

## PRESS RELEASE

### NIC ASIA CAPITAL LIMITED

July 2026

#### Rating

Instruments	Amount (NPR Mn)	Rating	Rating Action
Fund Management Quality Rating	NA	IRN AMC Quality 2	Assigned

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the fund management quality rating to IRN AMC Quality 2 (IRN AMC Quality Two). Fund Managers with this rating are considered to have high ability of the fund to achieve fund objectives.

#### Detailed Rationale

The rating assigned to NIC ASIA Capital Limited (NICCL) factors in the company's strong promoter profile with majority shares being held by NIC ASIA Bank Limited [[IRN BBB- \(Is\) @](#)] (~90%), an A class Commercial bank and remaining shares owned by various individual and institutional promoters 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 derives strength from company's long track record of operation in portfolio management services (since 2016) and comprehensive track record of operations in Mutual Fund with latest successful launch of its new scheme – NIC ASIA Equity Linked Investment Scheme (ELIS) bringing total funds managed to seven in its operating history. Likewise, the rating also factors in adequately established organizational structure for the management of its existing schemes. The rating also factors in the company's stable profitability profile in the FY21-FY25 and 9MFY26, driven by a period of uptrend in the secondary market and prudent investment strategies. The rating is further supported by the company's well-established presence in the Portfolio Management Services (PMS) and merchant banking segments, which contributes to a diversified revenue profile. Further, the company's MF schemes have sizeable cash reserves (~NPR 1 Bn i.e. ~15% of the consolidated AUM as of mid-April 2026), which could provide investment opportunities in the current sideways market scenario. The rating also derives comfort from the growing investor interest in mutual funds, as evidenced by the oversubscription of the last few mutual fund offerings to the public and increasing concentration of Mutual Fund segment in secondary market. Additionally, ongoing and proposed regulatory improvements alongside expectation of political stability with election of majority government are expected to enhance investment diversification opportunities and improve the depth and liquidity of the capital market.

Nonetheless, the rating remains constrained by the operational challenges amid largely volatile and sedate levels of benchmark index (NEPSE) in the last 36 months. The rating continues to be constrained by the significant deterioration in asset quality in BFI's sector wherein NICCL continues to hold majority of its portfolio (21% on consolidated basis as of Mid-April 2026) and expected spillover on profitability metrics of non-life insurance businesses due to claim reimbursement arising from recent Gen-Z protest wherein NICCL also has significant interest (23% on consolidated basis as of Mid-April 2026). The ratings also consider prevailing economic slowdown, albeit showing gradual signs of recovery, along with potential spillover risks arising from escalating geopolitical tensions in the Middle East. The ratings are also negatively affected by the fact that the performance of earlier mutual fund (MF) schemes would predominantly hinge on market trends, considering their restricted capacity for further diversification 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 operational mutual fund schemes. Similarly, the rating remains constrained due to highly fragmented and competitive MF industry. Going forward, NICCL's ability to achieve fund objectives while safeguarding the scheme's NAV in a volatile market, and balancing risk and reward,

will remain a key sensitivity. Likewise, company's ability to get its new proposed Mutual Fund scheme- a 10-year tenured close ended scheme 'NIC Balanced Opportunity Fund' of fund size ~NPR 100 Mn also remains key rating monitorable.

## Detailed Description of Key Rating Drivers

### Key Rating Strengths

#### Satisfactory fund performance so far

NICCL has till date managed seven schemes comprising of five closed-ended MF schemes (viz. NIC ASIA Growth Fund, NIC ASIA Balance Fund, NIC ASIA Select Fund 30, NIC ASIA Flexi Cap and NIC ASIA Growth Fund-2) along with two open-ended schemes (viz. NIC ASIA Dynamic Debt Fund and NIC ASIA Equity Linked Investment Scheme). NICCL's earlier launched schemes (NICBF and NADDF) have reported good performance so far with better risk adjusted returns, albeit the performance of the recently launched schemes (NICSF, NICFC and NICGF2) remains modest vis-à-vis schemes launched during similar time frame as of mid-April 2026 (impacted mainly by timing of investment). Further, NICGF<sup>1</sup> matured during FY25 with refund NAV of NPR 11.43 per unit and annualized return of ~14.19% (including dividend of 99.30%) during 7-year tenure. Additionally, the company's MF schemes have a sizeable cash balance (~15% of the consolidated AUM for all operational schemes as of mid-April 2026, albeit ~62% of this being with NICFC and with NADDF) thereby providing investment avenues in the current sideways benchmark levels. The company at present has AUM of ~NPR 6.75 Bn with significant investment in equity instruments at ~75% of its portfolio as on Mid-April 2026. The asset management company's (AMC's) ability to maintain/improve the fund performance, based on gradual deployment of cash balances, will remain monitorable.

#### Strong ownership profile with experienced fund supervisors

The company is a majority-owned (90%) subsidiary of NIC ASIA Bank Limited, whose extent of financial and technical support to the subsidiary continues to remain similar, despite the bank's weakening financial profile in recent years. The proven track record and expertise of the sponsor, along with the experienced management team overseeing NICCL's operations, provide assurance regarding the efficacy of its fund management practices. Additionally, the presence of seasoned fund supervisors with diverse sector experience further strengthens NICCL's ability to navigate the market effectively.

#### 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

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<sup>1</sup> NIC ASIA Growth Fund

## **Volatile Operating Environment**

The income and profitability of NICCL and the managed schemes are closely tied with the movement of the stock market, which has remained volatile over the years. This volatility is further aggravated by the stock market's tight interconnection with macroeconomic factors, liquidity, market sentiment, and interest rates on fixed-income securities, among other external variables that are subject to change. Moreover, the highly cyclical and seasonal nature of the stock market intensifies the already volatile operating environment for both NICCL and its managed schemes. 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 NICCL.

## **Limited Diversification avenues resulting in concentrated stock portfolio**

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. As a result, the equity investments of NICCL's operational schemes have remained concentrated towards insurance and commercial banks which represents ~69% of the stock holding for NICBF, ~73% of the stock holding for NICSF, ~55% of the stock holding for NICFC, ~60% of the stock holding for NICGF-2, ~59% of the stock holding for NADDF and ~33% of the stock holding of ELIS as on mid-April, 2026. Going forward, the ability of the fund manager to maintain adequate risk-reward ratios and moderation in sectoral concentration remains a key monitor-able.

## **Evolving mutual fund industry with intense competition**

The mutual fund industry of Nepal is in its development phase with track record of just over a decade and represents ~1.75% of the Market Capitalization of NEPSE as on mid-April 2026. A total of 71 mutual fund schemes have been launched till date in Nepal, with 14 schemes having liquidated after maturity. Currently, there are 43 close ended mutual funds and 14 open ended mutual funds with total AUM of ~NPR 84.63 Bn (Face Value ~NPR 80.20 Bn). Furthermore, 6 other mutual fund schemes are awaiting approval from the Securities Board of Nepal (SEBON) to raise ~NPR 5.00 bn. The introduction of these funds is significantly expected to increase the competition further. 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 NICCL.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Fund Management Quality Rating Methodology](#)

### **About the Company:**

Incorporated in 2016, NIC ASIA Capital Limited (NICCL) is an 90.00% subsidiary of NIC ASIA Bank Limited. NICCL is licensed by SEBON to provide investment banking services like mutual fund management, private placement, portfolio management and merchant banking services like issue management, depository participant, registrar to share (RTS) and underwriting services. NICCL is the fund manager and depository both for its six operational close-ended scheme, i.e., NICBF, NICSF, NICFC, NICGF-2, NADDF and ELIS. The company reported a net profit of ~NPR 116 Mn in FY2025 (Profit of NPR 76 Mn for 9MFY26) on an asset base of ~NPR 879 Mn as of mid-April 2026.

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