PRESS RELEASE

MACHHAPUCHCHHRE CAPITAL LIMITED

November 2025

Rating

Instruments	Amount (NPR Mn)	Rating	Rating Action
Fund Management Quality Rating	NA	IRN AMC Quality 3	Reaffirmed

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the fund management quality rating of IRN AMC Quality 3 [IRN Asset Management Company Quality Three]. Fund managers with this rating are considered to have adequate ability to achieve fund objectives.

Detailed Rationale

The reaffirmation of rating assigned to Machhapuchchhre Capital Limited (MCL) factors in successful commencement and oversubscription[1] of its first close ended scheme- "MBL Equity Fund" (MBLEF) which was subsequently listed in market in May 2025. The rating also factors in strong performance of the scheme within a relatively short operating history. The rating also continues to factor in the company's strong promoter profile with majority shares being held by Machhapuchchhre Bank Limited (~70%), an A-class Commercial bank and remaining shares owned by various individual and institutional promoters spanning various sectors providing various technical and managerial support. The rating further derives comfort from presence of experienced board of directors, fund supervisors and well-experienced management team. The rating also factors in company's long track record of operation in portfolio management services and corporate advisory services (commenced operation since 2011 via Kriti Capital and Investments Limited) which provides the company an edge for fund management for its schemes. The rating also derives comfort from MCL's robust organizational framework and its continuous, structured training programs aimed at strengthening human resource capabilities, thereby enabling the team to effectively manage both existing and proposed mutual fund schemes. Growing investor appetite for mutual funds is expected to support the successful subscription of the company's planned open-ended scheme, Machhapuchchhre SIP Yojana. Furthermore, ongoing and proposed regulatory reforms are anticipated to broaden investment diversification opportunities while enhancing the depth and liquidity of the domestic capital market

Nonetheless, the rating remains constrained by the company's limited track record in MF management, which offers less autonomy compared to private fund management, as MF operations are governed by regulatory frameworks and the scheme's prospectus. The rating also factors in the challenges faced by investors in Nepal's market, stemming from the weakening asset quality and subdued profitability outlook of banks and financial institutions (BFIs), which constitute a significant portion of NEPSE. The rating is also affected due to volatile investment and regulatory environment amid political instability and limited avenues available for fund managers for diversification of investment, leading to a concentrated portfolio. Consequently, the company's ability to maintain prudent asset allocation (i.e., a balanced mix of equities, fixed-income investments, and cash) aligned with anticipated market movements will be pivotal in driving the performance of the proposed mutual fund scheme Machhapuchchhre SIP Yojana. The rating also remains constrained due to highly fragmented and competitive MF industry. Going forward, MCL's ability to achieve fund objectives and subscription of proposed schemes while safeguarding the scheme's NAV in a volatile market, and balancing risk and reward, will remain a key sensitivity

Detailed Description of Key Rating Drivers

[1] MBLEF was oversubscribed by ~1.35%, resulting in an allotted fund size of NPR 1.216 Bn against the proposed size of NPR 1.20 Bn.

Key Rating Strengths

Successful launch of its first scheme

MCL entered the mutual fund segment with the launch of its first scheme, MBL Equity Fund (MBLEF), a 12-year close-ended fund with an issue size of NPR 1.20 Bn and an allotted size of NPR 1.216 Bn, listed in May 2025 (Oversubscribed by ~1.35%). Within its short operating history, MBLEF has demonstrated strong performance, delivering annualized returns of ~20% up to mid-August 2025. However, the fund's performance has been significantly influenced by higher NAVs (NAV of 10.60 as on Mid-August 2025) driven by the bull market rally in NEPSE during July–August 2025, and its ability to sustain performance over a longer horizon remains a key monitorable. Ability of management to foresee healthy NAV growth in its first ever mutual fund scheme remains key rating sensitivity. However, the appointment of key management personnel with substantial experience in mutual fund operations offers comfort regarding the company's capability to effectively manage and navigate its mutual fund activities to an extent. Also, the ability of management to consistently deliver competitive returns and thereby sustain and expand the fund size of its proposed open ended scheme "Machhapuchchhre SIP Yojana" will remain a key rating sensitivity.

Strong ownership profile with experienced fund supervisors, BOD and management team.

MCL is a subsidiary of Machhapuchchhre Bank Limited (MBL) with a stake of ~70% followed by various institutional and individual promoters spanning various sectors including Life Insurance, Non-Life Insurance Business and private equities as of mid- July 2025. MBL has assumed the role of fund sponsor for the operational "MBL Equity Fund" with a fund size of NPR 1,216 Mn as well as for the proposed open ended scheme "Machhapuchchhre SIP Yojana" with initial fund size of NPR 500 Mn. The fund sponsor's commitment to its subsidiary is exemplified by sharing of the brand name and commitment for the seed capital[2] for the proposed mutual fund scheme. Furthermore, the adequate track record and experienced management of the fund sponsor is expected to support the operations of the proposed mutual fund scheme. The rating also takes notes of strong guidance provided by Board of Directors (BOD) led by Mr. Bishwambhar Neupane, Chairman having more than two decades of experience in the banking sector. The board is well supported by experienced management team led by CEO, Mr. Upendra Malakar. The rating also takes cognizance of MCL's continuous and structured training programs designed to enhance human resource capabilities, along with its ongoing CSR initiatives, which reflect the company's commitment to organizational development and social responsibility and is a rating positive.

Regulatory support for development of mutual fund industry and financial markets

The regulatory body for capital markets have introduced new regulations and multiple reform measures in recent years that have supported the growth of the financial markets along with mutual fund industry. The planned reforms for the industry by regulatory bodies such as participation of Non-Resident Nepalese in secondary market is expected to further support the growth and maturity of financial markets. The mandatory regulatory allocation to mutual fund schemes in IPOs along with tax exemption on their income has supported the performance of these schemes. Moreover, the Budget for FY23 has made a provision that requires companies with capital of NPR 1 Bn or above, turnover of NPR 5 Bn or above, or those that mobilize natural resources to be listed in the stock exchange and entry of established companies from the non-financial sector especially through book building process or IPO with premium is likely to increase the scope of investment diversification for mutual funds beyond the banking, insurance, and hydropower sectors. Hence, any moderation in such regulatory support would impact incremental fund performance.

Key Rating Weaknesses

Volatile operating environment

[2] 15% of the proposed fund size has been committed by MBL for both operational as well as proposed schemes.

The income and profitability of MCL and the managed funds are closely tied with the movement of the stock market, which has remained volatile over the years. Furthermore, the stock market is closely-linked with macroeconomic factors, liquidity, market sentiment, interest rates on fixed income securities along with various other external factors which are subject to change. Additionally, the stock market is highly cyclical and seasonal in nature, further aggravating the already volatile operating environment for MCL and its managed funds. Given the current market scenario, the ability to make prudent investment decisions while effectively navigating the stock market's volatility remains a key challenge for AMCs like MCL.

Limited investment diversification avenues

The mutual fund schemes launched so far mostly have made equity investments through the primary and secondary markets, predominantly in banks, financial institutions and hydro sector. Further, limited secondary transactions for bonds, debentures and other fixed income securities has created limitation in scope for investment and risk diversification. In this context, the ability of MCL to diversify investment across asset classes and sectors within equity segment, safeguard its Net Asset Value (NAV) during significant market downtrends and ability to adapt strategy as per evolving market conditions remains a challenge.

Evolving mutual fund industry with moderate attraction amongst investors

The mutual fund industry of Nepal is in its development phase with track record of just over a decade and represents ~1% of the Gross Domestic Products (GDP) of Nepal. A total of 63 mutual fund schemes have been launched till Mid-August 2025 and 14 close ended schemes have been liquidated after completion of their tenure. Currently, there are 39 close ended mutual funds and 10 open ended mutual funds with total AUM of ~NPR 66.51 Bn. Furthermore, there are 9 mutual fund schemes awaiting approval from the Securities Board of Nepal (SEBON), with a proposed AUM of ~NPR 9.3 Bn. Despite the development of the mutual fund industry, the interest from investors in mutual fund schemes remains moderate as reflected by the recent subscription rates for mutual fund schemes. Additionally, the development and retention of skilled and qualified human resources considering the current status of the industry remains a challenge for investment/merchant bankers like MCL.

Analytical Approach: Infomerics Nepal has applied its fund management quality rating methodology as indicated below.

Applicable Criteria:

Fund Management Quality Review Methodology

Link to past rating rationale:

Machhapuchchhre Capital Limited: Fund Management Quality Rating Assigned

About the Company:

Machhapuchchhre Capital Limited (MCL), a subsidiary of Machhapuchchhre Bank Limited, is a leading merchant banker in Nepal, licensed by the Securities Board of Nepal (SEBON) to offer underwriting, portfolio management, corporate advisory, and depository participant services. It was formed from the merger of Machhapuchchhre Capital Limited and Kriti Capital and Investments Limited in 2021, MCL has expanded its market expertise, capital base, and business scope, positioning itself as one of the largest portfolio management service providers and corporate financial advisors in the country. MCL recently obtained the license to operate a mutual fund scheme and MCL plans to operate in the capacity of fund manager and depository participant for the close ended scheme "MBL Equity Fund" and its proposed open ended scheme "Machhapuchchhre SIP Yojana".

Analyst Contacts

Mr. Raunak Mulmi
+977-1-4583304/4585906

raunak.mulmi@infomericsnepal.com

Ms. Ruchata Shrestha
+977-1-4583304/4585906
ruchata.shrestha@infomericsnepal.com
Relationship Contact

Mr. Rabin Pudasaini
+977-1-4583304/4585906
rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:
Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit https://infomericsnepal.com/

Infomerics Credit Rating Nepal Limited
Tanka Prasad Marga, Baneshwor Height, Kathmandu
Phone: +977-1-4583304/4585906
Email: info@infomericsnepal.com
Web: www.infomericsnepal.com

Disclaimer: Ratings assigned by Infomerics Nepal are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics Nepal reserves the right to change, suspend or withdraw the credit ratings at any point in time. Ratings assigned by Infomerics Nepal are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics Nepal is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.