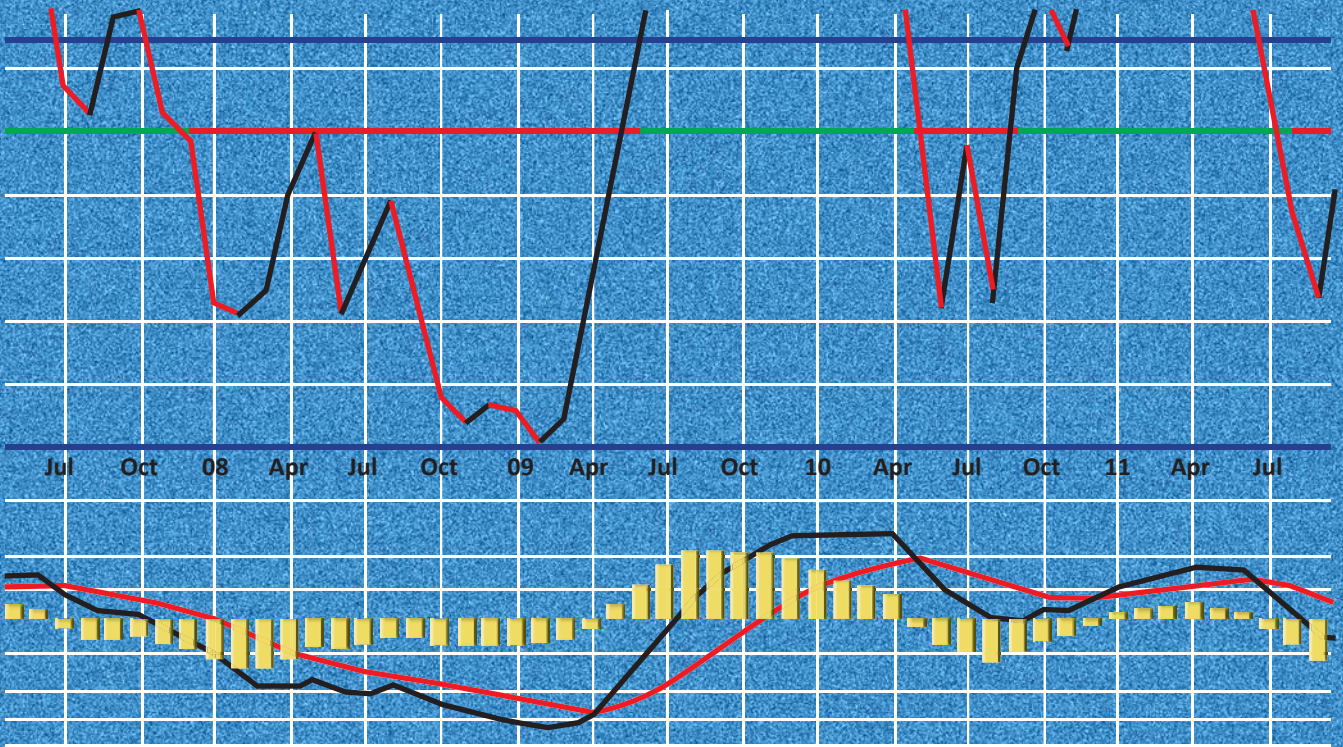


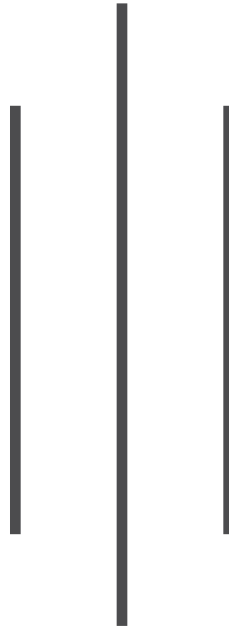
QUARTERLY SECURITIES MARKET INDICATORS (First Quarter, FY 2017/18)



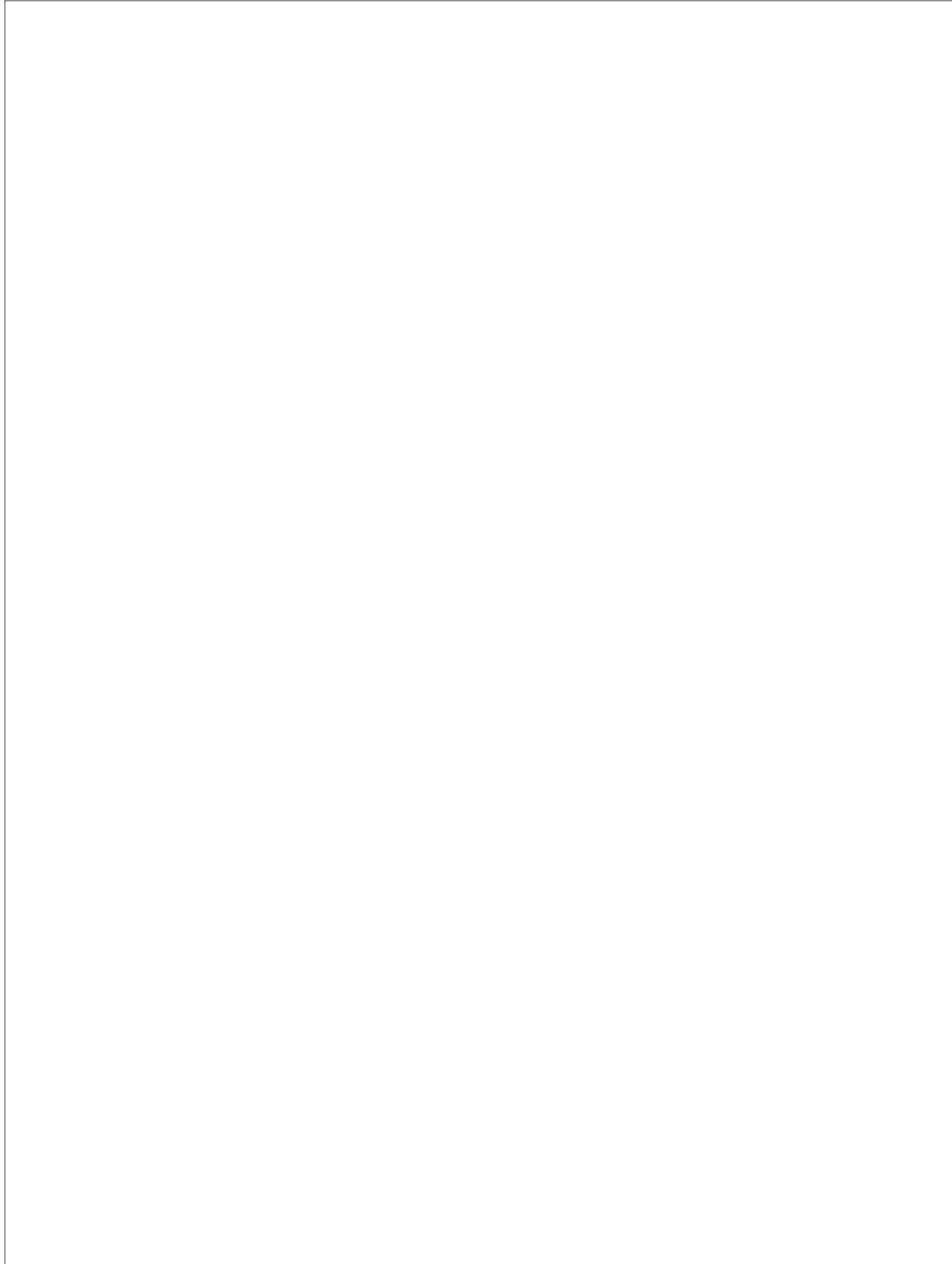
Securities Board of Nepal
Jawalakhel, Lalitpur, Nepal

QUARTERLY SECURITIES MARKET INDICATORS

(First Quarter, FY 2017/18)



Securities Board of Nepal
Jawalakhel, Lalitpur, Nepal



Contents

Explanatory Notes

1. Global Securities Market	1
2. SAARC Securities Market	2
3. Nepalese Securities Market	2
3.1 Primary Market	3
3.1.1 Initial Public Offerings (IPOs)	4
3.1.2 Right Offerings	5
3.1.3 Further Public Offerings (FPOs)	6
3.1.4 Mutual Fund Issues	6
3.1.5 Bonus Share Registration	7
3.2 Secondary Market	7
3.2.1 NEPSE Index	10
3.2.2 Market Turnover	12
3.2.3 Sectorwise Turnover	13
3.2.4 Market Capitalisation	14
3.2.5 Sectorwise Market Capitalisation	15
3.2.6 Mutual Fund's NAV	16
4. Reforms in Securities Market	17
5. Trend in Demat Accounts	19

List of Tables

Table – 1.1 Primary Market Indicators (Last Three Quarters)	3
Table – 1.2 Primary Market Indicators (Q1 of Last Three Years)	4
Table – 1.3 IPO Approval (Q1 of FY 2017/18)	5
Table – 1.4 Right Issue Approval (Q1 of FY 2017/18)	5
Table – 1.5 FPO Approval (Q1 of FY 2017/18)	6
Table – 1.6 Mutual Fund Scheme Approval (Q1 of FY 2017/18)	6
Table – 1.7 Bonus Share Registration in Q1 of FY 2017/18	7
Table – 2.1 Secondary Market Indicators (First Quarter of FY 2017/18)	8
Table – 2.2 Secondary Market Indicators (Q1 of Three Years)	10
Table – 2.3 NEPSE Index (Three Months of Q1, FY 2017/18)	11
Table – 2.4 Sectorial Indices of NEPSE (Three Months of Q1, FY 2017/18)	12
Table – 2.5 Sectorwise Turnover (Three Months of Q1, FY 2017/18)	14
Table – 2.6 Sectorwise Market Capitalisation (Three Months of Q1, FY 2017/18)	16
Table – 2.7 NAV of Mutual Fund Schemes (Three Months of Q1, FY 2017/18)	17

List of Chart

Chart 1.1 Trend of Major Stock Market Indices	1
Chart 1.2 Structure of Global Securities Markets	2
Chart 2.1 Total Fund Mobilisation in Primary Market	4
Chart 2.2 NEPSE Index and NEPSE Float Index	11
Chart 2.3 Monthly Turnover	13
Chart 2.4 Average Daily Turnover	13
Chart 2.5 Sectorwise Turnover	14
Chart 2.6 Market Capitalisation and Float Market Capitalisation	15
Chart 2.7 Sectorwise Market Capitalisation	16
Chart 2.8 Number of Demat Account	19

EXPLANATORY NOTES

1. Because of the subsequent revision in data, difference with previously published figures may occur.
2. In some cases, figures are rounded off. Hence, totals may not tally with their component units.
3. The following months of the Gregorian Calendar year are the approximate equivalent to the months of the Nepalese Calendar Year:

Gregorian Month	Nepalese Month
Apr/May	Baisakh
May/Jun	Jestha
Jun/Jul	Ashadh
Jul/Aug	Shrawan
Aug/Sep	Bhadra
Sep/Oct	Ashwin
Oct/Nov	Kartik
Nov/Dec	Marg
Dec/Jan	Poush
Jan/Feb	Magh
Feb/Mar	Falgun
Mar/Apr	Chaitra

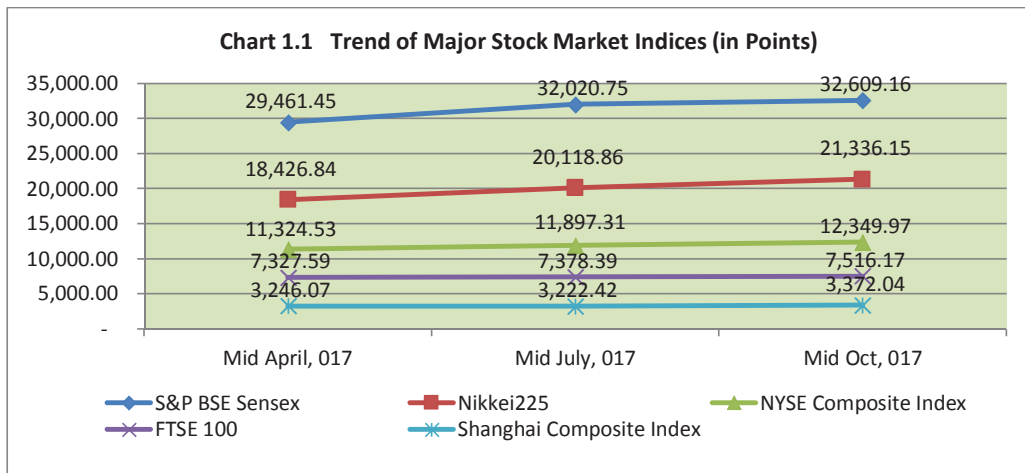
4. The Nepalese fiscal year generally begins on July 16 and ends on July 15.
5. A dash (–) indicates that figures are nil or negligible. The non-availability of data is indicated by dots (...). An oblique (/) indicates a Nepalese fiscal year (e.g., 2016/16) or a Nepalese month (July/August = Shrawan). A hyphen (-) used with a Gregorian Calendar month indicates the end of a Nepalese month (e.g., Mid-July = end of Ashad). Symbols used : "FY" for fiscal year, "Q1" for 1st Quarter, "Q2" for 2nd Quarter, "Q3" for 3rd Quarter, "Q4" for 4th Quarter, QoQ for "Quarter on Quarter" and y-o-y for "year on year".

Quarterly Securities Market Indicators

(July 16, 2017 - October 17, 2017)

1. Global Securities Market

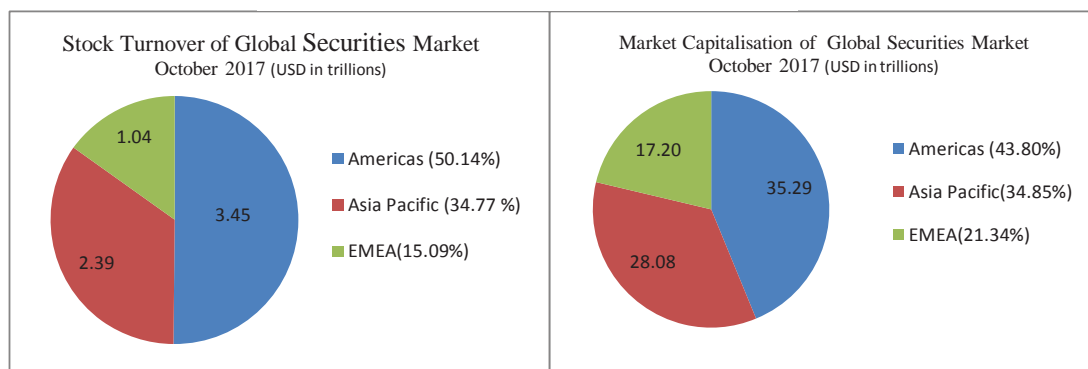
Major indicators of global securities market sketched uptrend on October 2017 as compared to July 2017. Major stock indices of advanced countries exhibited positive change at the end of Mid-October 2017 in comparison to Mid-July 2017. Amongst the advanced markets, NYSE index of New York Stock Exchange rose by 3.8 percent. Similarly, Nikkei 225 of Japan also increased by 6.1 percent. In Asia Pacific Region, most of market indices traced the positive trend as well. S&P BSE SENSEX of India showed slight positive growth of 1.8 percent during the same period. Meanwhile, Shanghai Composite index, an index of Shanghai Stock Exchange, rose by 4.6 percent. The major market indices in Europe, Middle East and African Region (EMEA) also rose during the review period. FTSE 100, an index of London Stock Exchange, marginally increased by 1.9 percent. The trend of major stock market indices is exhibited in chart 1.1.



Source: Bloomberg

During the review period, world market capitalisation increased by 1.7 percent to USD 80.6 trillion, as against USD 79.2 trillion at the end of July 2017. Market capitalisation of American region increased by 1.7 percent and reached USD 35.3 trillion during the review period. Likewise, market capitalisation in Asia Pacific Region also increased by 6.2 percent. On the contrary, Europe, Middle East and African region witnessed fall in market capitalisation by 9.07 percent. Value of shares trading in global market increased by 25.7 percent in October 2017 and recorded USD 6.9 trillion, against USD 5.5 trillion in July 2017. Value of shares trading in American region increased by a whopping 78.7 percent. American region occupied 50 percent of global market in terms of value of shares trading in October 2017. The Structure of global securities market in terms of market capitalisation and stock turnover is depicted in chart 1.2.

Chart 1.2 Structures of Global Securities Market



Source: World Federation of Exchange

Overall, global securities market showed positive wave in the review period. The increased investor confidence and anticipation of favourable tax policy and regulatory reform from the US government created positive wave in global securities market in the review period.

2. SAARC Securities Market

In SAARC Member countries, DSE Broad Index of Dhaka Stock Exchange, reached to 6,031.74 points, decrease of 3.6 percent during the review period. It was 5824.43 points in Mid-July 2017. In the contrary, S&P BSE SENSEX of India showed slight positive growth of 1.8 percent and reached to 32,609.16 points in Mid-Oct 2017. It was 29,461.45 points in Mid-July 2017. In the meantime, KSE 100, index of top 100 companies listed in Karachi Stock Exchange of Pakistan faced fall of 8.5 percent and reached to 40,724.96 points in Mid-Oct 2017 which was 44,523.21 points in Mid-July 2017. Likewise, CSEALL: IND, index of Sri Lanka Stock Market Colombo All-Share Index of Colombo Stock Exchange of Sri Lanka, decreased by 2.5 percent and reached to 6,572.05 points in Mid-Oct 2017. It was 6,741.07 points in Mid-July 2017.

3. Nepalese Securities Market

Nepalese securities market witnessed downtrend in first quarter of Fiscal Year 2017/18 as compared to the previous quarter of Fiscal Year 2016/17. Number of Issue and total fund mobilisation through primary market reduced during the first quarter of Fiscal Year 2017/18. Out of total capital mobilisation of the period, right offering accounts more than other offering. Secondary market, too, followed the downtrend in comparison to previous quarter though average daily turnover, number of transactions increased marginally. Huge supply of securities in the market due to the declaration of right and bonus share by listed companies, unstable liquidity position in financial market, unstable behaviour of investors might be the reasons of such fall in securities

market during the review period. The glimpse of primary and secondary market of Q1 of Fiscal Year 2017/18 in comparison to previous quarter and that of corresponding period of previous fiscal year has been elucidated hereunder.

3.1 Primary Market

On QoQ basis, total fund mobilisation through primary issues decreased by 55.8 percent in Q1 of fiscal year 2017/18 as compared to the fourth quarter of fiscal year 2016/17. Likewise, number of corporate bodies raising capital through primary market also got reduced by 17.9 percent. In review period, 17 companies raised total fund of Rs 7.6 billion through primary market. Out of which, one company issued IPO of ordinary share worth Rs 0.02 billion, 14 listed companies offered right shares worth Rs. 6.0 billion, one listed company issued FPO of Rs. 0.1 billion and one mutual fund worth Rs. 1.5 billion was issued. Among these issues, right share offering accounts almost 78 percent, followed by mutual fund issue (19.7 percent) and FPO (1.3 percent).

Among 14 right offerings, nine development banks, four finance companies and one commercial bank issued right shares. One microfinance and one development bank issued IPO and FPO respectively. The summary of primary market indicators of previous three quarters is exhibited in Table 1.1 and in chart 2.1.

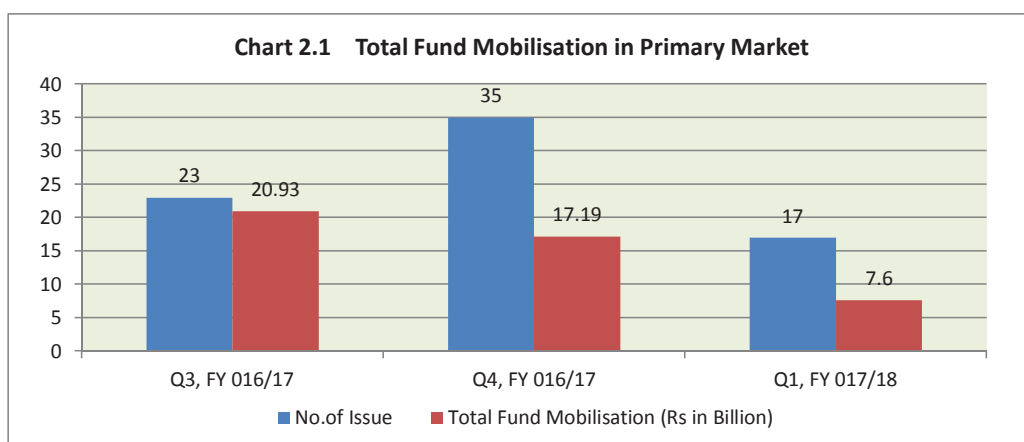
Table-1.1: Primary Market Indicators (Last Three Quarters)

Offering	Quarters (Amount in Rs. Billion)						Percentage Change			
	FY 2016/17				FY 2017/18		In Number		In Amount	
	Q3		Q4		Q1		Q3/Q4	Q4/Q1	Q3/Q4	Q4/Q1
	No.	Amount	No.	Amount	No.	Amount				
IPOs	4	0.26	5	0.40	1	0.02	25.00	-80.00	53.85	-95.00
Right Offerings	18	17.37	28	15.32	14	5.98	55.56	-50.00	-11.80	-60.97
FPOs	1	3.30	1	0.22	1	0.10	0.00	0.00	-93.33	-54.55
Mutual Fund	-	-	1	1.25	1	1.50		0.00		20.00
Total	23	20.93	35	17.19	17	7.60	52.17	-51.43	-17.87	-55.79

Source: Securities Board of Nepal

On YoY basis, the number of corporate bodies that raised capital through primary market has decreased in Q1 of FY 2017/18 in comparison to corresponding period of previous fiscal year. In Q1 of FY 2017/18, 17 corporate bodies raised Rs 7.6 billion capital which was Rs 13.4 billion by 25 corporate bodies in Q1 of previous fiscal year.

The number of issue and amount of IPO, right offering, mutual fund issue decreased significantly this year. All these indicators increased significantly in previous year in



comparison to Q1 of FY 2015/16. The major reason behind high increase in capital mobilisation through primary market in previous year and downfall in the review period is the increment in capital mobilisation by offering right shares by Banks and Financial Institutions (BFIs) to raise their paid up capital as mandated by Nepal Rastra Bank (NRB), the central bank of Nepal by Mid July 2017. The decrease in right offering in Q1 of this fiscal year is the major reason behind high downfall in capital mobilisation of primary market in the review period. The summary of primary market indicators of Q1 of previous three fiscal years is presented in Table 1.2.

Table-1.2: Primary Market Indicators (Q1 of Last Three Years)

Offering	Fiscal Year (Q1) Amount in Rs billion						Percentage Change			
	2015/16		2016/17		2017/18		In Number		In Amount	
	No.	Amount	No.	Amount	No.	Amount	2016/17	2017/18	2016/17	2017/18
IPOs	1	2	2	0.42	1	0.02	100.00	-50.00	-79.00	-95.24
Right Offerings	9	1.69	21	10.78	14	5.98	133.33	-33.33	537.87	-44.53
FPOs	-	-	-	-	1	0.10	-	-	-	-
Mutual Fund	-	-	2	2.25	1	1.50	-	-50.00	-	-33.33
Total	10	3.69	25	13.45	17	7.60	150.00	-32.00	264.50	-43.49

Source: Securities Board of Nepal

The detail of primary market is discussed hereunder.

3.1.1 Initial Public Offerings

SEBON approved IPO of one corporate body worth Rs. 0.02 billion in first quarter of FY 2017/18, a decrease of 80 percent and 95.0 percent in terms of number of issues and offering amount as compared to previous quarter. Five corporate bodies

got approval worth Rs. 0.4 billion in previous quarter. The detail of IPO approved during Q1 of FY 2017/18 is presented in Table-1.3.

Table 1.3: IPO Approval (Q1 of FY 2017/18)

S.N.	Issuing Company	Sector	Number of Share Registered	Number of Shares Issued	Issue Price	Amount of Public Issue	Percent of Capital Issued
1	Support Microfinance Bittiya Sanstha Ltd	Development Bank	600,000	180,000	100	18,000,000	30%

Source: Securities Board of Nepal

3.1.2 Right Offerings

SEBON approved right offerings of 14 listed companies worth Rs. 6.0 billion in Q1 of FY 2017/18. On QoQ basis, it is a decrement of 61 percent as compared to the previous quarter. In previous quarter, 28 listed companies got approval for right offering worth Rs. 15.3 billion. During the review period, commercial bank accounted 49.8 percent of total right offering amount, followed by development bank 35.5 percent and the rest by finance companies.

On YoY basis, number of listed companies that offered right share reduced by 33.3 percent and amount of right offering also decreased by 44.5 percent. In Q1 of FY 2016/17, 21 companies offered right shares worth Rs. 10.8 billion. The detail of right issue approval in first quarter of Fiscal Year 2017/18 is exhibited in Table 1.4.

Table-1.4: Right Issue Approval (Q1 of FY 2017/18)

S.N.	Name of Company	Sector	Ratio	No. of Share	Amount of Issue
1	Muktinat Bikas Bank Ltd.	Development Bank	10:4	6,170,865.04	617,086,504.00
2	Jebil's Finance Ltd.	Finance	1:1	2,889,562.50	288,956,250.00
3	RSDC Laghubitta Bittiya Sanstha Ltd.	Development Bank	1:2	2,300,000.00	230,000,000.00
4	General Finance Ltd.	Finance	1:1.25	1,652,850.00	165,285,000.00
5	Kisan Microfinance Bittiya Sanstha Ltd.	Development Bank	100:24.22	78,000.00	7,800,000.00
6	Summit Micro Finance Development Bank Ltd.	Development Bank	1:1	725,000.00	72,500,000.00
7	Excel Development Bank Ltd.	Development Bank	2:1	1,922,812.50	192,281,250.00
8	Mega Bank Nepal Ltd.	Commercial Bank	10:6.5	29,785,034.63	2,978,503,463.00
9	Om Development Bank Ltd.	Development Bank	10:3	4,931,835.00	493,183,500.00

10	Guheswori Merchant Banking and Finance Ltd.	Finance	10:4	1,973,928.77	197,392,877.00
11	Nepal Community Development Bank Ltd.	Development Bank	1:1.2	2,643,538.80	264,353,880.00
12	Bhargav Bikash Bank Ltd.	Development Bank	10:8	2,112,000.00	211,200,000.00
13	Mount Makalu Development Bank Ltd.	Development Bank	2:1	345,800.00	34,580,000.00
14	Reliance Finance Ltd.	Finance	10:4.5	2,306,571.60	230,657,160.00
Total				59,837,798.84	5,983,779,884

Source: Securities Board of Nepal

3.1.3 Further Public Offerings

One corporate body issued further public offering (FPOs) worth Rs. 0.1 billion in Q1 of FY 2017/18 which is a decrease of 54.5 percent in terms of amount in comparison to FPO issued by one corporate body worth Rs. 0.2 billion in previous quarter. No any corporate body issued FPO in corresponding period of previous fiscal year. The detail of FPO during review period is presented in Table 1.5.

Table 1.5: FPO Approval (Q1 of FY 2017/18)

S.N.	Issuing Company	Sector	Number of Shares	Issued Price	Amount
1	Nepal Grameen Bikas Bank Ltd.	Development Bank	975,000	100	97,500,000

Source: Securities Board of Nepal

3.1.4 Mutual Fund Issue

During the review period, one mutual fund scheme worth Rs. 1.5 billion was approved. In Q4 of FY 2016/17, one mutual fund scheme worth Rs. 1.3 billion was approved. Two mutual fund schemes worth Rs. 2.3 billion were approved in corresponding period of previous fiscal year. The detail of mutual fund approved by SEBON in the review period is presented in Table 1.6.

Table 1.6: Mutual Fund Scheme Approval (Q1 of FY 2017/18)

S.N.	Name of Scheme	No. of Unit	Amount of Issue	Fund Manager
1	Siddhartha Equity Fund	150,000,000	1,500,000,000	Siddhartha Capital Ltd

Source: Securities Board of Nepal.

3.1.5 Bonus Share Registration

Nine listed companies registered bonus share of Rs. 1.2 billion in Q1 of FY 2017/18. Out of the nine listed companies three were from insurance sector, four from development bank and one each from finance and trading sector. In previous quarter, 37 listed companies registered bonus share of Rs. 11.1 billion. The detail of bonus share registered in Q1 of FY 2017/18 is depicted in Table 1.7.

Table-1.7: Bonus Share Registration

S.N.	Name of Company	Bonus Rate (%)	Total No. of Share	Amount
1	Shangrila Development Bank Ltd.	16.07	4,573,941.00	457,394,100
2	Bhargav Bikash Bank Ltd.	20.00	240,000.00	24,000,000
3	Seti Finance Ltd.	9.00	57,108.00	5,710,800
4	Janautthan Samudayik Laghubitta Bikash Bank Ltd.	20.00	40,000.00	4,000,000
5	Kalika Micro Credit Development Bank Ltd.	65.00	325,000.00	32,500,000
6	Life Insurance Corporation (Nepal) Ltd.	24.80	2,652,243.75	265,224,375
7	Gurans Life Insurance Co. Ltd.	8.00	440,000.00	44,000,000
8	Salt Trading Corporation Ltd.	20.00	164,144.00	16,414,400
9	National Life Insurance Co. Ltd.	25.00	3,312,159.00	331,215,900
Total			11,804,595.75	1,180,459,575

Source: Securities Board of Nepal.

3.2 Secondary Market

Major indicators of secondary market decreased during first quarter of this fiscal year. SEBON took some measures to reform securities market by introducing Applications Supported by Blocked Amount (ASBA) system in IPO to attract investors towards securities market from all over the country. It also made mandated stockbroker to increase paid up capital to Rs. 20 million from Rs. 2 million and set criteria related to branch expansion, office and human resources infrastructures in order to enhance the service quality of stockbroker. SEBON expanded the scope of merchant bankers by allowing them to provide the services as corporate advisor. Similarly, the number of clearing bank increased after SEBON directed CDSC to increase clearing bank time and again. However, the increase in supply of shares with the listing of right shares and bonus shares, fluctuations in interest rate, decrease in profit margin of a number of listed companies – banks and financial institutions in particular, selling pressure for

accumulation of fund for Dashain and Tihar are the major reasons behind decrease of major indicators of secondary market.

On QoQ Basis, among the major indicators, NEPSE index marginally decreased by 1.5 percent and reached to 1559.18 points at the end Q1 of FY 2017/18. It was 1582.67 points at the end of Q4 of FY 2016/17. Similarly, NEPSE Float Index decreased by 3.0 percent and reached to 112.75 points as against 116.14 points in Q4 of FY 2016/17. During the review period, turnover, market capitalisation and float market capitalisation also decreased by 2.9 percent, 2.5 percent, and 4.8 percent respectively. During the review period, supply of securities increased by 2.9 percent. Number of listed companies reduced by 5.8 percent in comparison to Q4 of FY 2016/17 due to merger of banks and financial institutions. Four listed companies and one mutual fund scheme were listed in the review period. Number of listed companies reached to 196 in Q1 of Fiscal Year 2017/18. The summary of major indicators of secondary market as of Q1 of this fiscal year in comparison to previous quarters of fiscal year 2016/17 is presented in Table 2.1.

**Table -2.1: Secondary Market Indicators
(Last Three Quarters)**

Indicators	Unit	FY 2016/17		FY 2017/18	Percentage Change	
		Q3	Q4	Q1	Q3-Q4	Q4-Q1
No. of Listed Companies	Number	210	208	196	-0.95	-5.77
No. of listed Securities	Million	2767.52	2965.88	3055.06	7.17	3.01
Turnover	Rs in billion	46.84	43.17	41.94	-7.84	-2.85
Average Daily Turnover	Rs in billion	0.79	0.74	0.75	-6.33	1.35
Trading Days	Days	59	58	56	-1.69	-3.45
No. of Scripts Traded	Number	175	178	210	1.71	17.98
No. of Securities Traded	Million	118.65	82.13	97.33	-30.78	18.51
No. of Transaction	Number	355,909	369,160	404,820	3.72	9.66
Total Paid up value of Listed Shares	Rs in billion	269.75	289.59	298.51	7.35	3.08
Market Capitalisation	Rs in billion	1,951.15	1,856.82	1,809.81	-4.83	-2.53
Float Market Capitalisation	Rs in billion	683.73	641.69	611.13	-6.15	-4.76
Turnover/Market Capitalisation	Percentage	9.61	9.32	9.27	-3.02	-0.54
Turnover/Float Market Capitalisation	Percentage	27.40	26.91	27.45	1.79	2.01

Indicators	Unit	FY 2016/17		FY 2017/18	Percentage Change	
		Q3	Q4	Q1	Q3-Q4	Q4-Q1
Market Capitalisation/ GDP	Percentage	75.07	71.44	69.63	-4.83	-2.53
Float Market Capitalisation/ GDP	Percentage	26.31	24.69	23.51	-6.16	-4.76
NEPSE Index	In Points	1697.13	1582.67	1559.18	-6.74	-1.48
NEPSE Sensitive Index	In Points	367.52	336.04	328.34	-8.57	-2.29
NEPSE Float Index	In Points	127.31	116.14	112.75	-8.77	-2.92

Source: Nepal Stock Exchange Ltd.

On YoY basis, major indicators of secondary market also decreased during the review period. During the first quarter of FY 2017/18, supply of securities increased significantly by 33.6 percent. The number of listed companies decreased by 12.1 percent during review period due to the merger and acquisition of Bank and Financial Institutions. Quarterly turnover of securities in Q1 of FY 2017/18 was Rs. 41.9 billion, a decrease of 44.1 percent, as compared to the corresponding period of Fiscal Year 2016/17. During the review period, average daily turnover reduced significantly by 44 percent to Rs. 0.8 billion from Rs. 1.3 billion on corresponding period of previous fiscal year. However, number of transaction rose by 9.63 percent in the review period.

NEPSE index, benchmark index of secondary market, reached at 1559.18 points at the end of first quarter of Fiscal Year 2017/18, a decrease of 13.6 percent as compared to the same period of previous fiscal year. Likewise, NEPSE float index also declined to 112.75 points. During the review period, market capitalisation and float market capitalisation decreased by 9.5 percent and 11.3 percent respectively. However, turnover to market capitalisation ratio, an indicator of liquidity of market, increased significantly by 38.3 percent. During the review period, annualized turnover to market capitalisation ratio stood at 9.3 percent. The summary of secondary market indicators of Q1 of previous three years is presented in Table 2.2.

**Table-2.2: Securities Market Indicators
(First Quarter of Last Three Fiscal Years)**

Indicators	Unit	FY 2015/16	FY 2016/17	FY 2017/18	Percentage Change	
					2016/17	2017/18
No. of Listed Companies	Number	227	223	196	-1.76	-12.11
No. of listed Securities	Million	1662.90	2286.21	3055.06	37.48	33.63
Turnover	Rs in billion	30.73	75.07	41.94	144.29	-44.13
Average Daily Turnover	Rs in billion	0.55	1.34	0.75	143.64	-44.03
Trading Days	Days	56	56	56	0.00	0.00
No. of Scripts Traded	Number	220	198	210	-10.00	6.06
No. of Securities Traded	Million	61.16	128.18	97.33	109.58	-24.07
No. of Transaction	Number	173,885	369,254	404,820	112.36	9.63
Total Paid up value of Listed Shares	Rs in billion	160.71	222.1	298.51	38.20	34.40
Market Capitalisation	Rs in billion	1170.83	1998.62	1,809.81	70.70	-9.45
Float Market Capitalisation	Rs in billion	370.57	689.24	611.13	85.99	-11.33
Turnover/Market Capitalisation	Percentage	10.50	15.02	9.27	43.05	-38.28
Turnover/Float Market Capitalisation	Percentage	33.17	43.57	27.45	31.35	37.00
Market Capitalisation/ GDP	Percentage	54.96	88.93	69.63	61.80	-21.70
Float Market Capitalisation/ GDP	Percentage	17.40	30.67	23.51	76.26	23.31
NEPSE Index	Points	1134.47	1803.74	1559.18	58.99	-13.56
NEPSE Sensitive Index	Points	245.57	391.40	328.34	59.38	-16.11
NEPSE Float Index	Points	80.99	135.04	112.75	66.74	-16.51

Source: Nepal Stock Exchange Ltd.

3.2.1 NEPSE Index

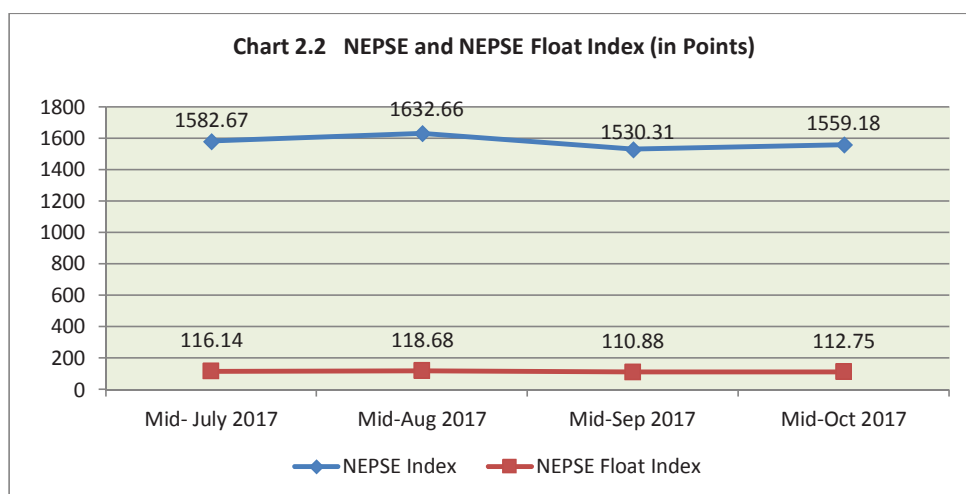
NEPSE index and other indices showed a positive wave in first month of FY 2017/18. The positive glimpse of liquidity position in financial markets, successful completion of two phases of local election and positive expectation of returns from listed companies were the major reasons for the upward trend of index. NEPSE index increased by 3.2 percent and reached to 1632.66 points on Mid-Aug, 2017 from 1582.67 points on Mid-July, 2017. The index hit the review period high of 1667.94 points on August 7 but the upward trend was not sustained for long.

Due to heavy rain on first week of August, 2017, Nepal faced the problem of flood and landslide at different parts of the country which created psychological effect on investors and also the Earning Per Share of most of the listed companies were lower than the previous year which caused decrease in NEPSE index despite various reforms undertaken in securities market with the initiation of SEBON. NEPSE index reached to 1530.31 points on Mid-Sep, 2017 which is a decrease of 6.3 percent compared to Mid-Aug, 2017. NEPSE started to increase slightly with the start of October as there was favourable political environment, positive expectation of financial result of listed companies of first quarter in investors. As a result, it increased by 1.9 percent and reached to 1559.18 points at Mid-October, 2017. NEPSE float index and NEPSE sensitive float index reached to 112.75 points and 100.49 points at Mid-Oct 2017. Both indices were at 110.88 points and 99.78 points in Mid-Sep 2017. The month end data of NEPSE index and other indices in Q1 of Fiscal Year 2017/18 is presented in Table 2.3 and in Chart 2.2.

Table 2.3: NEPSE Index

S.N.	Index	Q4 of FY 2016/17	Three months of Q1 of FY 2017/18			Percentage Change		
			Mid-Aug	Mid-Sep	Mid-Oct	Mid-Sep	Mid-Oct	Q4-Q1
1	NEPSE Index	1582.67	1632.66	1530.31	1559.18	-6.27	1.89	-1.48
2	NEPSE Sensitive Index	336.04	342.85	320.73	328.34	-6.45	2.37	-2.29
3	NEPSE Float Index	116.14	118.68	110.88	112.75	-6.57	1.69	-2.92
4	NEPSE Sensitive Float Index	104.17	105.35	99.78	100.49	-5.29	0.71	-3.53

Source: Nepal Stock Exchange Ltd.



As we look over the sectorial indices of secondary market during the review period, hotel sector showed the highest rise of 8.86 percent in comparison to Q4 of FY 2016/17, followed by manufacturing and processing sector by 7.79 percent. Similarly, index of finance sector increased by 7.11 percent, trading by 4.4 percent, hydropower by 2.29 percent, others by 1.78 percent and insurance by 1.76 percent. Index of banking and development bank sector decreased by 5.03 percent and 2.31 percent. As banking and development bank constitute almost 65 percent of total market capitalisation, the decrease in these sub-indices caused decrease in overall NEPSE index. The MoM movement of sectorial indices of NEPSE of three months of Q1 of FY 2017/18 and comparison of review period with previous quarter is presented in Table 2.4.

Table-2.4: Sectorial Indices of NEPSE

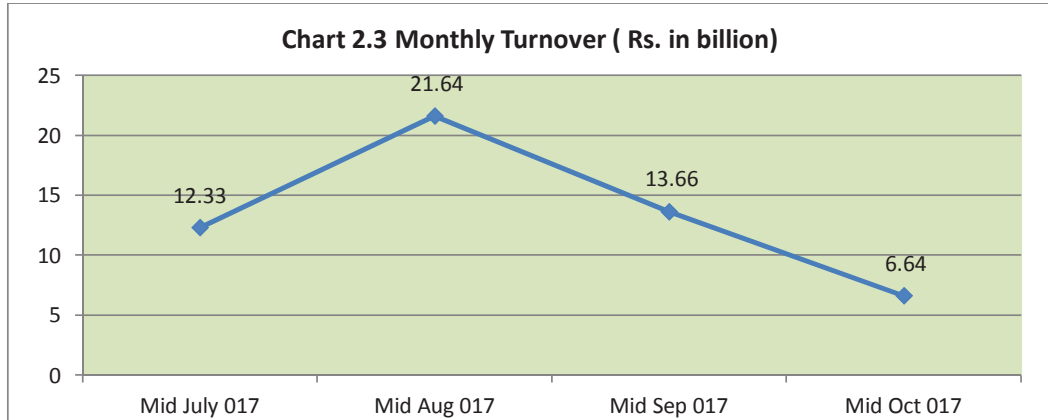
SN	Indicators	Q4 of FY 2016/17	Three months of Q1 of FY 2017/18			Percentage Change		
			Mid-Aug	Mid-Sep	Mid-Oct	Mid-Sep	Mid-Oct	Q4-Q1
1	Banking	1418.81	1416.08	1316.7	1347.51	-7.02	2.34	-5.03
2	Development Bank	1945.37	2034.56	1917.43	1900.44	-5.76	-0.89	-2.31
3	Finance	729.62	824.08	789.82	781.48	-4.16	-1.06	7.11
4	Hotels	2221.57	2463.87	2374.09	2418.38	-3.64	1.87	8.86
5	Hydro Power	1818.01	1862.37	1762.98	1859.73	-5.34	5.49	3.04
6	Insurance	8350.29	9280.13	8515.83	8496.88	-8.24	-0.22	1.76
7	Manufacturing and Processing	2366.58	2687.71	2592.32	2550.97	-3.55	-1.60	7.79
8	Trading	212.76	214.11	231.25	222.13	8.01	-3.94	4.40
9	Others	699.62	717.84	718.99	782.03	0.16	8.77	11.78

Source: Nepal Stock Exchange Ltd.

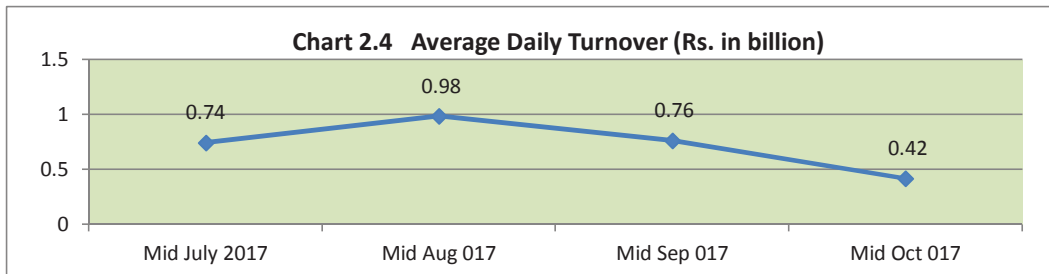
3.2.2 Market Turnover

Market turnover is the trading volume of listed securities of secondary market. High turnover indicates the high liquidity of securities. Market turnover was Rs. 41.94 billion in Q1 of FY 2017/18, a decrease of 2.85 percent in comparison to turnover of Rs. 43.17 billion on previous quarter (Q4 of FY 2016/17). The monthly turnover in three months of the review quarter is also in the downward trend. It was Rs. 21.64 billion in first month, Rs. 13.66 billion and Rs. 6.64 billion in second and third month of the quarter. The decline in turnover of commercial bank which constitutes almost 35 percent of total turnover caused the decline in market turnover. The monthly turnover of Q1 of FY 2017/18 is depicted in chart 2.3.

Average daily turnover of Q1 of FY 2017/18 increased marginally by 1.35 percent and reached to Rs. 0.75 billion in comparison with Rs. 0.74 billion average daily turnover of previous quarter. Despite marginal growth in quarterly turnover in this quarter, the MoM turnover has decreased significantly in this quarter. It was Rs. 0.98 billion in first month of this quarter. The next month followed a downward trend with Rs.



0.8 billion average daily turnover. In third month of this quarter, average daily turnover decreased significantly by almost 45 percent and reached to Rs. 0.4 billion. The trend of average daily turnover during each month of first quarter of Fiscal Year 2017/18 is depicted in chart 2.4.



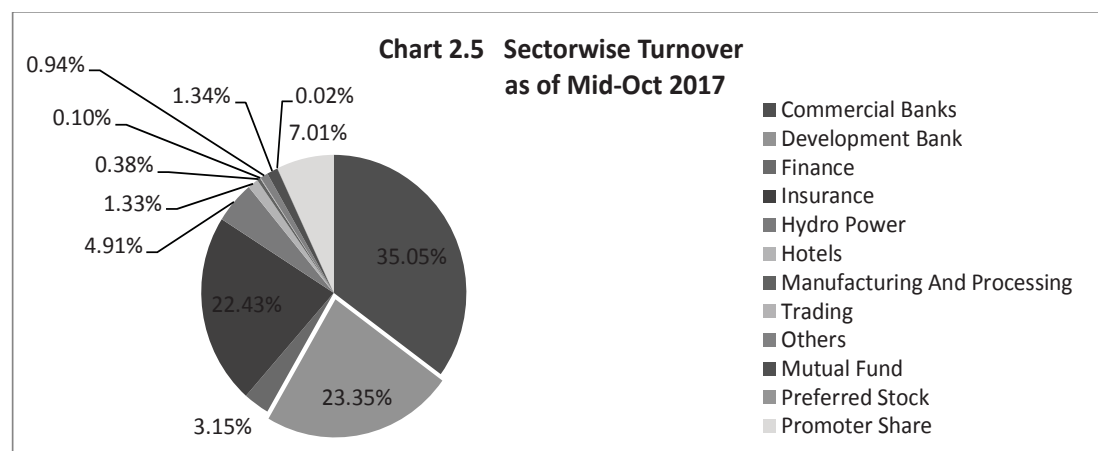
3.2.3 Sectorwise turnover

Turnover of secondary market consists of trading ordinary shares, preferred stocks, promoter shares of different listed companies representing from 9 sectors and mutual fund units as well. Among them, commercial bank occupied the highest 35.1 percent, followed by development bank 23.4 percent and insurance 22.4 percent in first quarter of Fiscal Year 2017/18. The detail of sectorwise turnover is presented in Table 2.5 and overview of sectorwise representation in turnover is depicted in Chart 2.5.

Table- 2.5: Sectorwise Turnover (Three months of Q1,FY 2017/18) Amount in Rs Million

SN	Sector	Mid Aug	Mid Sep	Mid Oct	Total	Proportion
1	Commercial Bank	5,565.98	4,697.92	2,496.35	12,760.25	35.05
2	Development Bank	5,162.90	3,616.32	1,292.20	10,071.42	23.35
3	Finance	646.79	250.05	277.16	1,174.00	3.15
4	Insurance	6,613.44	2,857.42	1,147.53	10,618.39	22.43
5	Hydro Power	1,221.58	574.48	441.22	2,237.28	4.91
6	Hotels	340.00	83.50	106.16	529.66	1.33
7	Manufacturing And Processing	104.83	65.32	4.09	174.24	0.38
8	Trading	0.37	9.03	36.77	46.17	0.10
9	Others	189.68	108.36	128.48	426.52	0.94
10	Mutual Fund	263.82	304.05	41.23	609.10	1.34
11	Preferred Stock	7.15	0.84	0.40	8.39	0.02
12	Promoter Share	1,524.09	1,001.27	669.32	3,194.68	7.01
Total		21,640.63	13,660.00	6,640.91	41,941.54	100

Source: Nepal Stock Exchange Ltd.

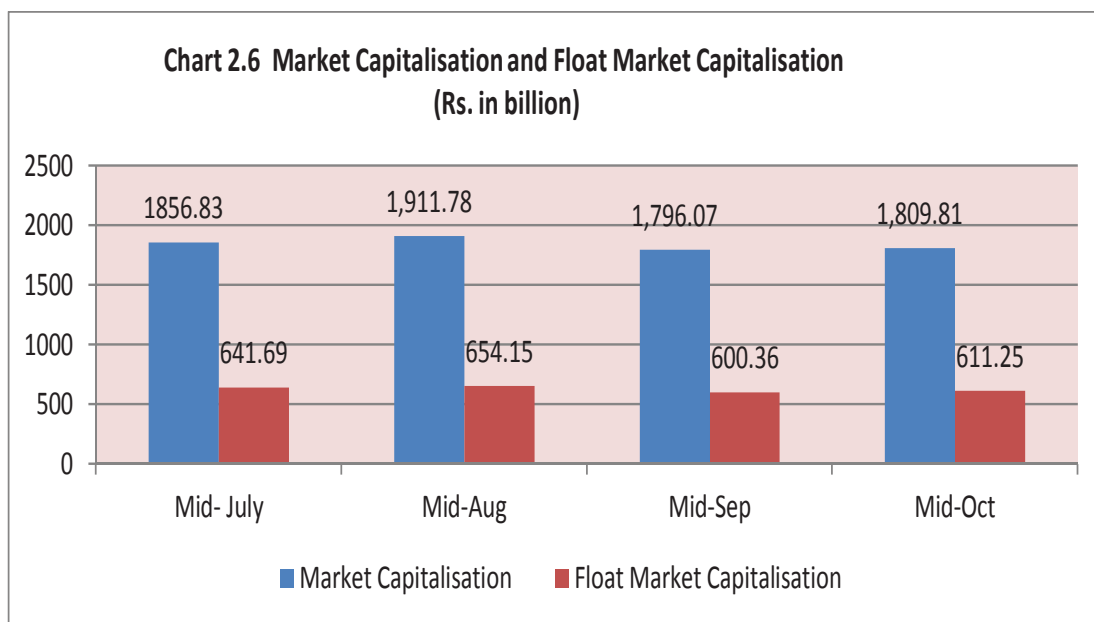


3.2.4 Market Capitalisation

Market capitalisation gives insight of market valuation of secondary market. On QoQ basis, market captilisation displayed marginal fall of 2.5 percent and reached to the level of Rs. 1809.8 billion, as against to Q4 of Fiscal Year 2016/17. Likewise, on MoM Basis, it was Rs. 1809.8 in Mid-October, marginal downfall of 0.8 percent, as

against to Rs. 1796.1 in previous month of Fiscal Year 2017/18. Market capitalisation to GDP was 69.6 percent in Mid-October which was 88.9 percent in the same period of Fiscal Year 2016/17.

Float market capitalisation, which is calculated on the basis of market capitalisation of tradable shares of listed companies. On QoQ basis, it decreased by 4.7 percent in first quarter of Fiscal Year 2017/ 18 and reached to Rs. 611.3 billion as against of Rs. 641.7 billion of Q4 of Fiscal Year 2016/17. However, on MoM basis, this capitalisation increased by 1.8 percent in Mid-October with comparison to that of Mid-September. This capitalisation was Rs. 600.4 billion in Mid-September of Fiscal Year 2017/18. The ratio of float market capitalisation to GDP remained 23.5 percent which was 24.7 percent in Q4 of Fiscal Year 2016/17. The Market capitalisation and float market capitalisation of each month during Q1 of Fiscal Year is displayed in Chart 2.6.



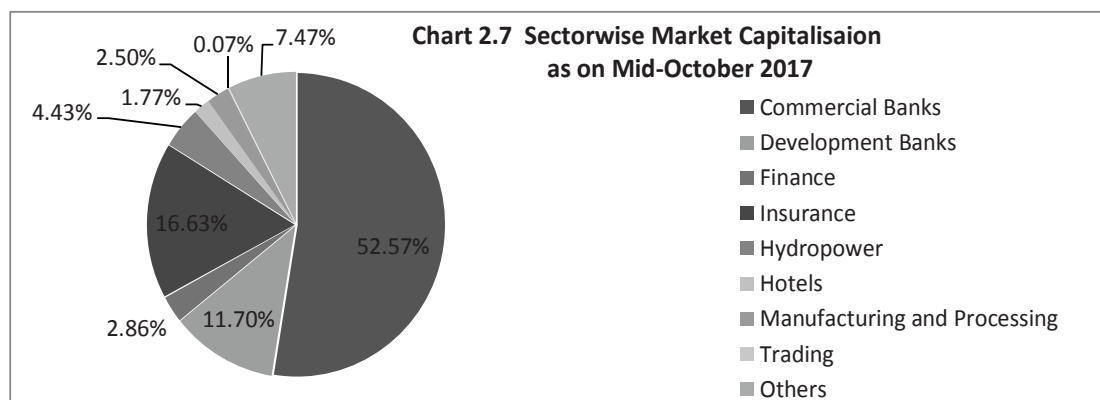
3.2.5 Sectorwise Market Capitalisation

Listed companies of NEPSE are divided into nine different sectors, on which, commercial bank occupied almost 53 percent of total market capitalisation as on Mid-October 2017, followed by insurance (16.63 percent) and development banks (11.70 percent). The least coverage of 0.07 percent is from trading sector. The detail of sectorwise market capitalisation of three months during first quarter of Fiscal Year 2017/18 is presented in Table 2.6 and percentage coverage of each sector is depicted in Chart 2.7.

Table-2.6: Sectorwise Market Capitalisation

S.N.	Sector	Q1 of Fiscal Year 2017/18 (In Rs. billion)			Proportion
		Mid-Aug	Mid-Sep	Mid-Oct	
1	Commercial Banks	989.43	929.49	951.49	52.57
2	Development Banks	259.44	212.8	211.66	11.70
3	Finance	55.16	52.04	51.69	2.86
4	Insurance	328.74	301.67	301	16.63
5	Hydropower	76.81	76.07	80.24	4.43
6	Hotels	32.56	31.37	31.96	1.77
7	Manufacturing and Processing	47.69	45.99	45.26	2.50
8	Trading	1.25	1.35	1.29	0.07
9	Others	124.12	124.32	135.22	7.47
Total		1,915.20	1,775.10	1,809.81	100

Source: Nepal Stock Exchange Ltd.



3.2.6 Mutual Funds' Net Assets Value

The Net Assets Value (NAV) of most of the mutual fund scheme decreased during Q1 of FY 2017/18 in comparison to previous quarter. The major investment of mutual fund scheme is in securities market and the situation of securities market affects the NAV of mutual fund. The NAV of mutual fund scheme except Laxmi Value Fund 1 increased at Mid-August in comparison to the previous month. NAV of Lami Value Fund-1 decreased as it distributed cash dividend in this month. By Mid-September 2017, the NAV of all mutual fund schemes decreased as most of them distributed cash dividend in this month and also the value of most of the securities decreased in this month. The NAV of these schemes showed positive growth by Mid-October 2017.

During the review period, SEBON approved one mutual fund scheme sponsored by Siddhartha Bank Limited, worth Rs 1.5 billion with maturity of 10 years. The NAV report of mutual fund schemes with regard to each month of Q4 of fiscal year 2016/17 is presented in Table 2.7.

Table 2.7: NAV of Mutual Fund Scheme

S.N.	Name of Mutual Funds Scheme	End of Q4 of FY 2016/17	Q1 of FY 2017/18			% Change		
			Mid-Aug	Mid-Sept	Mid-Oct	Mid-Sept	Mid-Oct	Q4-Q1
1	Siddhartha Investment Growth Scheme -1 (SIGS 1)	26.96	27.91	21.01	21.56	-24.72	2.62	-20.03
2	Siddhartha Equity Oriented Scheme (SEOS)	15.40	16.05	12.81	13.21	-20.19	3.12	-14.22
3	Nabil Balance Fund -1	23.95	24.44	19.26	19.24	-21.19	-0.10	-19.67
4	Nabil Equity Fund	9.97	9.99	9.76	9.77	-2.30	0.10	-2.00
5	NMB Sulav Investment Fund -1	16.64	17.06	14.31	14.47	-16.12	1.12	-13.04
6	NMB Hybrid Fund L-1	10.50	10.62	10.46	10.55	-1.51	0.86	0.48
7	Global IME Samunnat Scheme -1	10.11	10.64	10.28	10.34	-3.38	0.58	2.27
8	NIBL Samriddhi Fund -1	14.94	15.19	12.89	13.31	-15.14	3.26	-10.91
9	NIBL Pragati Fund -1	10.05	10.13	9.62	9.91	-5.03	3.01	-1.39
10	Laxmi Value Fund -1	13.98	11.97	11.48	11.81	-4.09	2.87	-15.52
11	Laxmi Equity Fund	9.85	9.97	9.84	9.95	-1.30	1.12	1.02

Source: Fund Manager of respective mutual fund schemes.

4. Reforms in Securities Market

The reforms initiatives undertaken by SEBON during first quarter of fiscal year 2017/18 for the development of Nepalese securities market are as follows:

4.1 Major Reforms

- i. SEBON formulated the policy and programme of Fiscal Year 2017/18 for the regulation and development of Nepalese securities market taking into consideration 14th three year plan, Five Year Financial Sector Development Strategy and suggestions received from stakeholders in the interaction programme organised by SEBON. SEBON, for the first time in the history, published its annual policy and programme as a booklet.

- ii. SEBON issued code of conduct to its Governing Board members on August 2017 to make securities market more fair, transparent and credible. Earlier it implemented code of conduct to its employees on March 2017.
- iii. SEBON amended Securities Businessperson (Merchant Banker) Regulations, 2007 on July 2017 and increased the paid up capital of merchant banker by almost three times in order to minimise the prevailing risk in merchant banking business. The scope of merchant banker has been broadened too by allowing them to provide corporate advisory services.
- iv. SEBON submitted an application along with essential documents to IOSCO in order to sign Multilateral Memorandum of Understanding (MMoU) to obtain ordinary membership of IOSCO. IOSCO reviewed the application submitted by SEBON and sought additional supporting document related to access of SEBON to the banking records of investors. SEBON is in the process of signing Memorandum of Understanding (MoU) with Nepal Rastra Bank, central bank of Nepal to get access to the banking records of investors.
- v. SEBON directed depository participants to open demat account only after identifying the real applicant so as to help support the implementation of the provisions of Anti Money Laundering Act, 2007, Central Depository Service Regulations, 2010, Anti Money Laundering and Combating for Terrorist Financing Directives, 2012. Earlier it was found that some depository participants had opened demat account without properly identifying applicants.
- vi. SEBON issued "Securities Businessperson (Securities broker and Merchant Banker) Supervision Manual, 2017" in order to systematise the supervision process by specifying their duties, role, authority and responsibility.

4.2 Other Initiatives

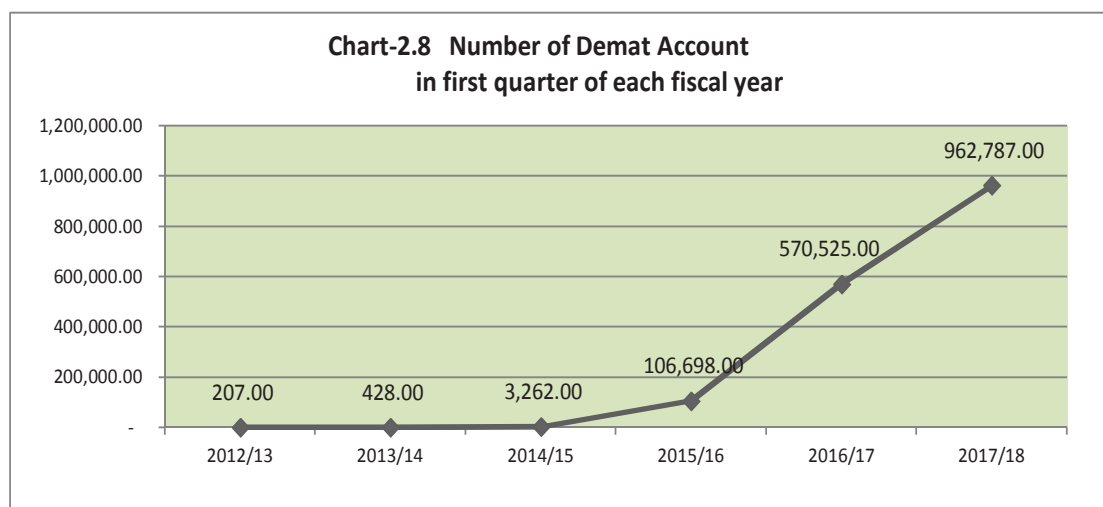
- i. SEBON conducted an interaction programme with stakeholders of commodities derivatives market to discuss the provisions laid down on Commodities Exchange Market Act, 2017. Other legal infrastructure required for the regulation and supervision of commodities derivative market was also discussed.
- ii. SEBON also conducted an interaction programme on the "Role of Compliance Officer of Stockbroker" with compliance officers of stockbroker to update them about the international norms and practices and present compliance situation of Nepalese securities market.
- iii. SEBON celebrated World Investor Week (WIW) from October 8, 2017 to October 14, 2017 as announced by IOSCO by conducting two talk programmes among chairman of SEBON, securities market expert, investors on television.

Similarly, SEBON, in order to celebrate WIW, also organised investor awareness programmes, published awareness material related to investment on securities market on national daily newspaper and online media.

5. Trend in Demat Accounts

Demat Account is the account on which securities like share, bond, preferred stock, mutual fund etc. are deposited in electronic or demarterlised form. After the implementation of Central Depository Service Regulations, 2010, depository participants commenced the operation of demat account opening from fiscal year 2012/13. 256 demat accounts were opened and 6,561 securities were dematerialised in that fiscal year. After the implementation of full-fledged dematerialised trading system from Mid-January 2016, the number of demat account and dematerialised securities increased significantly at meteoric speed. SEBON made it mandatory to have demat account for IPO application from Mid-July 2016 for Kathmandu valley and from Mid-January 2017 all over the country. At present, allotted shares of primary issues, right shares and bonus shares are being deposited in respective demat account of investors.

The number of demat account reached 962,787 at the end of Q1 of FY 2017/18 which is an increase of 68.8 percent in comparison to corresponding period of previous fiscal year. 94,107 demat accounts opened during Q1 of FY 2017/18 which was 179,626 in corresponding period of previous fiscal year. Similarly, comparing demat accounts on QoQ basis, the number of demat account opened during this quarter increased by 13.1 percent as compared to previous quarter. 83,197 new demat accounts were opened in previous quarter. The detail of demat account in first quarter of past five fiscal years is depicted in Chart 2.8.





Published By

Securities Board of Nepal
Policy, Research and Planning Division

Supervision and Research Department

P.O.B. No.: 9031, Jawalakhel, Lalitpur

Phone: +977-1-5541057, 5000201

Fax No.: +977-1-5541058

Toll Free Hotline No.: 1660-01-44433

Website: <http://www.sebon.gov.np>

E-mail: support@sebon.gov.np