

# The Pulse

## Market Growth, Risks and Outlook

Magh 2082

### Inside This Edition

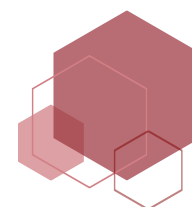
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हिमालयन क्यापिटल लि.









**Himalayan Capital**





A Subsidiary of Himalayan Bank Limited



## Global Market Overview

 <b>1.19 \$</b> (2.00%)	<b>S&amp;P 500</b> <b>6,832.77</b> (-1.35%)
 <b>1.36 \$</b> (1.47%)	<b>BSE SENSEX</b> <b>83,674.92</b> (0.35%)
 <b>90.74*</b> (0.50%)	<b>NIKKEI 225</b> <b>56,966.00</b> (5.47%)
 <b>153.28*</b> (-3.71%)	<b>FTSE 100</b> <b>10,426.30</b> (2.02%)
 <b>0.71 \$</b> (6.61%)	<b>DAX</b> <b>24,852.89</b> (-1.71%)
 <b>0.72 \$</b> (2.29%)	<b>CAC 40</b> <b>8,327.55</b> (-0.15%)
	<b>HANG SENG</b> <b>26,684.60</b> (-0.66%)
	<b>SSE COMPOSITE</b> <b>4,134.02</b> (0.19%)

\*Values Per 1 \$

 <b>Gold (\$) Per Oz.</b> <b>4,922.08</b> (6.40%)	 <b>Bitcoin(\$)</b> <b>66,219.35</b> (-31.66%)
 <b>Brent Crude(\$)</b> <b>Per Barrell</b> <b>67.54</b> (3.30%)	 <b>Ethereum(\$)</b> <b>1,946.11</b> (-41.99%)

#All Changes are in MoM basis.

## Global Market Trends

The Magh snapshot reflects a more uncertain and transitional phase in global markets, where investors began reassessing growth expectations, interest-rate outlooks, and risk appetite. Currency movements suggest that the U.S. dollar lost some strength against several major currencies, with the euro and pound gaining ground and commodity-linked currencies such as the Australian and Canadian dollars strengthening more noticeably. This pattern typically emerges when markets expect global growth conditions to stabilize or when investors shift some capital away from the U.S. toward other economies. However, the Japanese yen weakened significantly during the period, suggesting that interest-rate differentials and carry trades continued to favor the dollar against Japan despite broader dollar softness elsewhere. The Indian rupee also depreciated modestly, and given Nepal's currency peg with INR, this implies that the Nepalese rupee would have mirrored this slight weakness, keeping some pressure on import costs despite supportive global conditions in other areas.

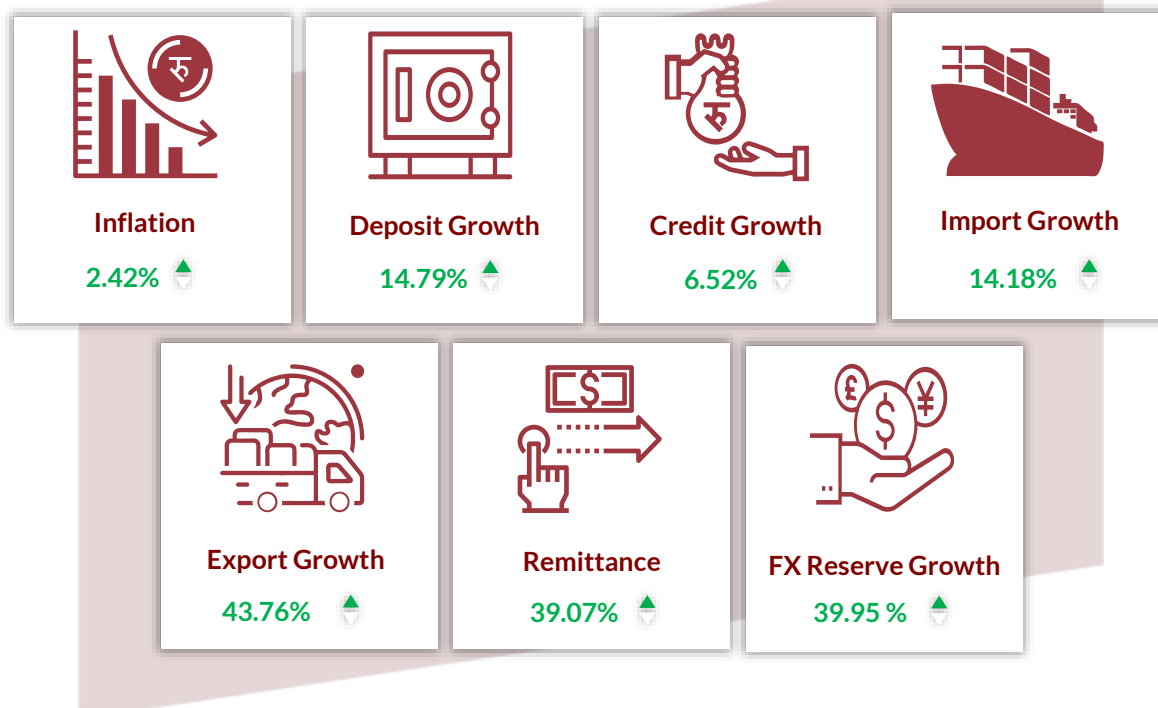
Equity markets during the month highlighted clear regional divergence rather than a unified global rally. The U.S. market declined modestly, indicating that investors were becoming more cautious about valuation levels and the sustainability of earnings growth after a prolonged rally. In contrast, Japan's equity market posted a strong gain, reflecting continued corporate profitability, structural reforms, and supportive domestic policies that have been attracting global capital. The United Kingdom's market also advanced solidly, likely benefiting from stronger commodity-linked companies and improved investor sentiment toward energy and mining sectors. India's market remained relatively stable with only modest gains, suggesting that investors maintained confidence in the country's structural growth story even amid global volatility. In continental Europe, however, performance was weaker, with Germany and France facing declines, reflecting concerns around industrial slowdown, weaker export demand, and lingering economic fragility in the region. Chinese markets remained subdued overall, with mainland equities posting only marginal gains and Hong Kong slightly declining, reinforcing the narrative that China's economic recovery continues to face structural challenges, including property sector stress and weak consumer sentiment.

Commodity markets during Magh sent mixed but important macroeconomic signals. Oil prices rose moderately, suggesting expectations of firmer global demand or supply-side constraints, but the increase also implies slightly higher energy costs for oil-importing economies such as India and Nepal. At the same time, gold prices surged significantly, reaching a new high for the period. Such strong gold performance typically indicates that investors are seeking protection against geopolitical risks, inflation uncertainty, or financial market volatility. The simultaneous rise in gold while equities showed mixed performance suggests that market participants were increasingly focused on risk management rather than aggressive risk-taking.

Digital assets experienced the most dramatic movement during the month, with both Bitcoin and Ethereum falling sharply. This steep correction indicates a clear shift away from highly speculative assets, often associated with tightening liquidity conditions, regulatory pressures, or a broader cooling of speculative enthusiasm after earlier rallies. When cryptocurrencies decline significantly while traditional safe-haven assets like gold surge, it often signals that investors are becoming more defensive and reallocating capital toward more stable assets.

Overall, the Magh data portrays a market environment characterized by selective optimism but rising caution. Capital flows favored markets with stronger structural growth and policy stability, such as Japan and, to a lesser extent, India—while regions facing economic or structural challenges struggled to attract investor confidence. At the same time, the surge in gold and the sharp correction in cryptocurrencies highlight that investors were increasingly hedging risks and reducing exposure to speculative assets. For Nepal, the implications remain mixed: slightly higher oil prices could raise import costs, while INR weakness continues to influence the Nepalese rupee through the currency peg, meaning external sector dynamics will remain an important factor to monitor even as global markets navigate this more cautious phase.

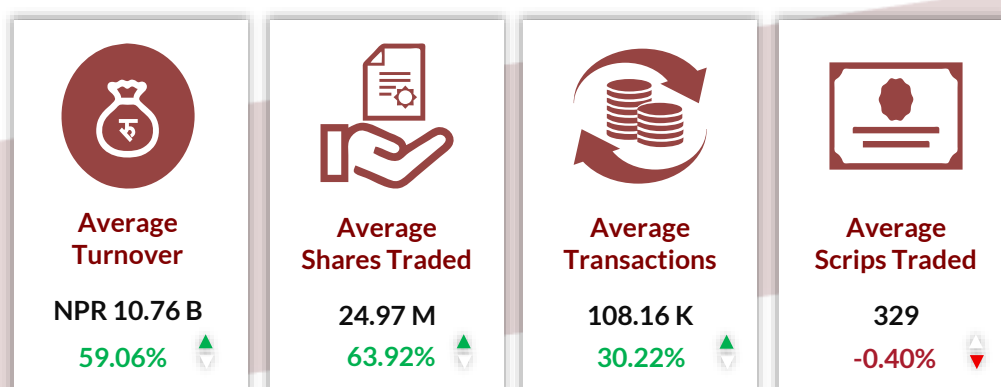
## Macroeconomic Overview



\*Growth refers to the change between six-months data of FY 81/82 and FY 82/83, \*Credit refers to claims on the private sector,

\*Unless otherwise stated, the numbers are in NPR

## Monthly Trading Statistics



\*Changes are evaluated against the last three month's average.

## Liquidity Overview

### A. Major Rates

Description	Value As On					Change		
	Poush-81	Mangsir-82	Poush-82	Falgun 07	Falgun 14	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.88	1.51	2.20	1.65	1.65	-0.68	0.69	0.00
Wt.Avg 91 Days TB rate (%)	2.81	2.37	2.35	2.41	2.41	-0.46	-0.02	0.00
Wt.Avg 364 Days TB rate (%)	2.95	2.59	2.58	2.59	2.59	-0.37	-0.01	0.00
Wt. Avg Interbank Rate (%)	3.00	2.74	2.75	2.75	2.75	-0.25	0.01	0.00
CapEx (In Billion NPR)	56.94	33.87	49.43	65.69	72.28	-7.51	15.55	6.59

### B. BFI Statistics

Description	Value As On					Change		
	Poush-81	Mangsir-82	Poush-82	Falgun 07	Falgun 14	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	4.75	3.66	3.56	3.56	3.56	-1.19	-0.10	0.00
Wt. Avg Lending Rate (%)	8.69	7.26	7.12	7.12	7.12	-1.57	-0.14	0.00
Base Rate (%)	6.65	5.38	5.29	5.29	5.29	-1.36	-0.09	0.00
CD Ratio (%)	79.43	74.12	74.29	74.29	74.40	-5.14	0.17	0.11
Fixed Deposits/Total Deposits (%)	52.19	44.33	42.56	42.56	42.56	-9.63	-1.77	0.00
Total Liquid Assets/Total Deposits (%)	25.80	23.13	27.10	27.10	27.10	1.30	3.97	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	Average	Highest
28 Days	Magh 6	1000.00	0.00	22	41	3.15	1000.00	1.47	1.65	1.81
91 Days	Magh 27	500.00	0.00	20	55	5.64	500.00	2.02	2.41	2.43
182 Days	Falgun 5	500.00	0.00	16	49	5.98	500.00	2.00	2.32	2.40
364 Days	Falgun 12	700.00	0.00	21	73	7.68	700.00	2.45	2.59	2.62

\*Figures are in 10 Millions NPR

## Sectoral Movement

Index	Poush 30, 2082	Magh 29, 2082	Change
NEPSE	2,641.43	2,671.07	1.12%
HydroPower Index	3,382.09	3,593.05	6.24%
Manufacturing And Processing	8,821.31	9,106.27	3.23%
Mutual Fund	20.72	21.30	2.80%
Hotels And Tourism	7,044.37	7,214.45	2.41%
Investment	102.09	104.45	2.31%
Development Bank Index	5,577.85	5,696.77	2.13%
Finance Index	2,423.26	2,456.78	1.38%
Non Life Insurance	10,949.02	10,989.78	0.37%
Banking SubIndex	1,369.44	1,364.72	-0.34%
Microfinance Index	4,888.18	4,868.13	-0.41%
Life Insurance	12,867.38	12,759.14	-0.84%
Trading Index	3,810.00	3,758.09	-1.36%
Others Index	2,357.74	2,317.58	-1.70%

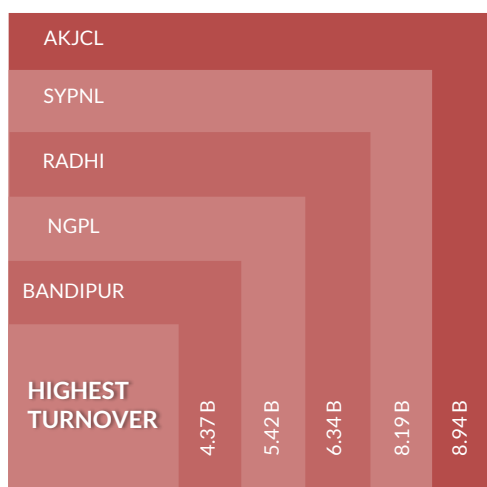
## Major Movers

AKJCL	84.91%	 <b>GAIN</b>  <b>LOSS</b>	SMHL	-21.99%
TVCL	63.85%		TSHL	-14.39%
RIDI	46.24%		NMBMF	-9.86%
KKHC	45.52%		USHL	-9.49%
SYPNL	36.61%		BPCL	-9.29%

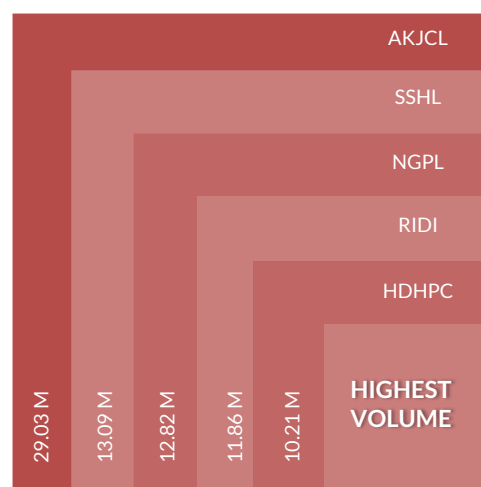
## Sectoral Divergence-Turnover

Sectors	Last Three Month's avg	Monthly Avg	Divergence
NEPSE	6.77 B	10.76 B	59.06%
Finance	0.33 B	0.59 B	79.39%
Hydro Power	3.27 B	5.77 B	76.55%
Mutual Fund	0.01 B	0.02 B	68.15%
Hotels And Tourism	0.19 B	0.32 B	63.58%
Development Banks	0.40 B	0.64 B	62.83%
Manufacturing And Processing	0.68 B	1.09 B	60.48%
Non Life Insurance	0.12 B	0.19 B	57.70%
Others	0.37 B	0.51 B	39.54%
Investment	0.31 B	0.42 B	36.47%
Tradings	0.01 B	0.01 B	23.15%
Commercial Banks	0.38 B	0.45 B	19.91%
Microfinance	0.33 B	0.34 B	4.35%
Bond and Debenture	0.02 B	0.02 B	2.74%
Life Insurance	0.32 B	0.30 B	-4.23%

## Highest Turnover



## Highest Volume



## NEPSE Outlook

### Current Overview



- In the latest trading day, the NEPSE index closed at 2,712.49, advancing 38.29 points (+1.43%), marking a firm rebound after testing support near the mid-2,600 zone. The recovery indicates a meaningful improvement in market sentiment, with the index once again approaching the 2,700–2,750 resistance band. This price action suggests renewed accumulation by investors following the recent consolidation phase, though the index still needs a decisive breakout to confirm a sustained upward trend.
- Market participation remained solid, with total turnover around NPR 6.23 billion. While slightly below the peak levels observed during earlier rallies, the persistence of healthy trading activity alongside rising prices indicates continued investor engagement and lends credibility to the current recovery.
- From a technical standpoint, the index has reclaimed the Fibonacci 0.382 retracement level near 2,684 and is now trading within the 0.382–0.5 retracement band, with the next key resistance located around 2,750. Maintaining levels above 2,685 would reinforce the constructive near-term structure, whereas a break below this threshold could reintroduce consolidation pressures toward the lower support zone.
- RSI (Relative Strength Index), which measures the strength and velocity of price movements to gauge underlying buying versus selling pressure, is currently at 60.99, reflecting moderately strong bullish momentum. The indicator remains below overbought territory, suggesting that the market retains additional upside capacity if buying momentum persists.
- MACD, derived from the interaction of two moving averages and interpreted through the MACD line, signal line, and histogram, shows the MACD line crossing above the signal line while hovering near the zero axis. This configuration signals

a gradual improvement in momentum dynamics, though a decisive move above the zero line would be required to confirm a stronger and more durable bullish trend.

- Looking ahead, immediate support levels are identified at (S1) 2,685 and (S2) 2,603, while near-term resistance levels stand at (R1) 2,750 and (R2) 2,818, based on Fibonacci retracement levels. Sustained trading above 2,685 would keep the bullish bias intact and support further attempts toward higher resistance levels, whereas failure to hold this support could see the index revert to a consolidation range around the lower support band.

## Long-Term Overview



- On a long-term (weekly) chart, NEPSE is currently trading around 2,712 and continues to move within a broad consolidation range rather than a confirmed long-term uptrend. Over the past several years, the market has repeatedly attracted buying interest in the 2,450–2,500 demand zone, while upward attempts have faced consistent selling pressure near the 2,900–3,050 supply zone. The recent recovery from lower levels, along with the continued hold above a rising weekly support trendline, suggests that buyers remain active on declines, preserving the overall range structure.
- The previous major upward move was largely driven by improving liquidity conditions and stronger investor sentiment, which helped the index rebound from its cyclical lows and reclaim mid-range levels around 2,600–2,700. However, the rally stalled once the index approached higher resistance areas, indicating that the move still resembles a recovery within a broader range rather than the beginning of a strong structural bull market. In essence, while sentiment has improved, the market has not yet demonstrated the sustained strength needed to break long-term resistance.
- Momentum indicators broadly support this interpretation. The weekly RSI (14) is currently around 55, reflecting moderately positive momentum but not the strong buying pressure typically associated with major breakouts. Meanwhile, the MACD is hovering close to the zero line, suggesting that long-term

momentum is stabilizing and gradually rebuilding rather than entering a strong bullish expansion phase.

- Key technical levels remain well defined on the weekly structure. On the downside, a decisive weekly break below the 2,500–2,450 zone would weaken the current structure, invalidate the rising support trendline, and increase the risk of a deeper retracement toward earlier base levels. On the upside, a meaningful bullish shift would require a clear weekly close above the 2,900–3,000 resistance region, followed by the ability to sustain above that zone with stronger participation and improving momentum—ideally accompanied by RSI moving into the 60–65 range, signaling a transition from range-bound recovery to a stronger upward trend.
- Looking ahead, NEPSE’s long-term direction will largely depend on liquidity conditions, earnings outlook, and domestic macro-economic stability. If these factors remain supportive, the index could gradually advance toward the 2,900–3,000 resistance band once again. Conversely, if liquidity tightens or sentiment weakens, the market could retrace toward the 2,450–2,500 demand zone, where buyers have historically re-entered the market. For long-term investors, the current structure suggests a patient and risk-managed approach, recognizing that the market remains broadly range-bound until a decisive breakout above 3,000 confirms the beginning of a stronger long-term bullish cycle.

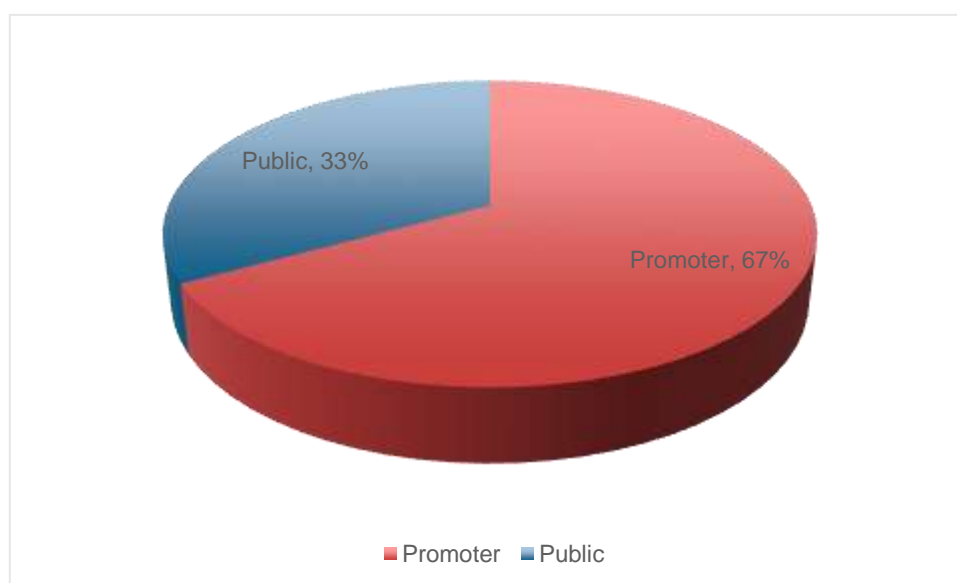
## SCRIP ANALYSIS

### Salapa Bikash Bank Limited (SABBL)

#### A. About the Company

Salapa Bikas Bank Limited (SABBL) is a regional development bank operating under the Class “B” category of financial institutions regulated by Nepal Rastra Bank. Established under the Bank and Financial Institutions Act, the bank is headquartered in Diktel, Khotang, and primarily focuses on providing banking services within its licensed regional operating area. The institution was founded with the objective of promoting financial inclusion and expanding access to formal banking services in rural and semi-urban communities. Its core business model follows the traditional banking intermediation framework, where deposits mobilized from local customers are utilized to provide credit to households, small businesses, and agricultural borrowers within the region. Due to its localized operating model, the bank maintains a relatively small but relationship-driven branch network that enables it to build strong community connections and customer loyalty. Bank’s financial profile is characterized by a strong capital base and stable liquidity position, which provide resilience against financial shocks and support depositor confidence. The bank has also demonstrated steady growth in its deposit base and gradual expansion of its lending activities, reflecting improving market penetration within its operating region. However, profitability remains relatively weak due to modest scale of operations, limited lending expansion, and

relatively high operating costs associated with maintaining regulatory compliance and operational infrastructure. Asset quality pressures also remain an important area of monitoring, particularly given the bank’s exposure to regional economic conditions and borrower repayment capacity. Within Nepal’s broader banking industry, Salapa Bikas Bank operates in a competitive environment alongside larger development banks and commercial banks that benefit from wider branch networks, stronger technological capabilities, and more diversified revenue streams. Nevertheless, the bank’s strong local presence, community-oriented banking approach, and focus on underserved markets provide it with a niche position within the regional financial ecosystem.



*Figure: Shareholding pattern of the Salapa Bikas Bank Limited.*

## B. Key Financial Highlights

Particulars	2079/80	2080/81	2081/82	2082/83 Q2
Net-worth per Share (Rs.)	101.51	101.20	105.14	101.31
EPS	(0.92)	0.09	2.24	(1.99)
ROE	-0.90%	0.09%	2.17%	-1.99%
ROA	-0.24%	0.02%	0.49%	0.50%
Non-Performing Loan (NPL) to Total Loan	2.93%	3.80%	2.62%	4.92%
Net profit '000	(3,236.29)	312.61	7,823.83	(1,040.12)

## C. Swot Analysis

The SWOT analysis of Salapa Bikas Bank Limited (SABBL) reflects the bank's strategic position as a small regional development bank operating within Nepal's competitive banking sector. The bank demonstrates strong solvency supported by a very high capital adequacy ratio and stable liquidity levels, while continued deposit growth indicates improving customer confidence and funding stability. However, profitability remains weak and volatile, reflecting underutilization of capital and relatively modest lending expansion. Asset quality pressures have also resurfaced with Gross NPLs rising to around 4.92% in the latest quarter, highlighting ongoing credit recovery challenges. Going forward, SABBL's investment outlook depends largely on its ability to deploy excess capital into productive lending, improve operational efficiency, and strengthen credit discipline while navigating competitive pressures from larger banks and structural regulatory constraints affecting development banks.

### Strengths

- **Strong capital adequacy providing downside protection:** The bank maintains an exceptionally strong Capital Adequacy Ratio of 37.07%, significantly above the regulatory requirement. This provides strong downside protection against credit shocks and offers substantial capacity for balance-sheet expansion if management is able to deploy capital more efficiently into productive lending.
- **Continued deposit growth strengthening the funding franchise:** Deposits increased by approximately 10.9%, reflecting improved customer confidence and stronger deposit mobilization within the bank's operating region. A stable and growing deposit base provides a relatively low-cost funding source and supports future lending expansion.
- **Gradual expansion and diversification of the loan portfolio:** Loans and advances have grown by 4.26% with compare to same period of previous year, indicating continued expansion of credit activities. The loan portfolio is spread across consumption, agriculture, and trade segments, which provides some diversification and reduces sector-specific credit concentration risks.
- **Strong local market presence and relationship-based banking model:** As a regional development bank operating within a focused geographic market, SABBL benefits from strong community relationships and local market knowledge. This relationship-driven banking model supports customer loyalty and helps maintain deposit stability.

### Weaknesses

- **Weak profitability and inconsistent earnings performance:** Despite balance-sheet growth, the bank reported a net loss of approximately NPR 10.4 million (YTD) in the latest reporting period. Historically low return indicators and volatile earnings reflect limited income generation relative to the bank's capital base.
- **Underutilization of capital and inefficient balance-sheet deployment:** The bank's Credit-to-Deposit ratio of 66.45% indicates that a significant portion of

deposits remains unutilized in lending activities. While this contributes to strong liquidity, it also suggests inefficient capital deployment, which limits revenue generation and reduces return on equity.

- **Moderate asset quality stress remains a structural concern:** Gross Non-Performing Loans stand at 4.92%, indicating ongoing challenges in credit recovery. Although manageable, this level of NPLs highlights the sensitivity of the bank's loan portfolio to local economic conditions and borrower repayment capacity.
- **Limited operational scale and geographic concentration:** The bank operates primarily within a single district, resulting in a relatively small asset base and limited market share compared to nationwide development banks and commercial banks. Such geographic concentration increases exposure to localized economic shocks.

## Opportunities

- **Financial inclusion and expansion in underserved rural markets:** Nepal's banking sector continues to promote financial inclusion, particularly in rural and semi-urban areas. SABBL is well positioned to benefit from this trend by expanding its lending and deposit franchise among small businesses, agricultural borrowers, and local households.
- **Improved deployment of excess capital to support lending growth:** Given its strong capital position, the bank has significant potential to increase lending activities in productive sectors such as SMEs, agriculture, and retail credit. More efficient utilization of capital could significantly improve earnings and return metrics.
- **Digital banking adoption and operational modernization:** Investment in digital banking platforms, mobile banking services, and process automation could allow SABBL to expand its customer reach beyond its physical branch network while improving operational efficiency.
- **Regional economic development creating credit demand:** Infrastructure development, remittance inflows, and growing local commercial activity within the bank's operating region could increase demand for credit and financial services over the medium term.

## Threats

- **Macroeconomic slowdown affecting borrower repayment capacity:** Economic slowdown or weaker local economic activity could negatively impact borrowers' repayment ability, potentially leading to further increases in non-performing loans and higher provisioning requirements.
- **Intense competition from larger banking institutions:** Commercial banks and nationwide development banks possess larger capital bases, wider branch networks, and more advanced technological infrastructure, creating significant competitive pressure for smaller regional banks like SABBL.
- **Regulatory constraints applicable to development banks:** Class "B" development banks operate under regulatory restrictions that limit certain financial activities,

including foreign currency transactions and product diversification, which may constrain revenue growth opportunities.

- **Structural risks associated with geographic concentration:** Because the bank's operations are concentrated within a limited geographic region, adverse local economic developments could disproportionately affect the bank's financial performance and asset quality.

## D. Valuation of the Company

We have employed a dual-valuation methodology to determine the fair value of Salapa Bikash Bank Limited. By combining the Residual Income (RI) approach, which captures intrinsic value based on fundamental profitability, and with Relative Valuation, we ensure our target price accounts for both company-specific strengths and current market sentiment.

### Residual Income Method

This approach estimates the company's intrinsic value by projecting future residual income, the profit generated above the required return on equity, and discounting these residual incomes back to the present, then adding them to the current book value of equity. The RI method is well-suited for financial institutions because it is anchored on profitability and book value, making it less dependent on near-term market movements.

That said, the RI method is inherently sensitive to assumptions on ROE, cost of equity, growth in book value, and the chosen terminal value framework, which can materially shift results. However, it remains useful especially for financial institutions because it values returns generated above the required equity return, incorporates the time value of money through discounting, and makes the key value drivers (profitability versus required return) transparent.

### Key Valuation Assumptions

Particular's	Value	Remarks
Adjusted Beta ( $\beta$ )	0.94	The adjusted beta for the company has been calculated by considering the beta of NEPSE with the Development Bank Index from the beginning of December 2018 to the beginning of February 2026.
Market rate of return (Rm)	11.13%	The market rate of return is taken considering the CAGR of NEPSE from the end of FY 2001/02 to the end of January FY 2025/26.
Risk free rate (Rf)	3.38%	The latest development bond rate, namely "2089", with the rate 3.60, and the final value is taken after adjusting for a 6% of tax rate.

Terminal Growth rate (g)	4.26%	Real GDP growth rate of the last 15 years.
Cost of Equity (Ke)	10.84%	As per the CAPM Model.
Tax Rate	30.00%	As per the Income Tax Act.

### Other Assumptions

- Based on a seven-year historical average, we have projected interest income using an interest rate of 15.34% on loans and advances to customers.
- Interest expense is projected at a 6.60% cost of deposits, consistent with the average ratio observed over the last seven years.

The final valuation of Salapa Bikash Bank Limited based on the RI Approach has been computed and tabulated below.

Method	Valuation Per Share in NPR
Residual Income	169.87

### Relative Valuation Method

The Relative Valuation approach estimates the intrinsic value of Salapa Bikash Bank Limited by comparing its market pricing to a peer group of similar financial institutions. This method assumes that the market prices comparable banks consistently relative to their underlying book values. By applying the average Price-to-Book (P/B) ratio of these peers to Salapa's own book value, we derive an "expected" market price.

The P/B ratio is particularly effective for valuing development banks in Nepal, as their market value is closely tied to their equity base and regulatory capital requirements. However, this method is sensitive to broader market sentiment and the selection of the peer group, which can result in significant valuation swings during periods of high market volatility.

### Key Valuation Assumptions

Criteria	Assumption	Rationale
Regulatory Classification	All peer institutions must be Class "B" development banks licensed by Nepal Rastra Bank	Ensures the same regulatory framework, capital adequacy rules, and prudential regulations
Geographic Scope	Only regional or district-level development banks are selected	Ensures comparable market exposure and operating environments
Operational Scale	Banks with relatively small asset bases and paid-up capital are included	Avoids size bias that would arise if large national development banks were included

Business Model	Banks are primarily engaged in deposit mobilization and retail/SME lending	Ensures similar revenue structures dominated by net interest income
Branch Network	Banks with relatively limited branch networks and localized operations	Maintains comparability in operational scale and cost structure
Market Listing	Only publicly listed development banks are considered	Market price data is required to calculate valuation multiples
Valuation Metric	The Price-to-Book Value (P/B) ratio is used for comparison	P/B is the most widely used valuation metric for banks due to the importance of equity capital in banking

### Peer Group Comparison Table

To determine the appropriate multiple, we analyzed all the regional development banks operating in Nepal:

Peer Companies	Market Price (NPR)	Book Value per Share (NPR)	P/B Ratio
Excel Development Bank	596.90	177.95	3.35
Miteri Development Bank	666.00	135.98	4.90
Saptakoshi Development Bank	823.00	75.96	10.83
Sindhu Bikas Bank	750.50	94.19	7.97
Narayani Development Bank	1,425.90	28.90	49.34
Green Development Bank	1,072.00	112.86	9.50
<b>Average</b>			<b>14.32</b>

The final valuation based on the Relative Valuation approach is computed and tabulated below:

Bank	Book Value per Share (NPR)	Average P/B	Expected Price
Salapa Bikash Bank	101.31	14.32	1,450.29

### Final Stock Valuation

The final intrinsic value of Salapa Bikash Bank Limited is derived by averaging the outcomes of the fundamental Residual Income (RI) approach and the Market-based Relative Valuation approach.

Valuation Method	Value per share
Residual Income Method	169.87
Relative valuation Method	1,450.29
Average	810.08

## H. Conclusion and Recommendation

Salapa Bikash Bank Limited (SABBL) operates as a small regional development bank with a localized banking model focused on deposit mobilization and lending activities within its licensed operating area. The bank's long-term franchise strength is supported by its strong capital position, stable liquidity profile, and gradually expanding deposit base, which collectively provide resilience against financial stress and support depositor confidence. In addition, the bank benefits from strong community relationships and a relationship-driven banking model that allows it to maintain a stable customer base and deposit franchise in underserved rural markets.

However, the bank's near- to medium-term investment profile remains constrained by weak profitability and relatively modest lending expansion. Despite maintaining a strong balance sheet, the bank has not yet been able to efficiently deploy its capital into productive lending activities, as reflected in low credit utilization and inconsistent earnings performance. Asset quality pressures have also resurfaced in the most recent reporting period, highlighting the importance of continued improvement in credit monitoring and recovery efforts. The bank's limited operational scale and geographic concentration further increase its sensitivity to localized economic conditions and competitive pressures from larger banks with stronger technological capabilities and broader market reach.

From a valuation perspective, the Residual Income (RI) approach estimates an intrinsic value of approximately NPR 169.87 per share, reflecting the bank's current profitability, modest return on equity, and limited operational scale. In contrast, the Relative Valuation approach based on peer Price-to-Book (P/B) multiples suggests a much higher estimated value of around NPR 1,450.29 per share. This large gap indicates that peer market valuations in the development banking sector may be influenced by broader market sentiment and speculative pricing rather than purely by financial fundamentals. Therefore, the relative valuation result should be interpreted cautiously.

Fundamentally, Salapa Bikash Bank Limited shows strong capital adequacy and a stable deposit base, which provide financial stability and room for future lending growth. However, the bank continues to face weak profitability, moderate asset quality pressure, and limited operational scale, which constrain near-term performance. Overall, the bank presents a balanced risk–return profile, and a neutral investment stance is appropriate, with investors advised to monitor improvements in lending growth, asset quality, and earnings stability before reassessing the stock's long-term potential.

## ISSUE OF THE MONTH

### Contrarian Investing

#### A. What is a Contrarian?

*“Contrarian – A trader whose reasons for making trade decisions are based on logic and analysis and not on emotional reaction.”*

A contrarian investment approach is one that is built on spotting and betting against stock price fluctuations that reflect changes in the majority of investors' views. A contrarian takes judgments for reasons that other traders do not. Most people purchase because they are greedy and sell because they are panicked. As a result, people have a predisposition to make poor judgments. A contrarian does not just behave in opposition to the majority of traders, but also does not follow the majority if indications support the opposite conclusion.

Contrarian investing is thus a market timing approach that may be used in any trading timeframe. Contrarians assume that financial instruments that have been consistently can reverse and begin to decrease, and vice versa. The contrarian trader thus buys a falling item or short-sells a rising one confident in that the trend will reverse in some time based on market indicators.

#### B. How most traders trade (trading tendencies and market behavior)

Everyone has heard the phrase "buy low, sell high." This appears to be simple, yet most traders tend to do the exact opposite. They tend to purchase high (because of greed) and sell low (due to panic). A contrarian behaves differently and tries to "buy cheap and sell high" by looking for market over-reactions to certain news which underprice or overprice a stock.

#### C. How a Contrarian trades:

A contrarian understands that most traders follow the majority, and the majority often tends to be wrong due to excessive greed or fear i.e., As prices rise, a growing number of people tend to buy, and the higher the price, the more buyers enter the market and when prices fall, a growing number of people tend to sell, and the lower the price, the more sellers will try to exit the market creating great buy and sell opportunities in the process. Knowing this, A Contrarian thus attempts to make decisions in spite of what the majority is doing but does not do so on a whim rather making wise decisions more often than not, based on analysis and reading of signals. They tend to buy when prices are depressed, especially if reversal signals indicate a

coming uptrend and sell when prices rise to new heights, especially if reversal signals indicate a coming downtrend.

Thus, a Contrarian not only employs logic and analysis, but also times trades based on strong reversal signals found in price patterns, candlestick indicators, volume spikes and momentum oscillators. Contrarians assume the confirmation of reversals, using the same signals and indicators as reversals; and the stronger the confirmation, the more confidence a contrarian will have. A contrarian avoids placing too much capital into any single trade, to minimize losses and to avoid large losses and uses other risk reduction methods such as hedging and diversification

A contrarian will continuously observe market trends and look for reversals in the following indicators to make a contrarian call/trade.

- Traditional price reversal patterns like the head and shoulders, double tops or bottoms, and price gaps – especially when these appear at or near resistance or support
- Volume indicators as well as volume spikes, a one-day or two-day exceptionally high number of trades
- Momentum oscillators, indicators designed to reveal how quickly trends develop, when they begin to slow down, and when a stock is overbought (a bearish signal) or oversold (a bullish signal)

## D. Contrarians and the efficient market hypothesis

*“Efficient Market Hypothesis – The belief that all current prices are based on the accumulation of all known facts and news about the company, meaning that all prices are currently fair and efficient.”*

Contrarians think that prices may be forecast to some extent based on a rational and analytical examination of market behavior and news. This notion is challenged by the efficient market hypothesis (EMH), which holds that the market is efficient, and that all information is integrated into a stock's price.

However, if markets were genuinely efficient, prices would respond uniformly to all news, such as profits or merger announcements. According to EMH, reactions to earnings shocks should be calculated and accurate, and they should not be open to rectification. EMH fails to understand market behavior factors, which might be the most significant feature of stock market investing and trading.

A contrarian has seen how price behaves irrationally and how price tends to overreact to any unexpected news. Contrarians feel the market is highly inefficient under these conditions. If such is the case, then the one-day price change will be overstated. If that is true, then exaggerated one-day price movements present an opportunity to exploit inefficiency.

## E. Contrarians and the Random Walk Theory

*“Random Walk Theory – A theory about the market stating that it is impossible to predict the direction of price movement, and that any price today has a 50% chance of rising or falling.”*

Contrarians also oppose the Random Walk Theory because they believe that price movements may be forecast based on market activity and fundamental analysis. If the random walk hypothesis is correct, all types of analysis are rendered meaningless. For this reason, the contrarian rejects the hypothesis.

It wouldn't matter which stock was chosen if all prices were 50/50 bets; half would increase and half would fall. You must reject the impacts of high sales and profitability in one firm vs low outcomes in another under the random walk. You would also have to discard reputation, competitive success, and outstanding management. All of this would be irrelevant since price movement would occur independently of these variables.

## F. Contrarians and the Dow Theory

*“Dow Theory – A series of “rules” about market trends and how they are set and reversed. The theory is based on the teachings of Charles Dow, one of the two founders of the Dow Jones company.”*

Contrarians accept the basis of the Dow Theory over the long term, while also recognizing that short-term price behavior tends to be chaotic and irrational. The contrarian views the Dow Theory as an organizing principle of technical analysis, while also observing how volatile short-term price movement and market behavior present trading opportunities.

### I. The tenets of the Dow Theory

- ✓ The market consists of three movements: primary, secondary, and short-term.
- ✓ Trends consist of three phases: accumulation, public participation, and distribution.
- ✓ The market tends to discount all news very quickly.
- ✓ Stock averages must confirm each other before a reversal is recognized.
- ✓ Volume confirms trends.
- ✓ Trends continue until a contrary signal is recognized and confirmed.

Many have pointed to the tenet that the market discounts news, to support the efficient market hypothesis. It is true that the market behaves in this manner, but it often takes several days for the discounting to go into effect. Contrarians are strong proponents of the Dow Theory over the long term and recognize that the core of trend analysis rests with recognition of reversal and confirmation.

## **G. Finally**

Contrarians although appearing to act in opposition to the majority do not act so on a whim, rather they tend to make decisions for different reasons than others – utilizing reasoning and analysis rather than emotion, which makes them more successful in the long run. Contrarian investing thus is similar to value investing as a contrarian seeks out mispriced stocks and purchases those that appear to be undervalued by the market. Thus Warren Buffett, one of the best-known value investors is also the most well-known example of a contrarian investor. One of his most famous phrases sums up his approach to contrarian investing: "be fearful when others are greedy, and greedy when others are fearful." Thus, recognizing when to be free of the effect of trends, observing changes in market behaviors, and acting on well-founded information become key in making more profitable investments.

*\*This article was previously published in the Kartik, 2079 edition of The Pulse.*






# HISTORICAL RETURNS

## TOP PERFORMING NEPSE STOCKS




### PAST 1 YEAR

	TICKER	CAGR
	GMLI	260.09%
	NABBC	110.80%
	RADHI	101.38%
	AKJCL	82.93%
	BPCL	78.38%

### PAST 3 YEARS

	TICKER	CAGR
	BNL	90.81%
	CORBL	82.67%
	GRDBL	73.99%
	NRN	68.76%
	NABBC	68.18%

### PAST 5 YEARS

	TICKER	CAGR
	CORBL	53.19%
	BNL	50.79%
	GRDBL	49.72%
	NABBC	44.02%
	NRN	42.55%

### PAST 10 YEARS

	TICKER	CAGR
	STC	61.25%
	HDL	38.57%
	JSLBB	33.78%
	CORBL	31.83%
	GILB	31.14%

\*Returns are dividend-adjusted on a year-over-year (YoY) basis. Past performance should not be interpreted as indicative of future results. \* CAGR means annual growth rate of an investment over specified time period.

## Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
SHPL	IPO-General Public	8,200,000	2026/01/13 AD	2026/01/18 AD	Nabil Investment Banking Ltd and Himalayan Capital Ltd
			2082/09/29 BS	2082/10/04 BS	
BJHL	IPO-General Public	830,000	2026/01/26 AD	2026/01/29 AD	Kumari Capital Ltd
			2082/10/12 BS	2082/10/15 BS	
SKHCL	IPO-General Public	572,431	2026/02/01 AD	2026/02/04 AD	Kumari Capital Ltd
			2082/10/18 BS	2082/10/21 BS	
HFIL	IPO-General Public	3,320,000	2026/02/05 AD	2026/02/09 AD	NIC Asia Capital Ltd
			2082/10/22 BS	2082/10/26 BS	
RIDGE	IPO-General Public	1,180,260	2026/02/11 AD	2026/02/16 AD	Prabhu Capital Ltd
			2082/10/28 BS	2082/11/04 BS	
SKHL	IPO-Local	1,550,000	2026/01/06 AD	2026/01/22 AD	Global IME Capital Ltd
			2082/09/22 BS	2082/10/08 BS	
PALPA	IPO-Local	1,875,000	2026/01/09 AD	2026/01/25 AD	Nabil Investment Banking Ltd
			2082/09/25 BS	2082/10/11 BS	
SPDPL	IPO-Local	980,000	2026/01/20 AD	2026/02/04 AD	Global IME Capital Ltd
			2082/10/06 BS	2082/10/21 BS	
HFIL	IPO-Foreign Employment	400,000	2026/01/18 AD	2026/01/22 AD	NIC Asia Capital Ltd
			2082/10/04 BS	2082/10/08 BS	
SPDPL	IPO-Foreign Employment	222,000	2026/01/20 AD	2026/01/23 AD	Global IME Capital Ltd
			2082/10/06 BS	2082/10/09 BS	
NLSLY	Mutual Fund	160,000,000	2026/01/18 AD	2026/02/01 AD	Nepal Life Capital Ltd
			2082/10/04 BS	2082/10/18 BS	

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