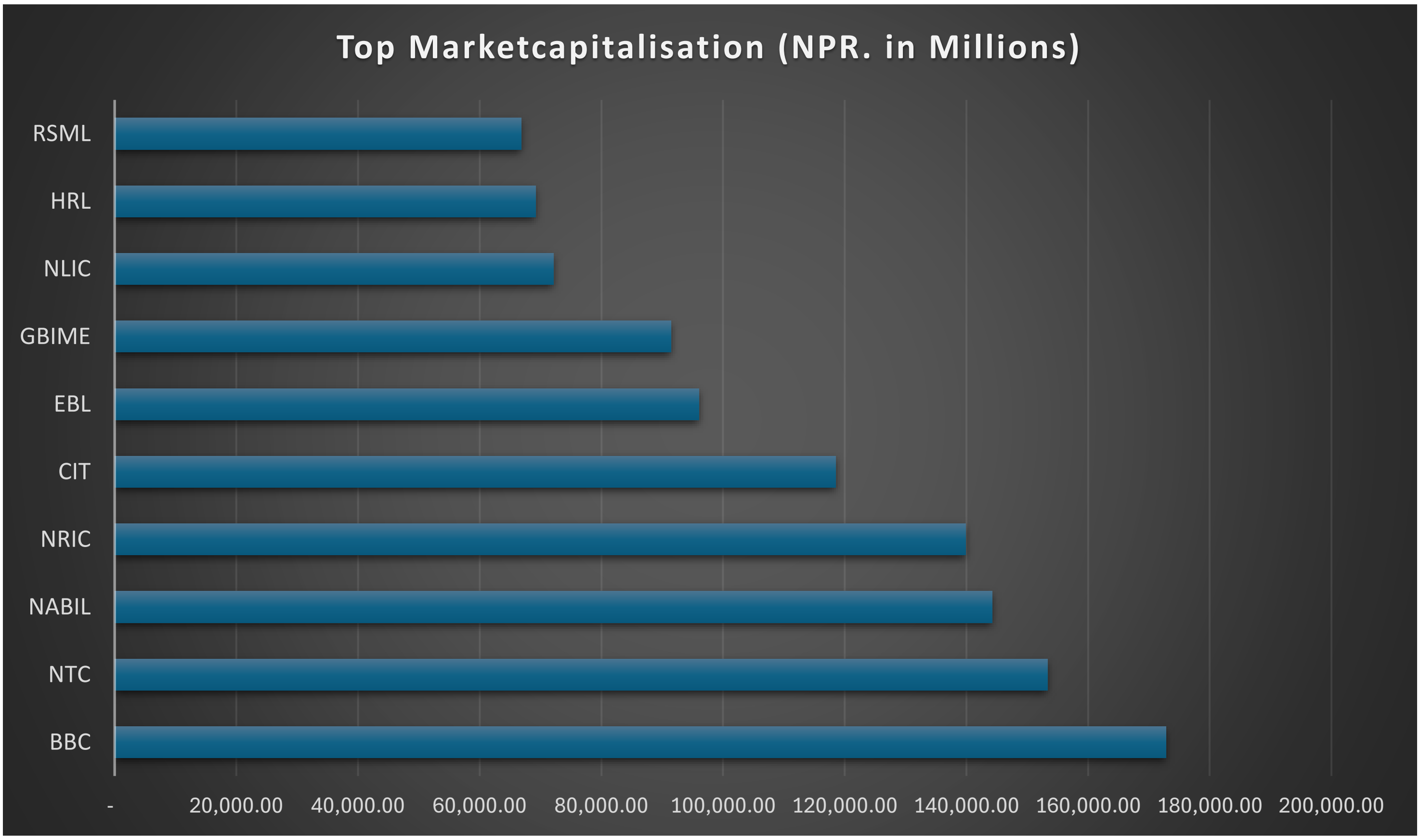
The Rankers:

Monthly Top Ten Losers		
Sector	**Name**	**Gain**
Manufacturing And Processing	Shreenagar Agritech Industries Limited	-9.96%
Manufacturing And Processing	SY Panel Nepal Limited	-10.05%
Hydro Power	Three Star Hydropower Limited	-10.39%
Trading	Bishal Bazar Company Limited	-10.46%
Hydro Power	Rawa Energy Development Limited	-10.78%
Development Banks	Corporate Development Bank Limited	-11.42%
Manufacturing And Processing	Palpa Cement Industries Limited	-11.74%
Hotels And Tourism	Hotel Forest Inn Limited	-13.10%
Others	Jhapa Energy Limited	-16.25%
Hydro Power	Union Hydropower Limited	-22.51%

Monthly Top Ten Gainers		
Sector	**Name**	**Gain**
Finance	Central Finance Co. Ltd.	33.94%
Hydro Power	Bungal Hydro Limited	21.62%
Hydro Power	Sayapatri Hydropower Limited	20.23%
Others	Nepal Reinsurance Company Limited	17.08%
Development Banks	Green Development Bank Ltd.	16.70%
Hydro Power	Ankhu Khola Jalvidhyut Company Ltd	16.09%
Hydro Power	Upper Hewakhola Hydropower Company Limited	14.59%
Hydro Power	Bikash Hydropower Company Limited	13.62%
Non-Life Insurance	Nepal Insurance Co. Ltd.	11.73%
Non-Life Insurance	United Ajod Insurance Limited	11.34%

Top Ten Turnover		
Name	**TICKR**	**Turnover (In NRs. Millions)**
Ankhu Khola Jalvidhyut Company Ltd	AKJCL	6,070.53
Ridi Power Company Limited	RIDI	2,952.99
Api Power Company Ltd.	API	1,999.47
National Hydro Power Company Limited	NHPC	1,974.17
Central Finance Co. Ltd.	CFCL	1,820.61
City Hotel Limited	CITY	1,802.60
Reliance Spinning Mills Limited	RSML	1,680.08
Sahas Urja Limited	SAHAS	1,577.97
Nepal Reinsurance Company Limited	NRIC	1,555.28
Shivam Cements	SHIVM	1,429.53

Top Ten Volume		
Name	**TICKR**	**Volume (In Thousands)**
Ankhu Khola Jalvidhyut Company Ltd	AKJCL	14688
Ridi Power Company Limited	RIDI	8139
National Hydro Power Company Limited	NHPC	6776
Api Power Company Ltd.	API	5640
City Hotel Limited	CITY	4554
Himal Dolakha Hydropower Company Limited	HDHPC	3989
Kumari Bank Limited	KBL	3841
Ngadi Group Power Ltd.	NGPL	3023
Central Finance Co. Ltd.	CFCL	2880
Shiva Shree Hydropower Ltd	SSHL	2571



No. of Transactions		
Name	**Tickr**	**No. of Trades**
Palpa Cement Industries Limited	PCIL	37157
Solu Hydropower Limited	SOHL	32260
Hotel Forest Inn Limited	HFIN	24088
Ankhu Khola Jalvidhyut Company Ltd	AKJCL	23873
Himalayan Reinsurance Limited	HRL	19769
Kalinchock Hydropower Limited	KHPL	18968
Ridi Power Company Limited	RIDI	17606
National Hydro Power Company Limited	NHPC	17342
City Hotel Limited	CITY	16600
Bungal Hydro Limited	BUNGAL	16511

Commentary:

1. 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 in turnover at the end of review period while index experienced highlighted fall.

2. A considerable decline in *Average Transaction* was observed during the month.

3. 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.

4. Sectoral gains experienced mixed results. The largest declines were recorded in the Non-Life, Finance, and Others sectors, while largest gains were on Trading and Manufacturing & Processing.

5. Hydropower Index remained the most actively traded sector during the review month.

6. Most of the top losing scrips during the month of Jestha belonged to the Hydropower sector, Others and Hotels and Tourism

7. The top ten gainers of Jestha comprised scrips from various sectors. Scrips such as BUNGAL, CFCL, SPHL recorded notable gains.

8. Scrips such as NHPC, AKJCL, RIDI, API recorded substantial trading activity in terms of turnover value, trading volume indicating widespread investor interest.

9. Scrips like PCIL, SOHL and HFIN experienced the greatest number of transactions. This can be attributed to fall in market prices and subsequent buys from new investors.

The Economy

Current Macroeconomic and Financial Situtaion

Ten Months of F.Y. 2082/83

Particulars	Baisakh, 2082	Baisakh, 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	62%	60%
Total Capital Budget Utilization	34%	28%
Total Recurrent Budget Utilization	68%	69%
Imports (In NRs. Billions)	1,474.19	1,692.64
Exports (In NRs. Billions)	217.91	248.96
Gross Forex Reserves (In US Dollar. Million)	18,404.47	24,190.61
Import Capacity (in Months)	14.60	19.20
Current Account Surplus (In NRs. Billions)	272.53	729.28
Balance of Payment (In NRs. Millions)	438,521.96	863,560.30
Remittance (In NRs. Billions)	1,357.84	1,916.90
Foreign Direct Investment (In NRs. Billions)	10.58	16.96
Commercial Bank Average Base Rate	6.17%	4.97%
Commercial Bank Interbank Rates	3.00%	2.75%
Inflation (CPI)	2.77%	5.04%
Inflation (WPI)	3.95%	5.96%
Credit to Private Sector (In NRs. Billions)	5,442.60	5,809.70
Total Deposits (In NRs. Billions)	6,852.20	7,949.28
Commercial Bank Weighted Average Lending Rate	8.11%	6.73%
Commercial Bank Weighted Average Deposit Rate	4.37%	3.35%
Liquidity Injection (+) /Absorption (-)	(19,235,650.00)	(37,254,100.00)
No. of Tourist Arrivals	501,264.00	529,090.00
No. of Workers for Foreign Employment (New entry and Renewals	685,924.00	661,874.00

Banking & Insurance Statistics

Commercial Bank's Baisakh 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	242.47	SCB
Loan Write off	513.03	PCBL	0.11	PRVU
Net profit	7,669.68	NABIL	332.96	NICA

Development Bank 's Baisakh Statistics				
Metrics	**Highest (In NPR. Millions)**	**Bank**	**Lowest (In NPR. Millions)**	**Bank**
General Loan Loss Provision	467.08	GBBL	2.64	NABBC
Special Loan loss provision	2157.75	MNBBL	(301.62)	JBBL
Loan Write Off	36.51	SHINE	10.51	MNBBL
Net profit	1,207.99	GBBL	28.70	CORBL

Finance's Baisakh Statistics				
Metrics	**Highest (In NPR. Millions)**	**Bank**	**Lowest (In NPR. Millions)**	**Bank**
General Loan Loss Provision	37.16	PROFL	13.93	SIFC
Special Loan loss provision	220.56	PROFL	0.50	PFL
Loan Write Off	17.27	JFL	0.14	PFL
Net profit	243.47	MFIL	0.39	NSML

General Insurance's Jestha end Statistics				
Metrics	**Highest**	**GI/Product**	**Lowest**	**GI/Product**
Issued Insurance Contract	378,951.00	UAIL	24,107	National Insurance (unlisted)
Premium Collection (In NPR. Lakhs)	56,263.74	SICL	2,735.35	Trust Microinsurance (unlisted)
Sector Wise Issued Insurance Contract	1,512,566	Motor	222.00	Aviation
Sector Wise Premium Collection (In NPR. Lakhs)	137,868.96	Motor	12,089.38	Micro

Life Insurance's Jestha end Statistics				
Metrics	**Highest**	**LI/ Product**	**Lowest**	**LI/Product**
Issued Insurance Contract	2,429,983	RNLI	281,250	PMLI
Premium Collection (In NPR. Lakhs)	461,644	LICN	3,045	Liberty Micro (unlisted)
Sector Wise Issued Insurance Contract	5,902,316.00	Micro Life Insurance	116,424.00	Single Premium Life Ins.
Sector Wise Premium Collection (In NPR. Lakhs)	716,061.19	Endowment Life Insurance	16,236.06	Term Life insurance

What's in the Stock

Bindhyabasini Hydropower Development Company Limited
BHDC

Bindhyabasini Hydropower Development Company Limited (BHDC) was incorporated in 2057/09/03 to develop, operate and maintain 15.4 MW project through the corridor of Rudi Khola comprising two cascade projects of Rudi A (8.8 MW) and Rudi B (6.6 MW). Rudi Khola-A Small Hydropower Project (8.8 MW) is located at Mijuredanda VDC of Kaski district. Likewise, Rudi Khola B Small Hydropower project (6.6 MW) which is a run-of-river type of project located just upstream of the panned Rudi-A Small Hydropower Project.

Project profile: The company operates two projects along the same river system. Each asset utilizes a primary stream (*khola*) augmented by secondary stream diversions designed to maximize generation capacity. While both projects are fully operational, they continue to face a combination of technical setbacks and localized environmental challenges. Furthermore, according to the company's latest annual report, unseasonably low rainfall has further constrained hydrology, compounding the downside risk to overall generation capability.

Rudi Khola A Small (8.8 M. W): The project secured its generation license in 2070 and commenced commercial operations in 2075, securing its operational validity through 2105. The asset features an annual contracted generation capacity of 46.70 GWh. Hydrologically, the project utilizes the Rudi Khola as its primary stream, which is further augmented by the Cheduwa Khola as a secondary tributary to optimize flow and generation efficiency.

Rudi Khola B Small (6.6 M. W): The project received its generation license in 2071 and commenced commercial operations in 2076, securing its license validity through 2109. The asset features an annual contracted generation capability of 33,167,980 kWh. Hydrologically, the project utilizes the Togo Khola as its main stream, augmented by the Karbu, Keiyuu, and Ligur Kholas as subordinate streams. To optimize water flow and enhance generation capacity, the latest stream diversion via the Ligur Khola was successfully integrated in 2080.

Project	Installed Capacity	Completion Year
Rudi Khola A	8.8 M. W	2075
License Expiry Year		2105

Features	
Rudi Khola A	
Installed Capacity	8.8 M. W
Contracted Energy Generation in KWH	46,699,752.00
Phase	Operating
Energy Generation (79/80) in KWH	38,741,964.40
83% of contracted energy generated in 79/80	
Energy Generation (80/81) in KWH	35,985,694.66
77 % of contracted energy generated in 80/81	
Energy Generation (81/82) in KWH	38,141,871.02
82% of contracted energy generated in 81/82	
Energy Generation 82/83 (Half Yearly)	27,212,349.74
100% of half yearly contracted energy generated in H 82/83	

Project	Installed Capacity	Completion Year
Rudi Khola B	**6.6 M. W**	**2076**
License Expiry Year		**2109**

Features	
Rudi Khola B	
Installed Capacity	6.6 M. W
Contracted Energy Generation in KWH	33,167,980.00
Phase	Operating
Energy Generation (79/80) in KWH	9,190,251.64
27 % of contracted energy generated in 79/80	
Energy Generation (80/81) in KWH	25,065,446.04
76 % of contracted energy generated in 80/81	
Energy Generation (81/82) in KWH	25,761,739.84
78% of contracted energy generated in 81/82	
Energy Generation 82/83 (Half Yearly)	20,138,608.90
94% of half yearly contracted energy generated in H 82/83	

Rudi Khola B Plant could generate only 27% of it's contracted energy in F.Y. 2079/80. The project was in operational mode only of 6 months—stoppage was attributed to lower level of rainfall compounded by flood and transformer failure.

Additionally, both the plants suffer from frequent landslides and flooding. This has created two events to take place along the past fiscal years: inflow of insurance claims (Loss of Profit and structure damages) and outflow of funds for repairs and maintenance. Despite these hurdles, generation capacity of the plant remains satisfactory.

Sales and Operational Profitability: F.Y. 2080/81 witnessed a 28% increase in sales, primarily driven by higher power sales volume, coupled with the annual escalation in the tariff rate. It should be noted that, during F.Y. 2080/81, the company completed the five scheduled tariff rate escalations for Rudi A. According to the annual report for the same fiscal year, the company proposed continuing the tariff escalation for an additional three years. However, this proposal was not reflected in the company's earnings for F.Y. 2081/82. Meanwhile, Rudi B also completed its anticipated five scheduled tariff rate escalations. Furthermore, the PPA excerpts provided in the IPO prospectus include a provision allowing NEA to revise the contracted monthly energy allocation based on the hydrological conditions of the plant.

The company has consistently maintained a gross profit margin of approximately 98% over the years. Excluding F.Y. 2079/80, the Earnings Before Tax (EBT) margin has also remained healthy at around 14%. As discussed earlier, the company's other income is modestly influenced by dividend income and interest earned on term deposits, while insurance claim proceeds constitute the most significant component. Consequently, even after excluding other income from the calculation of the net profit margin, there is no significant divergence between the EBT margin and the Net Profit margin.

Returns and Leverage: The Debt-to-Equity ratio remains elevated at over 1.0x. However, the Interest Coverage Ratio (ICR) sits in a sustainable position between 1.35x and 1.45x, further validated by a stable, lower cost of debt at ~7.80% and ~7.95% across F.Y. 80/81 and Q4 81/82. While the Return on Capital Employed (ROCE) is maintained at a modest ~7% over the years—

meaning the core operational return of the firm roughly equals its cost of debt—the Return on Equity (ROE) is structurally defended at ~5%.

This ROE preservation under *not so comfortable* leverage is driven by a zero-corporate-tax holiday, a minor operational cushion from passive interest/dividend income, insurance claim and a substantial volume of non-cash depreciation expenses. When adjusting for this high depreciation burden, the company's cash-flow return (EBITDA / Capital Employed) climbs to a healthier 10%, proving that while accounting returns are suppressed by an asset-heavy capital structure, cash returns are in parallel with profit margins.

Particulars	Year			
	79/80	80/81	Q4, 81/82	Q3, 82/83
Gross Profit Margin	97%	98%	98%	98%
Net Profit Margin	23%	14%	16%	33%
EBITDA Margin	70%	81%	77%	81%
EBIT Margin	48%	52%	50%	59%
EBT Margin*	-1%	14%	15%	33%
ROE	5%	4%	5%	8%
ROCE	4%	7%	7%	7%
Debt to Equity (in Times)	1.58	1.48	1.31	1.09
Interest Coverage Ratio	0.97	1.35	1.45	2.29
Cost of Debt		7.8%	7.9%	
**Other income* is not included in *Earnings Before Tax (EBT) Margin* calculation				

Other income and Investments: As stated earlier, the company has been consistently receiving insurance claim proceeds related to project damages. In addition, it earns interest income from term deposits and dividend income, primarily from its investments in Hydroelectricity Investment and Development Company Limited and Nepal Power Exchange Limited. Furthermore, the company has invested a substantial amount of capital in other power generation companies, providing additional potential for investment income.

S.N.	Name	Holdings	Remarks
1	Peoples Energy Limited	8.00%	48.8 M W, Khimti -2 HEP
2	Multi Energy Development Pvt. Ltd.	3.00%	30 M W, Langtang Khola HEP
3	Nepal Power Exchange Limited	2.50%	Energy Exporter
4	HIDCL	N/A	30,000 nos of public share held
5	Balephi Energy Pvt. Ltd.	15.00%	40 M.W, Balehi Khola HEP
6	RM Power Ltd.	70.00%	N/A

Shareholders and Promoter profile: The company was founded under the leadership of its founding Chairman, Mr. Krishna Prasad Acharya, a prominent entrepreneur recognized for pioneering the commercial production of noodles in Nepal. In addition to his entrepreneurial background, he is associated with various companies across multiple sectors, which could provide strategic and business advantages to the company. Ms. Sita Acharya currently serves as the Chairperson of the Board of Directors. As of F.Y. 2081/82, she held 1,466,223 shares of the company. Furthermore, Mr. Tama Prasad Gurung and Mr. Sudip Acharya each held 168,000 shares during the same period. Notably, Mr. Tama Prasad Gurung significantly increased his shareholding from 15,583 shares in the previous fiscal year to 168,516 shares in F.Y. 2081/82.

Conclusion: Like many hydropower companies, the scrip is subject to the structural challenges commonly faced by power developers. The company carries a considerable amount of debt; however, it has managed to maintain a relatively low cost of borrowing. Supported by a stable operational profile in power generation, the company has consistently maintained healthy operating margins. Likewise, its cash-based return on equity (ROE) remains strong. When evaluated on a cash-flow basis, the company has delivered satisfactory financial performance despite operating in a capital-intensive, fixed-asset-heavy industry.

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