



ALPHA CAPITAL
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NEWSLETTER

Third Quarter 2081/82



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NEPAL
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QUARTER

Nepal This Quarter | Politics

Former Vice President Nanda Kishor Pun has formally reentered active politics with his appointment as Vice Chairman of the CPN (Maoist Center). Prior to this, Pun had been overseeing the party's production sector wing, gradually resuming his political engagement. He served as vice-president—the country's second-highest position—from November 1, 2015, to March 19, 2023.

The Oli-led government's Social Media Bill is under fire for vague language and harsh penalties. Though unopposed in the Assembly, critics like Gagan Thapa and Padam Giri say it threatens free speech and must be revised. Opposition leaders plan to challenge it as discussions continue.

The House of Representatives has unanimously passed the E-Commerce Bill, 2081 BS, to regulate Nepal's growing digital commerce sector. Minister Damodar Bhandari said the bill will streamline electronic transactions.

With no clear majority from the 2022 election, Nepal's

parties are turning to grassroots campaigns to rebuild public trust. The Maoist Centre launched its 'Terai-Madhesh Awakening Campaign' in Jhapa, echoing past drives like UML's 'Mission Grassroots' and Congress's 100-day outreach. While aimed at energizing party bases, observers say lasting impact hinges on leadership renewal and real political change.

The Rastriya Prajatantra Party (RPP) staged a large motorcycle rally in Kathmandu, led by Chair Rajendra Lingden and Vice Chair Buddhiman Tamang, calling for a change in the political system. Citing rising corruption and lack of progress, the rally featured national flags and images of former King Gyanendra, causing traffic disruptions across the city.

Narayan Man Bijukchhe (Rohit) has been unanimously re-elected as Chairman of the Nepal Workers Peasants Party (NWPP) at its 8th General Convention in Bhaktapur. Bijukchhe has led the party

since its founding in 1974.

The Janamat Party and Nagarik Unmukti Party are close to unifying to form a stronger regional force in the Terai-Madhesh. Leaders CK Raut and Resham Lal Chaudhary say the merger is nearly finalized. With a combined 10 seats in Parliament, the unified party aims to push for greater representation and rights for the southern plains.

The National Assembly has passed five bills replacing ordinances, paving the way for them to become law. Approved by majority vote, the bills cover good governance, cooperatives, economic procedures, privatization, and investment promotion already cleared by the House of Representatives.

The Law, Justice, and Human Rights Committee has directed the Government of Nepal to form an investigation committee to look into the recent Tinkune incident and to initiate legal action against those found responsible.



Nepal This Quarter | Economy and Business

Nepal Rastra Bank has launched the Digital Finance Innovation Hub to help Fintech test tools like QR codes and virtual cards in a regulated space. It aims to boost innovation and trust in digital payments. QR transactions rose 103.66% to NPR 499.79B last year, and e-wallet users grew to 23.46M in 2024, while cheque use continues to decline.

Neelam Dhungana, Senior Deputy Governor of Nepal Rastra Bank, has been appointed Acting Governor by Finance Minister Bishnu Prasad Paudel under Section 27 of the NRB Act, 2058. Dhungana will oversee monetary policy and financial stability until the official governor is appointed.

Nepal now accepts international QR payments from 14 global e-wallets under a new P2M system by NCHL. Tourists from 10 countries—including China, South Korea, and Italy—can pay via apps like Alipay, GCash, and KakaoPay. The move aims to cut cash use and capture more tourist spending digitally.

Nepal welcomed 1.15M tourists in 2024, led by India, the U.S., and China. NCHL plans global expansion of the service.

IPPAN has raised concerns after the Supreme Court scrapped an amendment allowing hydropower development in protected areas, putting 267 projects (19,736 MW) at risk. The decision could impact NPR 400 billion in annual revenue and derail Nepal's goal of 28,500 MW by 2035. IPPAN has urged government intervention, warning of long-term power supply challenges.

FATF has greylisted Nepal for two years due to lack of proper implementation of Anti-Money Laundering measures. Nepal must act swiftly to avoid stricter measures—this marks its second greylisting since 2009–2014.

Meanwhile, rising hydropower insurance claims from natural disasters are pressuring insurers and reinsurers. With premiums lagging behind risks, reinsurers are rejecting high-risk projects, and

developers are facing delays in claim settlements, sparking calls for a risk-based tariff model.

Nepal's 4-star and 5-star hotels are reporting loss of revenue after USAID program cancellations linked to a US aid freeze. Hotel Yak & Yeti saw a 10% drop in business with 50 bookings canceled, while Marriott projects NPR 500 million in annual losses. The halt has heavily impacted MICE bookings, a major revenue stream for top-tier hotels.

Nepal and India have agreed on a joint venture between NEA and Power Grid Corporation of India to build two new 400kV cross-border transmission lines—Inaruwa-Purnia and Dodhara-Bareli—by 2030. The move supports Nepal's goal to export 16,000 MW to India by 2035. Feasibility studies for three more lines are approved, and the Dhalkebar-Muzaffarpur line is being upgraded to 1,100 MW.



Nepal This Quarter | Capital Market

Chudamani Chapagain has been appointed CEO of Nepal Stock Exchange (NEPSE) following a Cabinet decision. Selected from 10 candidates, he received his appointment letter from Revenue Secretary Dinesh Kumar Ghimire.

The Supreme Court has dismissed a writ petition challenging SEBON's licensing policy, allowing new stock exchange licenses to proceed. With the verdict, applicants like Himalayan, Annapurna, and National Stock Exchange can move forward. New exchanges must have a minimum paid-up capital of NPR 3 billion and issue 30% of shares to the public.

Under the new Stockbroker Merger Directive, brokerage firms that don't meet the minimum paid-up capital requirement of NPR 200 million must merge or risk losing their licenses. While new brokers are already compliant, only 22 of 50 older firms meet the threshold.

SEBON has revised rules to let merchant banks owned by

banks or insurers underwrite securities up to their parent company's net worth if liability is guaranteed. Previously, the cap was limited to three times the merchant bank's own net worth. The change will soon be added to the Merchant Banker Regulations.

The government has named SEBON as the regulator for investment companies with paid-up capital over NPR 50 million or annual transactions above NPR 100 million. As per a Gazette notice, these firms must register under the Asset (Money Laundering) Prevention Act and submit details including board info, financials, PAN, and a criminal clearance certificate. The move strengthens oversight and AML compliance.

Following Nepal's FATF greylisting, SEBON has barred stock trading by individuals and institutions on UN sanctions lists. As per new guidelines, market participants must freeze demat accounts and shares of listed persons within 24 hours—

without prior notice—and report to SEBON and the PM's Office within three days. The directive aims to curb money laundering, terror financing, and WMD proliferation.

Small and medium enterprises (SMEs) may soon be able to raise capital by issuing shares, as new regulations—approved by SEBON—allow trading in NEPSE. This replaces earlier plans for a separate platform. NEPSE and CDSC have been instructed to begin implementation.

SEBON is set to resume issuing merchant banker licenses after a pause since 2018. The licenses will cover services such as issuance management, sales management, and share registration. Firms must meet paid-up capital requirements of NPR 200 million for a full-fledged operations license. The move comes under the leadership of Chairman Santosh Narayan Shrestha.



Nepal This Quarter | Real Estate

The five-star Mercure Hotel has opened at Sukedhara Heights, Kathmandu, marking the brand's first entry into Nepal. Inaugurated by PM KP Sharma Oli, the NPR 3 billion project is backed by investor Deshbandhu Basnet and managed by France's Accor group. The hotel aims to boost tourist arrivals and enhance Kathmandu's luxury stay options.

The five-star Bandipur Hill hotel, Queen Tower, is in its final phase of construction in Baralthok, Bandipur-4, and is expected to open in Jestha. The 17-story hotel will offer sweeping views of the Himalayas—from Machhapuchhre to Langtang—and the local market area, giving guests a unique blend of nature and culture.

Real estate activity is gaining momentum after a long slowdown. In Poush alone, 48,156 transactions were recorded—the highest since

Ashad, according to the Department of Land Management and Records. While stock trading continues to dip, real estate is attracting more investors, with many believed to be shifting funds from shares to property.

Rohini Housing's 'Nagarkot Dream City,' a 40-ropani residential project in Nagarkot, Bhaktapur, is nearing completion. The colony offers 75 scenic homes with fencing, lighting, and sewage systems already in place, and road paving currently in progress.

The Nepal Land and Housing Development Federation has called for clear laws to allow foreign investment in real estate and let foreigners purchase apartments. President Bishnu Prasad Ghimire urged the government to act on its budget promise—allowing up to 20% of units in 100+ unit buildings to be sold to foreigners—saying it would boost foreign exchange

reserves.

The upgrade of the Jomsom section of the Kaligandaki Corridor, linking India and China, remains incomplete after seven years, despite an initial two-year deadline. Launched in 2074, the Beni-Jomsom-Korla Road project was divided into eight contract sections. So far, 3 km of blacktopping from Beni to Galeshwar, 1 km from Galeshwar, and 12.5 km from Kaikukhola to Khanti have been finished. The project aims to establish a vital trade route connecting Triveni in India to Korla in China.

The foundation stone for the Pathibhara Cable Car project in Taplejung was laid on November 9, 2024, marking the official start of construction. It was expected to be completed in 15 months. However, recent protest in the area has halted the construction.



**HOW WE
VIEW**

How We View | Politics

Yet another quarter in Nepal, where political debates dominate the media, overshadowing the issue of economic development.

Prime Minister KP Oli and Leader of the Opposition Puspa Kamal Dahal engaged in public debate throughout the quarter regarding the tenure of the Oli-led government. Dahal made several comments in public questioning the stability of the government formed after his departure, while Prime Minister Oli dismissed the claim.

Both houses of the parliament opened on Magh 18, Friday, after a long recess, only to be met with protests from opposition parties on many issues. As the leader of the opposition party questioned the prime minister on his absence in the parliament, Prime Minister Oli addressed several state-level parliaments in a newly set tradition in relatively young federalism in Nepal. Both houses of the parliament passed 5 out of 6 ordinances issued by the president and tabled by the government in the legislative body for approval. Five ordinances directly and indirectly related to improvement in public and private finance were approved by the legislative body without much objection. However, the government scrapped the plan to table the ordinance to amend Acts related to lands due to low chances of approval from the upper house of the parliament. As the Upendra Yadav-led party decided not to vote in favor of the bill, the government backed away from its earlier decision to seek approval of all 6 ordinances. The ordinance becomes obsolete/ceases to be effective after 60 days of the first meeting of the houses if not approved. The president, with the government's recommendation, ended the session of both houses of the parliament on Chitra 19.

Chairman of Rastra Swatantra Party Rabi Lamichhane was again taken into custody after the Tulsipur High Court overturned the decision of the Rupandehi District court to grant Lamichhane bail. This is considered a major setback for Rastra Swatantra Party as the party had announced to conduct its first-ever General Assembly in a few months. A petition has been filed by Lamichhane's lawyer in the Supreme Court to review the decision of the high court.

Opposition parties protesting against the government's decision to sack the Managing Director of Nepal Electricity Authority (NEA), Mr. Kulma Ghising, were soon diverted by the violent protest in Tinkune, leading to the tragic death of two. The protest conducted by the supporters of the Monarchy state turned into a violent one after the clash with the police. Several buildings, including private houses, media offices, and party offices, were targeted and destroyed. Both the government and protesters blame each other for the unrest. Nepal Police has made several arrests concerning this case.

Prime Minister KP Oli travelled to Thailand for a state visit while also attending the 6th BIMSTEC summit held



in Bangkok. Prime Minister Oli also met his Indian counterpart, Narendra Modi, on the sidelines of the summit. PM Oli is yet to make an official visit to India, almost nine months after the start of his tenure. Traditionally, the Nepalese Prime Minister visits China and India within a few months of appointment in such a position.

News of Donald Trump's reciprocal tariffs dominated the international media at the end of this quarter. Trump declaring a flat tariff rate for each country without considering the product uses, availability, and importance has created tensions in the US and around the world. Both of its main trading partners, the EU and China, are in distress, while China is in a public tussle with its own reciprocal tariff.

We concluded that the public argument among the leaders in power and the opposition is a regular phenomenon, regardless of the party in power and the opposition. The stability and longevity of the government formed with a coalition in a parliamentary democracy are always an issue. Also, after the arrest of few leaders of the pro-monarchy movement, the question of continuance of the movement is for Chairman of Rastriya Prajantika Party to answer. The country's wider development agenda is still largely left unaddressed, with leaders consumed by party dynamics and power management issues as their priority.



How We View | Economy

Economic Outlook

Nepal's mid-year budget review for fiscal year 2081/82 highlights the country's ongoing struggles in managing public finances effectively. The total budget has been revised downward from NPR 1.860 trillion to NPR 1.692 trillion, following persistent underperformance in capital expenditure, revenue collection, and foreign assistance. As of mid-February, only 18.29% of the allocated capital expenditure had been utilized. Of the NPR 352 billion originally set aside for capital projects, actual spending is now expected to reach only NPR 299 billion.

Entering the third quarter, Nepal's budget execution shows minimal progress compared to previous years, with deep-rooted structural bottlenecks continuing to hinder performance. Delays in project preparation, land acquisition, environmental approvals, and a cumbersome procurement process remain key challenges. Weak coordination among implementing agencies has further slowed delivery. In response, the government reduced its revenue target by NPR 133 billion, bringing the estimate down to NPR 1.286 trillion, while foreign grants and loans are projected to fall short by NPR 52 billion.

The review also points to broader structural shortcomings: fragmented planning involving over 11,000 small-scale projects, duplication in social programs, poor intergovernmental coordination, frequent staff reshuffling, delays in leadership appointments, and legal and logistical bottlenecks. Donor-funded projects continue to suffer from insufficient counterpart funding and delays in reimbursements. Despite repeated identification of these problems by national and sectoral committees, most issues remain unresolved, contributing to chronic inefficiencies in Nepal's public spending system.

Yet, amid these domestic hurdles, external development partners remain cautiously optimistic. The Asian Development Bank (ADB) forecasts Nepal's economy to grow by 4.4% this fiscal year, with an expected rebound to 5.1% next year, following a modest 3.9% growth last year. This recovery is supported by improving performance in key sectors like energy, construction, industry, and tourism. In the first half of the fiscal year, credit to the construction sector rose by 7.7%, and an expected addition of 900 megawatts of electricity is set to boost the energy sector. Growth in tourism and increased activity in trade and transport are also contributing positively.

Despite global uncertainties from U.S. policy changes to rising trade tensions ADB projects South Asia's regional growth at 6%. For Nepal, inflation remains stable at around 5.2%, with expectations of easing to 5% next year, backed by improved supply conditions and sound policy management.



Although Nepal's own growth target of 6% appears increasingly difficult to achieve due to weak credit expansion and slow infrastructure rollout, the broader macroeconomic environment remains stable. The mid-year review ultimately underscores the urgent need for deep structural reforms particularly in budget planning, legal frameworks, and institutional capacity to ensure fiscal discipline and deliver development outcomes that align with both national goals and international confidence.

Fiscal Stance

Topic	Target/Budget (FY 2081/82)	Actual up to Q3 End FY 2081/82	Percentage (FY 2081/82)	Target/Budget (FY 2080/81)	Actual up to Q3 End FY 2080/81	Percentage (FY 2080/81)
1. Revenue	14,193,030	8,314,045	58.58 %	14,225,417	7,480,412	52.58 %
a) Tax Revenue	12,842,096	7,441,539	57.95 %	13,054,796	6,711,156	51.41 %
b) Non-Tax Revenue	1,350,934	872,506	64.59 %	1,170,621	769,256	65.71 %
2. Grants	523,265	143,772	27.48 %	499,430	27,580	5.52 %
3. Other Receipts	-	97,627	0 %	-	222,374	0 %
Total Receipts of GoN (1+2+3)	14,716,295	8,555,444	58.14 %	14,724,847	7,730,366	52.5 %
Total Expenditure	18,603,030	9,985,212	53.68 %	17,513,121	9,093,914	51.93 %
a. Recurrent	11,406,645	6,780,903	59.45 %	11,417,841	6,440,254	56.41 %
b. Capital	3,523,540	1,029,008	29.2 %	3,020,744	973,774	32.24 %
c. Financing	3,672,845	2,175,301	59.23 %	3,074,536	1,679,886	54.64 %

Nepal's fiscal status by the third quarter of FY 2081/82 shows modest progress in revenue collection and spending compared to the previous year, but key structural issues persist. Revenue collection reached 58.58% of the annual target up from 52.58% last year with tax revenue at 57.95% and non-tax revenue at 64.59%. However, this improvement is largely administrative, as sluggish credit flow due to tight liquidity and cautious lending continues to suppress tax-generating economic activity. Foreign grant mobilization remains critically low at 27.48%, impacted by geopolitical developments such as the freeze in U.S. aid disbursements, reflecting donor concerns over governance and project transparency. On the expenditure side, 53.68% of the total budget has been spent, with recurrent expenditure progressing steadily at 59.45%. Capital expenditure, however, remains stagnant at just 29.2%, hindered by delays in project readiness, land acquisition, procurement, and contractor mobilization. Despite improved headline numbers, the budget execution gap especially in capital projects continues to limit Nepal's development momentum and underlines the need for deeper institutional reform.



Monetary Stance

Indicator	FY 2081/82 Q3	FY 2081/82 Q2	% Change
Total Deposit (NPR billion)	6,830	6,734	1.43%
Total Loan (NPR billion)	5,509	5,435	1.36%
CD Ratio	79.40	79.43	-0.04%
Inter Bank Rate	3%	3%	0.00%
Treasury Bill:			
28 Days	2.97%	2.75%	8.00%
31 Days	2.80%	2.80%	0.00%
182 Days	2.81%	2.81%	0.00%
364 Days	2.94%	2.94%	0.00%

Note: The data presented is for the quarter end.

Nepal's banking sector continues to face the paradox of excess liquidity and weak credit growth as of Q3 FY 2081/82. Despite total deposits increasing from NPR 6,734 billion to NPR 6,830 billion and loans inching up to NPR 5,509 billion, the Credit-to-Deposit (CD) ratio remains stagnant at 79.4%—well below the regulatory ceiling of 90%. This reflects a persistent surplus of lendable funds that banks are unable to deploy due to tepid credit demand. Compounding this, banks are constrained by capital adequacy requirements; while they are flush with liquidity, limited headroom under the Capital Adequacy Ratio (CAR) restricts further risk-weighted lending. The base rate of commercial bank has continued to drop, reaching a three-year low of 6.34%, based on latest available data from NRB—signaling banks' efforts to revive credit demand. However, an ongoing economic slowdown and heightened borrower caution have led to stagnating loan portfolios. Low treasury bill yields and stable interbank rates around 3% further confirm relaxed monetary conditions. In essence, Nepal's financial system is experiencing a liquidity surplus, but monetary transmission is impaired by both demand-side hesitation and regulatory capital thresholds.

Macro Economics

	As of Falgun End FY 2081/82	As of Falgun End FY 2080/81	Y-O-Y Change
Inflation	3.75	4.91	-23.63%
Export (in billion)	158.17	100.62	57.20%
Import (in billion)	1145.57	1030.22	11.20%
Trade Deficit (in billion)	987.40	929.60	6.22%
Export to Import (%)	13.81%	9.77%	41.35%
Travel Income (in billion)	56.70	51.39	10.33%
Remittance (in billion)	1051.77	961.22	9.42%



Forex Reserve in USD (\$)	17.27	14.14	22.14%
Forex Reserve Sufficiency (in Months)	14.3	12.4	15.32%

Nepal's recent external sector data presents a mixed outlook with signs of gradual improvement. Inflation has eased to 3.75%, offering price stability and easing consumer pressure. A key positive is the 57% surge in exports, rising from NPR 100.62 billion to NPR 158.17 billion, driven likely by improved performance in select goods like electricity and agro-products. However, imports remain high at NPR 1,145.57 billion, widening the trade deficit to NPR 987.4 billion.

The export-to-import ratio improved from 9.77% to 13.81%, indicating better foreign currency earnings, but Nepal still imports over seven times more than it exports. Remittance remains the backbone of Nepal's external economy, growing to NPR 1,051.77 billion crucial in supporting both household consumption and forex reserves. Travel income also saw moderate recovery, reflecting progress in the tourism sector.

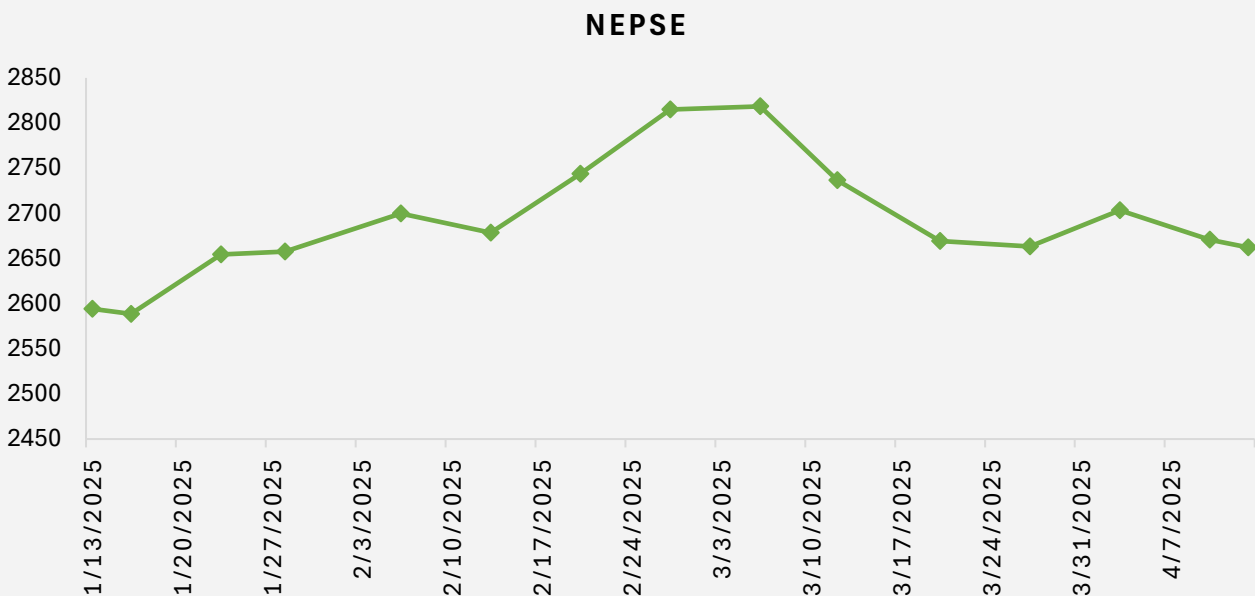
Nepal's forex reserves rose to USD 17.27 billion, with import coverage extended to 14.3 months, signaling strong external liquidity. Despite these improvements, the economy continues to face structural challenges high import dependency, limited industrial output, and reliance on remittance. Sustainable progress will depend on strengthening export industries, promoting domestic production, and improving trade competitiveness.

As Nepal enters the crucial phase of selecting the new Governor of Nepal Rastra Bank, the economic landscape demands strong and visionary leadership. Despite lowered interest rates and policy support, credit expansion remains sluggish, and confidence across the real economy is still fragile. In such a scenario, the role of the central bank becomes even more critical not just in maintaining monetary stability, but in actively reviving economic momentum. Nepal needs a Governor who understands the complexity of today's macroeconomic challenges and can coordinate effectively with fiscal authorities to ensure that monetary policy decisions translate into real economic impact. The upcoming appointment is not just an administrative decision it is a strategic opportunity to steer the economy toward recovery and resilience.



How We View | Capital Market

The NEPSE index saw a positive trend this quarter, closing at 2,662.08 points, reflecting an increase of 67.95 points or a 2.62% rise compared to the previous quarter's close. Throughout the quarter, the index experienced steady growth, with notable jumps in early February and late February, peaking at 2,815.04 points on February 27, 2025. This upward momentum highlights a general recovery and positive investor sentiment in the market.



Chudamani Chapagain was appointed as the new CEO of NEPSE. His appointment ended the leadership gap that began after Krishna Bahadur Karki's term expired on February 7. Chapagain was selected through a competitive process overseen by a committee formed by the Ministry of Finance. Four of ten applicants were shortlisted, and three names were forwarded to the Cabinet.

With discussions underway regarding the issuance of a new stock exchange license in Nepal, the role of the newly appointed CEO of the existing stock exchange becomes even more crucial. In light of potential competition, the pressure is there on the management to be more proactive and opt for a reform-oriented approach to safeguard the exchange's relevance and credibility.

The Government of Nepal has officially designated the Securities Board of Nepal (SEBON) as the regulatory authority for investment companies meeting specific financial criteria. This decision follows the authority granted by the Asset (Money Laundering) Prevention Act, 2064, and is based on the recommendation of the Coordination Committee. Under this new regulation, investment companies with a paid-up capital of NPR 50



million or more, or those with an annual transaction volume of NPR 100 million or more, must now register with SEBON. These companies must submit several key documents, including a formal application, updated company records, criminal clearance certificates, and audited financial statements, among other necessary paperwork.

This move aims to ensure greater regulatory oversight and compliance in Nepal's investment sector, with SEBON taking the lead in overseeing companies that have a significant financial presence.

Sector-Wise Sub-Indices	This Quarter Close	Previous Quarter Close	Change (%)
Finance	2,525.85	2,885.15	-12.45%
Mutual Fund	19.34	20.11	-3.83%
Manufacturing and Processing	7,015.13	6,625.97	5.87%
Micro Finance	4,808.58	4,891.02	-1.69%
Hydro	3,430.07	3,603.65	-4.82%
Trading	4,590.13	4,328.35	6.05%
Investment	111.21	100.23	10.95%
Development Bank	5,406.01	5,368.58	0.70%
Others	2,414.46	1,897.38	27.25%
Non-Life Insurance	12,274.14	12,483.93	-1.68%
Commercial Bank	1,355.12	1,367.80	-0.93%
Hotel and Tourism	6,447.16	6,554.01	-1.63%
Life Insurance	13,190.30	12,640.48	4.35%
NEPSE Index	2,662.08	2,594.13	2.62%

Sectoral Dissection

Banking Sector

This quarter, the banking sector grappled with rising Non-Performing Loans (NPLs), particularly in the construction sector, as COVID-19 relief measures and working capital loan concessions ended. NPLs have edged above 4%, raising concerns about financial stability, though net NPLs remain below 3%.

While interest rates remain on the lower side, liquidity in the banking system is in a comfortable position as of now. With an increase in non-performing loans & assets of the bank, their lending capacity might be stagnant. Assumptions that interest rates may rise soon have slowly started to surface. Despite these mixed signals, the outlook for the banking sector remains cautiously optimistic as it moves into the final quarter of



the year.

Hydropower

The energy sector took a major hit after the Supreme Court annulled recent amendments to the National Parks and Wildlife Conservation Act, 1973. The overturned changes had previously permitted regulated development, including hydropower projects, within these protected areas. As a result, the future of 267 hydropower projects totaling 19,736 MW is now uncertain.

According to the Independent Power Producers' Association, Nepal (IPPAN), the decision could cost the country over NPR 400 billion annually in lost investments, royalties, and taxes. It also jeopardizes the government's target of generating 28,500 MW by 2091 B.S, as outlined in its new Energy Development Roadmap. IPPAN warns that nearly 40,000 MW of hydropower potential, much of it located within protected zones, is now inaccessible and has called for urgent policy reconsideration.

In response, the Nepal Electricity Authority (NEA) is moving forward with the development of 33 pumped storage hydropower projects. These projects are considered more cost-effective and flexible than traditional run-of-river systems, offering better solutions for energy storage and grid stability. They are expected to help meet Nepal's growing energy demand more efficiently and reduce reliance on less predictable power sources.

As the sector grapples with legal, environmental, and investment challenges, finding a sustainable balance between conservation and energy development remains a key policy priority.

Hotels & Tourism

The tourism sector continues to face mounting challenges in the third quarter of the year. Tourist arrivals declined by 0.6% in February, marking the first drop since the post-Covid recovery began. This decrease is largely attributed to soaring airfares and limited flight availability, driven by the 10-hour nightly closure of Tribhuvan International Airport for taxiway expansion. The disruption has made travel planning difficult and discouraged visitors, particularly from key markets like India and China, which saw arrivals fall by 25% and 10%, respectively.

These struggles have been further compounded by ongoing political unrest, which has historically had a considerable impact on tourism. Recent protests during the peak tourist season disrupted travel plans and deterred potential visitors from coming to Nepal.

Despite these hurdles, efforts to revitalize the tourism sector are ongoing. Initiatives are being launched to promote off-season tourism and upgrade infrastructure to better accommodate the growing visitors. However, the industry's full recovery will largely depend on political stability and improved connectivity, particularly



with key international gateways.

Looking ahead, the tourism sector is prioritizing strategic investments in sustainable tourism, cultural experiences, and adventure travel. These initiatives hold promises of unlocking new growth opportunities in the remaining months of the year and supporting the sector's long-term revival.

Microfinance

Nepal Rastra Bank introduced major reforms through amendments to the Unified Directives 2079, aimed at strengthening governance in microfinance institutions. Shareholders with 1% or more ownership, along with their immediate family members, are now barred from holding employment positions within the institution, except as directors or CEOs. Those holding 5% or more are no longer eligible for CEO roles. The directives also restrict investments in organized financial instruments, with limited exceptions, and allow mergers between wholesale and retail MFIs under clarified guidelines.

Amid these regulatory updates, tensions escalated in the Mahottari district, where over 1,000 borrowers have resumed protests, citing the government's failure to implement a March agreement promising loan relief and protection from foreclosure. Borrowers report renewed pressure from MFIs, including property auctions and home visits. With no progress from the promised task force, calls for urgent government action continue to grow. As the sector moves forward, balancing regulatory reform with borrower protection remains critical.



How We View | Real Estate

This quarter has been a dynamic period for Nepal's real estate sector, characterized by shifting market sentiment and early signs of recovery. Following a prolonged downturn over the past three years, the sector is now showing encouraging indicators, particularly with the rising demand for real estate loans.

While meaningful economic transformation takes time, the uptick in credit demand suggests the potential for a positive trajectory in the coming quarters. It is also important to highlight that market performance has varied across regions, with growth largely concentrated in areas with higher population density and stronger urban demand.

Infrastructure Development

Hospitality Sector

Nepal's hospitality industry continues to gain strong momentum, driven by increasing domestic and foreign investment. According to the Hotel Association of Nepal (HAN), the sector has expanded its capacity to host over 3.5 million tourists concurrently. Several international hotel chains have entered the market, further enhancing Nepal's tourism infrastructure. Notable developments this quarter include:

- Mercure Hotel, a 5-star property in Susedhara, was inaugurated by Prime Minister KP Sharma Oli.
- Best Western Hotel, located in the Pashupati area, commenced operations with an investment of NPR 1.5 billion.
- In Rara, Rara Holdings in collaboration with Australia-based Expert Group began construction of a resort featuring a monorail facility, with a budget of approximately NPR 1.5 billion.
- In Bandipur, construction is underway on Hotel Queen Tower, a NPR 6 billion adventure resort that will include paragliding, rock climbing, and ziplining. The project is expected to launch by Jestha 2082.

Transportation Infrastructure

Progress in transportation remains a vital enabler for real estate development across the country. Key updates from the quarter include:

Gwarko Flyover: Despite structural setbacks and redesigns requiring partial dismantling, construction continues. The contractor is currently incurring a penalty of NPR 88,000 per day for delays.

Mugling–Malekhu Highway (39 km): Now 26% complete, with work ongoing despite the absence of road



closures. Completion is targeted at 48% by fiscal year-end.

Narayangadh–Butwal Highway: Improved from 55% to 66% completion, with most segments expected to be blacktopped by year-end. The Daunne section will be concreted for long-term durability.

Butwal–Palpa Tunnel Road: A major milestone was achieved with tunnel breakthrough and inauguration by Prime Minister Oli. Full operations are expected by next year.

Kathmandu–Terai Fast Track (70 km): Currently 38.26% complete with 39.84% of the budget utilized. Of the seven planned tunnels, two are completed and two are under construction. The project targets completion by the end of 2083 B.S.

Banking and Finance

The financial sector has shown greater flexibility in real estate lending this quarter. Interest rates for home loans have decreased, with first-time homebuyers securing average rates around 6.5%. Loan disbursements increased by 10% by the end of Chaitra, signaling cautious optimism.

While year-over-year growth has improved from a negative 0.5% last year, broader recovery will require additional support. Regulatory reforms, such as allowing foreign direct investment (FDI) and enabling property sales to foreign nationals, would further revitalize the sector.

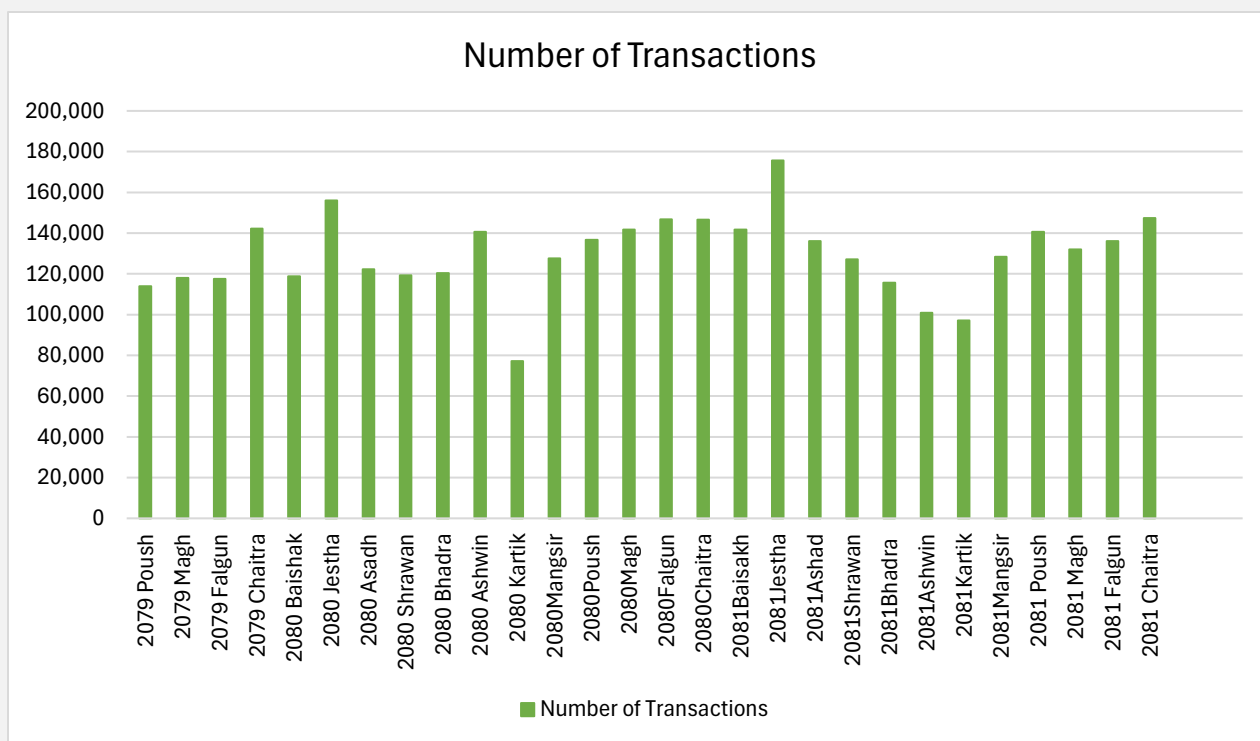
Positive indicators—including rising remittances and declining interest rates—suggest the sector may be poised for a turnaround. As the saying goes, “When all seems lost, the economy often rebounds.”

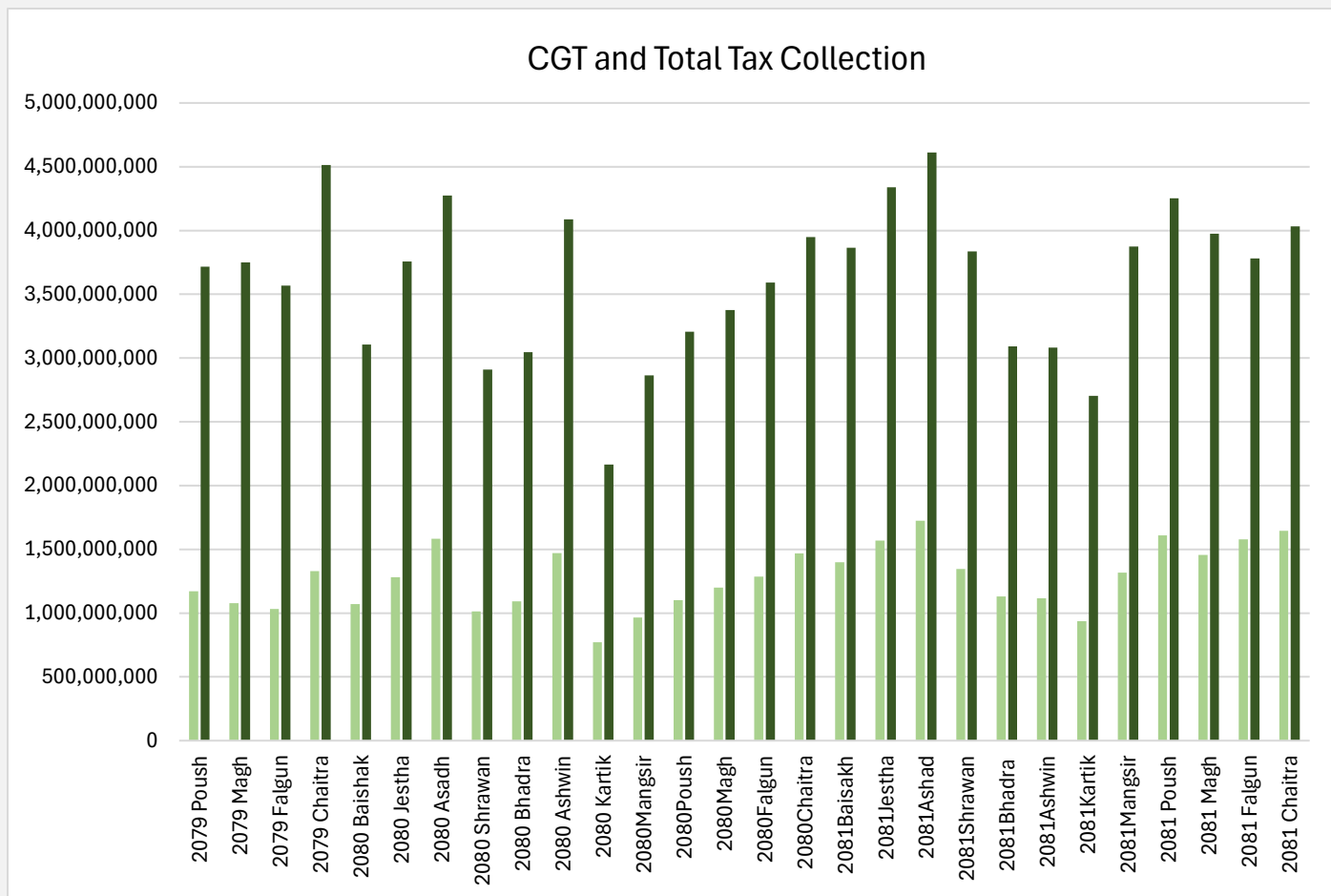


Transaction Records

Time	Number of Transactions	CGT	Total Tax collection
2081 Magh	132,031	937,791,820	2,704,046,645
2081 Falgun	136,046	1,316,343,714	3,874,826,976
2081 Chaitra	147,416	2,687,826,145	4,252,221,779

Time	Number of Transactions	CGT	Total Tax collection
2080 Magh	141,816	1,199,673,383	3,375,746,231
2080 Falgun	146,708	1,285,058,177	3,592,691,081
2080 Chaitra	146,650	1,469,107,142	3,948,136,816





Despite a slight year-over-year improvement, Nepal’s real estate sector continues to face structural headwinds. The uptick in transaction activity observed toward the end of the quarter appears to be driven more by settlements between financial institutions and borrowers than by organic market demand.

Although interest rates are currently at historic lows, transaction volumes remain relatively muted—highlighting subdued market sentiment. However, select urban centers such as Morang, Jhapa, and Kathmandu have shown encouraging activity, pointing to sustained interest in key economic corridors.

Migration data further supports this trend. Approximately 29.2% of Nepalis have relocated from their place of origin, with Kathmandu, Pokhara, and Chitwan emerging as primary destinations. The Bagmati region, in particular, has experienced notable growth, reinforcing Kathmandu Valley’s long-term potential as a real estate investment hub.



THIS QUARTER FOCUS

This Quarter Focus | From NEPSE to Next: Nepal's Dual Exchange Ambition

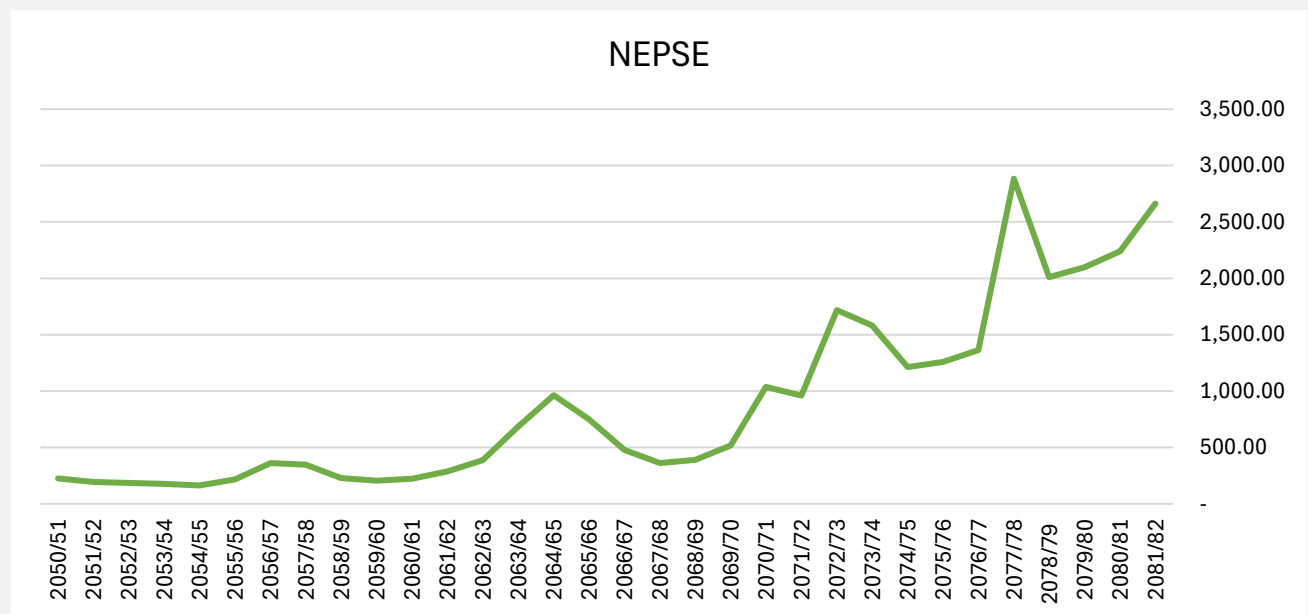
For over three decades, one name has stood at the center of Nepal's capital market: the Nepal Stock Exchange (NEPSE). Established in 1993 and opening its trading floor in 1994, NEPSE has been more than just a marketplace it has been the sole stage where the country's financial story has played out.

But every monopoly meets its moment. And now, the curtain is beginning to rise on a new act.

With the Supreme Court's dismissal of a petition challenging the licensing of a new stock exchange, the regulatory pathway is now clear for the entry of a second exchange in Nepal. Among the contenders—Himalayan Stock Exchange, Annapurna Stock Exchange, and National Stock Exchange—one is expected to secure the license.

What was once a solo performance may soon become a dynamic ensemble. And for Nepal's capital market, the next chapter is just beginning.

NEPSE: The Lone Player



The Nepal Stock Exchange (NEPSE) didn't emerge in isolation. Its origins trace back to the early 1990s, a transformative period when Nepal began shifting from a monarchy-centered economy to a more open, liberalized system. With the push for economic reforms came the need for a formal capital market, and in 1993, NEPSE was established with government backing support. A year later, its trading floor opened, listing



a handful of companies—primarily banks and state-owned enterprises.

NEPSE's journey is closely tied to Nepal's broader economic development. What began as a modest trading platform with a small investor base centered in Kathmandu has gradually evolved alongside the rise of the Nepali middle class and growing public interest in financial markets. Today, millions of Nepalese actively participate in the capital market, drawn largely to sectors like banking, which have historically driven trading volumes and investor enthusiasm.

However, NEPSE's position as the sole exchange has drawn criticism. The government maintains a majority stake of 58.66%, prompting concerns about bureaucratic interference and sluggish modernization. The exchange still offers only basic instruments—stocks and a limited number of bonds—without derivatives, futures, or other sophisticated financial products.

For many, NEPSE's monopoly feels more like stagnation than stability. With mounting calls for reform, the question arises: would a second exchange introduce healthy competition, or are there more effective ways to invigorate Nepal's capital market? The answer may lie not just in creating alternatives, but in modernizing, diversifying, and depoliticizing the system that already exists.

The Case for a Second Exchange

Nepal's capital market is stuck in neutral and NEPSE is a big part of the problem. For over 30 years, it's operated as the country's only stock exchange, but instead of evolving with the times, it's fallen behind.

Introducing a second stock exchange could act as a catalyst for structural reform in Nepal's capital market. By fostering competition, it would compel NEPSE to modernize its trading infrastructure, reduce transaction costs, enhance transparency, and improve service efficiency. Although sectoral eligibility for listing falls under SEBON's regulatory jurisdiction, a new exchange could differentiate itself by offering tailored listing frameworks, streamlined onboarding for non-traditional issuers (such as startups, tourism-based enterprises, and ESG-aligned firms), and targeted investor education.

Moreover, with the integration of faster settlement cycles (e.g., T+1 or T+0), competitive fee structures, and digital-first investor platforms, a second exchange could align Nepal's market architecture more closely with international best practices. Drawing lessons from multi-exchange ecosystems in countries like India and the United States, a dual exchange structure if properly regulated could enhance market depth, liquidity, and inclusivity, while reducing systemic friction and fostering innovation.

The idea isn't new. SEBON opened the door in 2022, credible applicants lined up, and a government-backed committee in 2023 gave the green light. The Council of Ministers even endorsed the plan in late 2024. And yet



nothing. Political tug-of-war and indecision have kept the proposal in limbo, wasting time and investor patience.

Still, a second exchange isn't the only path forward. Nepal could build specialized platforms under NEPSE for green finance or SME trading. Or it could pursue regional integration, allowing cross-listings and capital inflows from neighboring markets. But whatever the model, one thing is clear: the current setup isn't working.

Nepal's economy is changing, and its capital market needs to catch up fast. Whether through bold reforms or real competition, the system needs new energy, better governance, and a future-focused vision. NEPSE has had its time. Now, the question is: will Nepal choose progress or keep clinging to the past?

Reform vs. Readiness

Critics argue that splitting this relatively small and fragile market could backfire. One major concern is fragmented liquidity. With a limited pool of investors and companies, dividing trading activity between two exchanges might thin out volumes, increase volatility, and make capital raising harder for firms particularly smaller ones. Compared to our neighbors' multi-trillion-dollar exchanges, Nepal's market simply doesn't scream "ready for two."

There's also the issue of regulatory strain. The Securities Board of Nepal (SEBON) already faces difficulties in enforcing compliance and curbing existing issues. Doubling its oversight responsibilities could stretch its capacity and compromise market integrity. Financially, establishing a new exchange is resource-intensive requiring substantial investment in infrastructure, technology, and skilled manpower. In a country where public funds are critically needed for education, healthcare, and infrastructure, this could divert resources from more pressing priorities.

Further, the risk of investor confusion is real. Nepal's investor base is growing, but still relatively inexperienced and concentrated in a few sectors. A second exchange could complicate market navigation, slow participation, and disrupt investor confidence. Comparable economies like Sri Lanka and Bangladesh, with similarly sized or larger GDPs, have opted to strengthen their single exchanges before expanding. Nepal's 200 plus listed companies pale in comparison to India's thousands, making critics question whether the market has enough depth to support two platforms.

Despite these concerns, a dual exchange system could serve as a dynamic catalyst for capital market reform and expansion in Nepal. It would spark competition, encouraging NEPSE to innovate and upgrade its infrastructure. Even after launching the NEPSE Online Trading System (NOTS) in 2018, NEPSE lacks advanced tools like real-time analytics, derivatives trading, or a seamless mobile-first platform, which limits



its efficiency for investors. A competing exchange could address these shortcomings, much like India's National Stock Exchange (NSE), which, since its launch in 1992, revolutionized trading through technology and transparency, surpassing the Bombay Stock Exchange (BSE). Such competition could drive NEPSE to enhance liquidity and accessibility, strengthening Nepal's capital market and supporting broader economic growth.

Privatization: A Pragmatic Middle Ground?

As debates around a second stock exchange intensify, privatizing NEPSE has emerged as a compelling alternative to market fragmentation. Reducing the government's current 58.66% ownership could inject much-needed private-sector efficiency, drive technological upgrades, and enhance NEPSE's global standing potentially paving the way for full membership in the World Federation of Exchanges, where it currently holds only affiliate status. Notably, the Nepal Rastra Bank, which holds a 9.5% stake, has expressed openness to divestment, signaling institutional support for reform. However, resistance from entrenched interests and a lack of political consensus have slowed progress. Still, strategic privatization could modernize NEPSE without the complexities of launching a new exchange, offering a balanced, forward-looking solution that strengthens the existing market structure while fostering innovation and investor confidence.

Looking Ahead

Nepal's capital market is entering a pivotal phase of transformation. The Securities Board of Nepal (SEBON) has initiated discussions on major structural reforms, including the potential introduction of a second stock exchange and the privatization of NEPSE. Both proposals hold the potential to reshape the market either by fostering competition or by enhancing efficiency within the existing framework.

Yet beyond structural choices, the core priority must be building a capital market ecosystem that is transparent, resilient, and investor-centric. To compete regionally and support economic growth, Nepal must focus on deepening market capacity, strengthening regulatory institutions, and expanding access to capital especially for SMEs, green finance initiatives, and emerging sectors.

The debate should move beyond "one or two exchanges" and instead center on outcomes: improved investor confidence, diversified listings, modern infrastructure, and long-term value creation. Whether progress is driven through enhanced governance at NEPSE or a complementary platform, reforms must align with a broader vision one that supports an inclusive, adaptive, and future-ready capital market.

Ultimately, the decision must serve a single purpose: unlocking the full potential of Nepal's capital markets as engines of innovation, economic inclusion, and sustainable national development.



