The Pulse

Market Growth, Risks and Outlook

Ashwin 2083

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Himalayan Capital

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Global Market

€	1.12 $ (-2.81%)
£	1.33 $ (-1.49%)
₹	94.69* (1.36%)
¥	158.15* (-1.84%)
A$	0.69 $ (-2.91%)
C$	0.70 $ (-1.90%)

S&P 500	7,659.44 (1.43%)
BSE SENSEX	74,729.27 (0.53%)
NIKKEI 225	63,490.30 (-1.49%)
FTSE 100	10,841.30 (1.53%)
DAX	25,476.10 (-0.31%)
CAC 40	7,956.69 (-2.14%)
HANG SENG	24,186.83 (-2.13%)
SSE COMPOSITE	3,716.28 (-4.51%)

*Values Per 1 $



Gold ($) Per Oz.
4,165.21 (-2.31%)



Bitcoin($)
81,531.74 (7.06%)



Brent Crude($)
Per Barrell
109.94 (2.91%)



Ethereum($)
2,420.96 (0.18%)

#All Changes are in MoM basis.

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Global Market Trends

The Ashwin 2083 snapshot shows a more mixed global market than the broad caution of Bhadra. Some share markets recovered, including the U.S., the U.K. and India, while others kept falling, including China, Japan, France, Germany, and Hong Kong. Gold fell for the second month in a row, oil kept rising but more slowly, and cryptocurrencies gained again. Overall, the worry seen in Bhadra has eased only partly, and investors are being choosy about where to put their money. The U.S. dollar also grew stronger against most major currencies.

The U.S. dollar gained against most major currencies this month. Only the Indian rupee gained, strengthening 1.36%. The dollar now buys 94.69 rupees, compared with 96.00 a month earlier. The other five currencies weakened. The euro fell 2.81% to 1.12, the British pound fell 1.49% to 1.33, the Australian dollar fell 2.91% to 0.69, and the Canadian dollar fell 1.90% to 0.70. The Japanese yen fell 1.84%, with the dollar now buying 158.15 yen compared with 155.29 a month earlier. This suggests investors are expecting fewer U.S. interest rate cuts in the near term. It also suggests that the extra demand for the yen as a safe place to hold money in Bhadra has faded. For Nepal, the stronger Indian rupee carries through directly because of the currency peg and gives some relief after Bhadra's pressure.

Share markets were mixed this month. The U.K.'s FTSE 100 rose the most, gaining 1.53% to 10,841.30. The U.S. S&P 500 followed, rising 1.43% to 7,659.44 and recovering part of its Bhadra loss. India's Sensex gained 0.53% to 74,729.27. Other markets were weaker. China's Shanghai Composite fell the most, dropping 4.51% to 3,716.28. France's CAC 40 fell 2.14% to 7,956.69, and Hong Kong's Hang Seng fell 2.13% to 24,186.83. Japan's Nikkei 225 fell another 1.49% to 63,490.30, continuing its decline from Bhadra. Germany's DAX was almost unchanged, slipping 0.31% to 25,476.10.

Commodities again moved in different directions. Brent crude oil rose 2.91% to 109.94 dollars per barrel, its highest level in this period. However, this rise was much smaller than Bhadra's 17.59% jump, so oil prices are still high but climbing more slowly. Gold fell 2.31% to 4,165.21 dollars per ounce, as the stronger dollar and fewer expected rate cuts made it less attractive. Cryptocurrencies kept rising despite the weaker mood elsewhere. Bitcoin gained 7.06% to 81,531.74 dollars, while Ethereum rose only 0.18% to 2,420.96 dollars, a much smaller gain than in Bhadra. For Nepal, which imports oil, crude prices near 110 dollars still make fuel imports costly, although the slower rise in prices and the stronger rupee ease the pressure a little compared with last month.

Overall, the Ashwin 2083 snapshot shows markets moving from broad caution to a more selective, uneven mood. Share markets in the U.S., U.K. and India recovered, while China, Japan and much of Europe stayed weak, so investors are choosing certain regions rather than buying shares everywhere. Gold's second straight fall shows that the dollar and interest rate expectations are still the main influence on

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its price. The main things to watch are whether the dollar keeps getting stronger, how quickly oil prices keep rising, and whether Bitcoin stays strong while shares are mixed. For Nepal, a stronger Indian rupee and a slower rise in crude prices make the picture a little less negative than in Bhadra. Fuel import costs are still high, so both global commodity prices and regional currency movements need close watching in the coming months.

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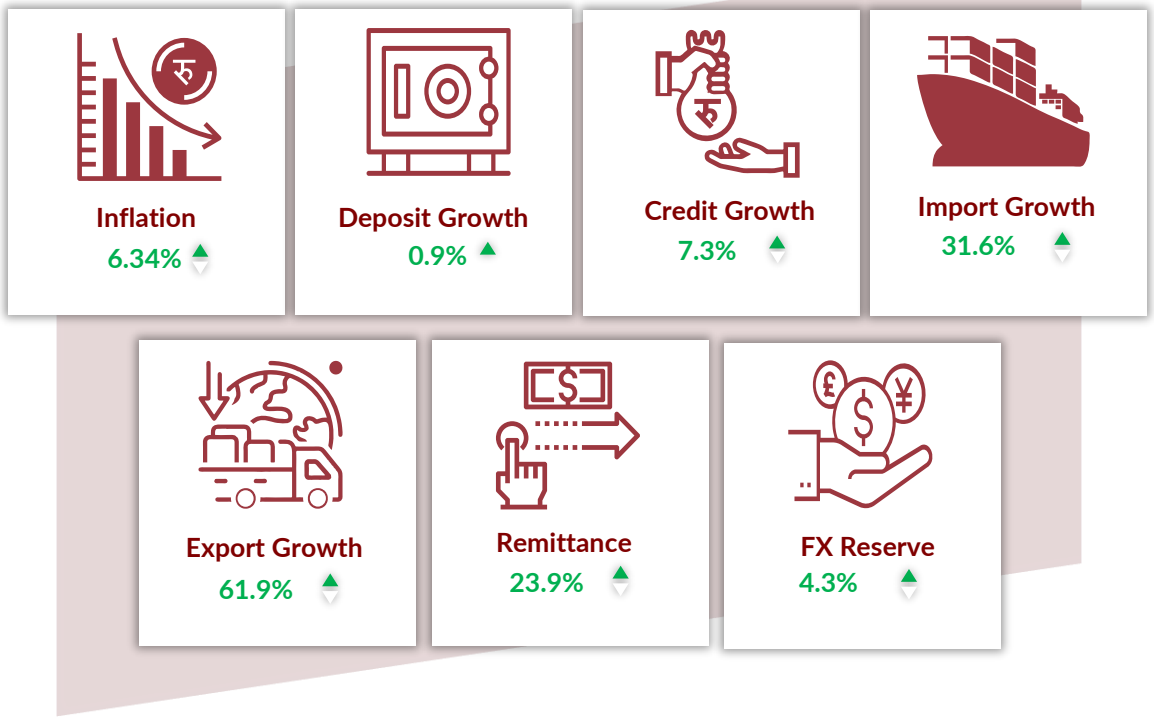
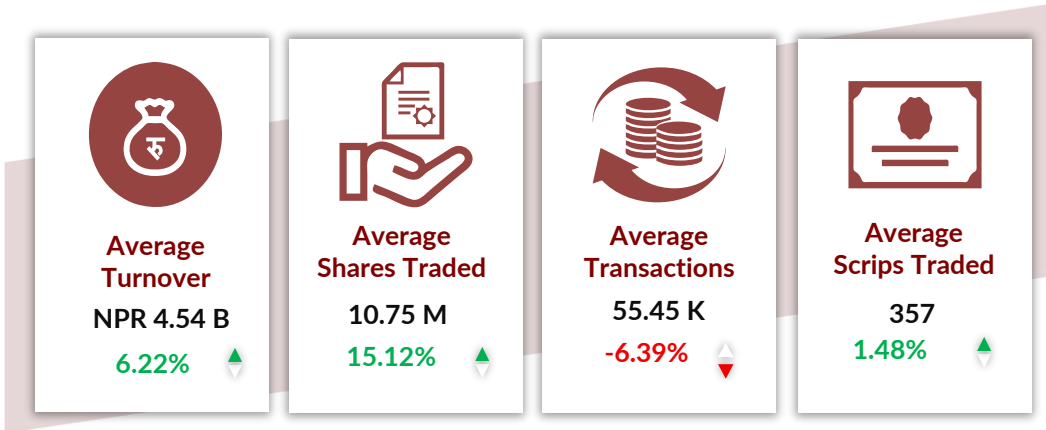
Macroeconomic



*Growth refers to the change based on two month data of FY 82/83 and FY 83/84,
*Credit refers to claims on the private sector,

Monthly Trading Statistics



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

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Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Bhadra-81	Shrawan-82	Bhadra-82	Ashwin 30	Kartik 11	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.96	2.27	2.46	1.55	1.55	-0.50	0.19	0.00
Wt.Avg 91 Days TB rate (%)	2.89	2.65	2.13	1.91	1.91	-0.76	-0.52	0.00
Wt.Avg 364 Days TB rate (%)	3.03	2.68	2.61	2.61	2.61	-0.42	-0.07	0.00
Wt. Avg Interbank Rate (%)	3.00	2.75	2.75	2.75	2.75	-0.25	0.00	0.00
CapEx (In Billion NPR)	14.89	0.72	6.35	18.36	20.04	-8.54	5.63	1.68

B. BFI Statistics

Description	Value As On					Change		
	Bhadra-83	Shrawan-84	Bhadra-84	Ashwin 30	Kartik 13	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	3.96	3.51	3.11	3.29	3.29	-0.85	-0.40	0.00
Wt. Avg Lending Rate (%)	7.66	7.70	6.38	6.64	6.64	-1.28	-1.32	0.00
Base Rate (%)	5.72	6.14	4.70	4.88	4.88	-1.02	-1.44	0.00
CD Ratio (%)	75.90	71.23	71.21	70.79	70.79	-4.69	-0.02	0.00
Fixed Deposits/Total Deposits (%)	47.60	35.43	34.61	35.20	35.20	-12.99	-0.82	0.00
Total Liquid Assets/Total Deposits (%)	23.76	37.78	37.58	38.11	38.11	13.82	-0.20	0.00

Public Debt Subscription

Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Average	Highest
28 Days	Shrawan 12	500.00	0.00	24	66	5.44	500.00	1.19	1.43	1.55
91 Days	Ashwin 6	2553.20	0.00	30	94	3.62	2553.20	0.85	1.01	1.10
182 Days	Ashwin 27	500.00	0.00	21	56	6.16	500.00	0.90	0.91	0.95
364 Days	Bhadra 2	200.00	0.00	22	61	8.98	200.00	1.95	1.95	1.95

*Figures are in 10 million NPR

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Sectoral Movement

Index	Bhadra 31,2083	Ashwin 30,2083	Change
NEPSE	2,612.42	2,634.17	0.83%
Banking SubIndex	1,478.89	1,574.47	6.46%
Life Insurance	11,642.71	11,939.62	2.55%
Mutual Fund	19.51	19.75	1.23%
Development Bank Index	5,452.40	5,511.01	1.07%
Microfinance Index	4,509.90	4,507.17	-0.06%
Manufacturing And Processing	10,620.39	10,589.93	-0.29%
HydroPower Index	3,611.01	3,561.87	-1.36%
Non Life Insurance	9,745.87	9,572.38	-1.78%
Trading Index	3,275.42	3,187.89	-2.67%
Finance Index	2,262.82	2,199.30	-2.81%
Investment	97.62	94.82	-2.87%
Hotels And Tourism	7,124.96	6,913.38	-2.97%
Others Index	1,838.53	1,776.04	-3.40%

Major Movers

GHL	26.54%	GAIN	HATHY	-32.34%
NLO	18.35%		SAPIL	-19.31%
LSL	17.08%		YMHL	-19.10%
MANDU	12.91%		SOPL	-19.08%
PHCL	11.77%	LOSS	RLEL	-18.97%

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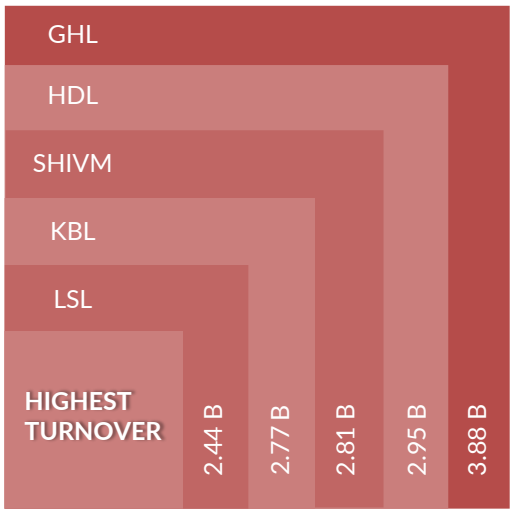
Sectoral Divergence-Turnover

Sectors	Last Three Month's avg	Monthly Avg	Divergence
NEPSE	4.56 B	4.85 B	6.22%
Commercial Banks	0.63 B	0.92 B	45.49%
Development Banks	0.24 B	0.20 B	-17.12%
Finance	0.16 B	0.10 B	-39.26%
Hotels And Tourism	0.10 B	0.09 B	-9.88%
Hydro Power	2.06 B	2.06 B	0.11%
Investment	0.23 B	0.27 B	21.46%
Life Insurance	0.10 B	0.12 B	19.36%
Manufacturing And Processing	0.60 B	0.66 B	9.39%
Microfinance	0.15 B	0.15 B	2.06%
Non Life Insurance	0.05 B	0.04 B	-18.58%
Others	0.08 B	0.06 B	-26.65%
Tradings	0.01 B	0.01 B	64.08%
Mutual Fund	0.01 B	0.01 B	9.04%
Bond and Debenture	0.06 B	0.05 B	-16.83%

Highest Turnover



Highest Volume



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NEPSE Outlook

Current Overview



On November 3, 2026, the NEPSE Index closed at 2,664.13, up 6.63 points (+0.25%), after opening at 2,655.55 and trading between 2,643.03 and 2,664.13. The session was a mild recovery after two sessions of profit-taking from last week's high near 2,710, and the index closed at the day's high, suggesting buyers absorbed the early dip. However, the index remains just below the key 2,685.59 Fibonacci level (50% retracement), which capped the recent rally.

Turnover stood at around NPR 5.65 billion, lower than the elevated levels seen during the late-October advance. The lighter participation on the pullback may suggest limited selling conviction, though a fresh rise in turnover would likely be needed to confirm a breakout.

The immediate resistance is likely at 2,685.59, followed by the recent swing high near 2,710. A sustained move above this zone could bring 2,750.86 (61.8% retracement) into consideration, with 2,843.78 as a possible next major level. On the downside, 2,620.33 (38.2% retracement) may act as immediate support, followed by the 2,560-retest zone. A break below 2,620.33 could expose 2,560, while weakness below that could bring 2,539.57 back into view.

RSI (14) reads around 60.00, above the neutral 50 and comfortably below the overbought threshold of 70. It has cooled from near 75 at last week's peak, which appears to have eased short-term overextension while keeping momentum in positive territory.

MACD remains positive, with the MACD line around 18.79, the signal line around 11.73 and the histogram around 7.06. The bullish crossover remains intact, though the flattening histogram may indicate that upward momentum is slowing rather than reversing.

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Overall, the tone appears cautiously positive with a potentially improving underlying trend. The trend line breakout, higher-low structure, and positive RSI and MACD may point to strengthening buying interest. The 2,685–2,710 zone, which also roughly aligns with the neckline of a potential inverse head-and-shoulders pattern, is likely to remain the key hurdle. A sustained close above it with rising turnover could support a move toward 2,750.86 and possibly beyond, whereas failure to hold 2,620.33 could lead to a deeper pullback toward 2,560. The outlook is likely to stay range-bound to cautiously bullish between 2,620 and 2,710 unless the index decisively clears the resistance zone.

Long-Term Overview



The NEPSE Index closed the week at 2,652.58, down 37.01 points (1.38%), after opening at 2,690.11 and trading between 2,639.23 and 2,691.10. It remains within the broad 2,450–3,050 range formed after the mid-2024 breakout. The index has repeatedly been capped near 2,970–3,050 and supported around 2,435–2,500, which points to an extended consolidation rather than a confirmed long-term downtrend.

Weekly momentum appears to be pausing after the rebound from near 2,510 stalled around 2,700–2,715. This week's bearish candle suggests supply re-emerged in the 2,680–2,720 zone. Even so, the index remains above the 38.2% Fibonacci retracement at 2,561.70, which has acted as the main pivot of the range since late 2024. Holding above 2,560–2,585 would likely keep the higher-low structure intact. Turnover of around Rs 25 arba remains well below breakout-phase levels, which suggests participation is not yet strong enough to support a sustained rally.

The macro-outlook is mixed after the Bhotekoshi River floods damaged hydropower, transmission, transport and other infrastructure. The World Bank expects growth to slow to 3.7% in FY 2026/27 before recovering to 5.2% in FY 2027/28 on reconstruction activity. Liquidity remains ample, but weak credit demand and cautious sentiment may delay its flow into the market.

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Capital-market reforms offer a medium- to long-term catalyst. The government's 21-point agenda is being followed by SEBON initiatives on margin lending, intraday trading, securities lending and borrowing, short selling and market infrastructure, and the intraday trading concept paper has already been published. Expanded NRN participation could broaden the investor base further. The impact on turnover and liquidity will depend on implementation and actual participation.

The long-term outlook remains cautiously constructive, while the near term is likely to stay range-bound and volatile. Technically, 2,560–2,585 is the first support to hold and 2,435–2,500 remains the key accumulation zone. A weekly close above 2,700, followed by a reclaim of 2,780–2,800, could strengthen the bullish case. A sustained breakout above 3,000–3,050 on rising turnover might signal a renewed uptrend. A decisive weekly close below 2,415 (50% retracement) could mark a Change of Character and may extend the correction towards 2,270–2,300, where the 61.8% retracement aligns with the former breakout zone.

SCRIP ANALYSIS

SuryaKunda Hydro Electric Limited (SKHEL)

- ### About the Company

Suryakunda Hydro Electric Limited generates and sells electricity through the Upper Tadi Khola Hydropower Project, an 11 MW run-of-river plant that sells all its output to the Nepal Electricity Authority (NEA) under a take-or-pay Power Purchase Agreement (PPA) signed on 2068/12/03. SKHEL was incorporated as a private company on 2064/02/30 and converted to a public limited company on 2080/03/21. It floats an Initial Public Offering (IPO) of 1,379,350 shares at par (Rs 100), equal to 20% of its Rs 689.67 million issued capital and raising Rs 137.9 million. Half goes to project-affected locals of Dupcheswor Rural Municipality (689,675 shares). The other half goes to the general public (689,675 shares), which includes reserved lots for Nepalis working abroad (68,965), employees (13,793) and mutual funds (34,484), leaving 572,431 for the open public. Kumari Capital is the issue manager and Muktinath Capital the underwriter. SEBON approved the prospectus on 2082/08/25 and the issue opens on 2082/10/18. The project reached its Commercial Operation Date (COD) on Shrawan 12, 2082, which was 437 days (about 14 months) after its Required COD (RCOD) of Jestha 4, 2081. The generation license runs from 2072/06/22 to 2107/06/21 (35 years, about 26 remaining), and the PPA runs 30 years from COD or until license expiry, whichever comes first. Contract energy of 61.32 GWh implies a plant load factor of roughly 60.59% on 11 MW.

The project is in Dupcheswor Rural Municipality, Ward 1 (the former Gyangphedi VDC), Nuwakot District, Bagmati Province. It draws from the Tadi Khola with a design discharge of 6.14 m^3/s, a gross head of 210 m and a minimum release of 0.208 m^3/s. The works include a 25 m diversion weir, a two-chamber settling basin,

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a penstock of about 2.46 km and a surface powerhouse. Two horizontal-axis Pelton turbines (5.5 MW each) drive 11 kV generators, with an overall efficiency of 87.4% and about 4% allowed for outages, losses, and self-consumption. Gross energy of 63.87 GWh becomes 61.32 GWh of contract energy. That splits into 10.43 GWh in the dry season (Poush–Chaitra) and 50.89 GWh in the wet season (Baisakh–Mangsir). A 16 MVA transformer steps power up to a 33 kV, 7 km line to NEA's Samundratar substation. Energy is sold on an availability-declaration basis, and SKHEL must supply at least 80% of contract energy each month or pay compensation. The project owns about 2.65 ha of private land (25 plots, mortgaged to the lenders) and uses 2.659 ha of buffer-zone forest of Langtang National Park, with no tree felling required. The all-risk insurance cover is Rs 1.87 billion with IGI Prudential for July 2025 to July 2026.

The project cost Rs 2,368.4 million including interest during construction, or Rs 215.3 million per MW. That is about 54% above the Rs 1,540 million estimated when the PPA was signed in 2068 (my calculation). The company attributes the overrun to delayed access-road upgrading and substation works, more than a year lost to COVID-19, floods and landslides, war-driven price rises, bank liquidity shortages, longer construction and higher interest, and IFRIC 12 accounting. A consortium led by Kumari Bank with Nepal SBI Bank estimated a Rs 1,727 million term loan. Rs 1,716.8 million had been disbursed by Asar-end 2082 (Rs 1,636.1 million outstanding), at 10.5% interest. IPO proceeds will repay lead-bank debt. The PPA tariff is Rs 4.80/kWh in the wet season and Rs 8.40/kWh in the dry season, with a 3% annual escalation allowed up to five times. Because COD slipped 6–18 months past RCOD, only four escalations apply, taking the tariff to Rs 5.38 (wet) and Rs 9.41 (dry). A delay penalty of about Rs 20.5 million is expected to be netted against NEA's bills. Royalty is Rs 100,000 per MW plus 2% of revenue for the first 15 years, then Rs 1 million per MW plus 10%. SKHEL gets a 100% income-tax exemption for 10 years of operation, then 50% for five years. The prospectus projects a project IRR of 11.76%, a simple payback of 7.71 years, a discounted payback of 16.00 years and a discounted B/C ratio of 1.11.

Financially, SKHEL had no revenue until FY 2082/83. It booked losses of Rs 0.39 million (FY 2079/80), Rs 2.41 million (FY 2080/81) and Rs 1.70 million (FY 2081/82, EPS Rs -0.31). At Ashar-end 2082, total assets were Rs 2,363.7 million, net worth Rs 522.9 million (Rs 94.77 per share) and non-current borrowings Rs 1,716.8 million. In the first quarter of operations (Shrawan 12 to Ashwin 2082, unaudited), revenue was Rs 70.66 million. Operating profit was Rs 31.84 million, finance cost Rs 24.68 million and net profit Rs 7.01 million, which gives an annualized EPS of Rs 5.08. That was a wet-season quarter, so it is not a run-rate. The company projects a net loss of Rs 15.84 million for FY 2082/83 (EPS Rs -2.30), then profits of Rs 31.46 million (EPS Rs 4.56) and Rs 47.24 million (EPS Rs 6.85). Net worth per share is projected at Rs 93.52, Rs 98.04 and Rs 104.82. No dividend is expected for now, and the company says it aims to pay attractive dividends after about three years. Projected operating cash flow of roughly Rs 294 million against about Rs 233 million of interest plus principal in FY 2083/84 implies a debt-service cover near 1.26x (my calculation). CARE Ratings Nepal assigned an issuer rating of

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[CARE-NP BB-] on 2082/08/02, valid until 2083/11/08, which signals moderate risk of default.

Api Power Company Limited holds 59.67% of paid-up capital (3,292,000 of 5,517,394 shares), and its wholly owned Api Holdings holds 1.67%. Other promoters above 1% are Dev Bahadur Juhachan (5.44%), Eda Gorkha Investment (2.54%), Sumitra Devi Neupane (1.81%) and Chudamani Nirola (1.27%). There are 609 promoter shareholders in total. Api Power operates about 62 MW of hydro and solar plants, including Upper Chameliya (40 MW), Naugad Gad (8.5 MW) and Upper Naugad Gad (8 MW). The board currently has three members: Chairman Sanjeev Neupane, Executive Director Madhusudan Koirala and Director Srijana Khadka. The public and independent seats are to be filled after the IPO. There are 26 permanent staff. The auditor is Milan Associates, and the financial projections were verified by Shishir B & Associates.

Following is the shareholding pattern of Suryakunda Hydroelectric Limited post IPO issuance:

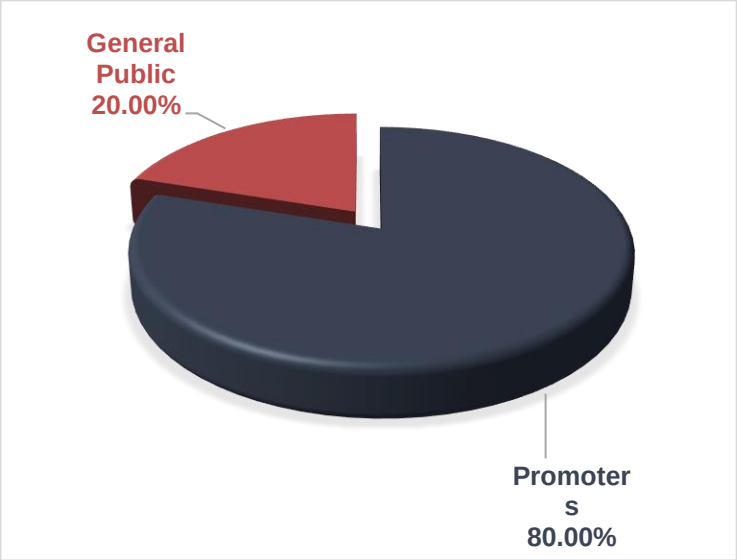

Fig – The shareholding structure of Suryakunda Hydro Electric Limited (SKHEL), post IPO Issuance.

Key details about the company:

Particulars	Details
Project Name	Upper Tadi Khola Hydropower Project
Project Location	Dupcheswor Rural Municipality, Nuwakot District
River Source	Tadi River
Types of project	Run of River
Installed capacity	11 MW
Total cost of project	R.s 2.37Billion
Cost per MW	NPR 0.215Billion

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Dry Energy Mix	17%
Plant Load Factor (PLF)	60.59%
Expiry date of license	6/21/2107 B.S.
RCOD (BS)	2081/02/04
COD (as per prospectus)	2082/04/12
Escalation	4 out of 5

• SWOT Analysis

Suryakunda Hydro Electric Limited (SKHEL), incorporated on 2064/02/30 and converted into a public limited company on 2080/03/21, is a single-project hydropower producer with a little over a year of commercial operation, ahead of its first public issue of 13,79,350 shares worth Rs 13.79 crore. SKHEL benefits from a 30-year take-or-pay Power Purchase Agreement with the Nepal Electricity Authority, valid until the generation license expires on 2107/06/21, for its 11 MW Upper Tadi Khola Hydropower Project, which began commercial operation on 28 July 2025. It also benefits from the backing of its promoter, Api Power Company Limited, which holds a 59.67% stake and operates 62.5 MW of hydro and solar assets, and from early profitability: unaudited Asoj 2082/83 results show EPS of Rs 5.08, with accumulated losses narrowing from Rs 28.86 million to Rs 21.85 million. The risk profile, however, includes a commercial operation date about 14 months after the revised RCOD, which brought a delay penalty of about Rs 20.54 million and cut tariff escalations from five to four. It also includes high leverage, with debt making up about 72% of total capital and interest absorbing about 53% of FY 2082/83 revenue, dependence on a single run-of-river plant that generates about 83% of its contract energy in the wet season, and a CARE-NP BB- (Is) issuer rating indicating moderate default risk. Going forward, the company's performance is likely to depend on generating its full contracted 61.32 GWh, on repricing its 10% consortium loan as interest rates fall, and on converting tariff step-ups and declining debt into the projected rise in earnings. It will also depend on managing its exposure to hydrological variability, flood and landslide damage to the headworks, the powerhouse and the 7 km 33 kV line to the Samundratar substation, rising royalties after year 15, and reliance on NEA as its sole buyer.

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- ## Valuation of the Company

We have applied the Discounted Cash Flow (DCF) method to estimate the fair value of Surya Kunda Hydropower Limited (SKHEL). This valuation approach estimates the intrinsic value of the company by projecting its future free cash flows and discounting them to their present value using an appropriate cost of capital. The DCF methodology is particularly well suited for operational hydropower companies such as SKHEL, where value is driven by long-term Power

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Purchase Agreement (PPAs), stable and predictable electricity generation, and the asset's ability to generate sustainable cash flows over remaining concession period. Accordingly, the DCF approach provides a robust assessment of SKHELL's intrinsic value by emphasizing its long-term cash-generating potential rather than short-term market price movements.

Discounted Cashflow Method (DCF)

Under this approach, the company's future free cash flows are projected based on key assumptions relating to electricity generation, hydrological conditions, tariff structure, operating and maintenance expenses, debt serving obligations and the remaining concession life and subsequently discounted to present value using the Weighted Average Cost of Capital (WACC). The method provides a comprehensive assessment of the company's underlying value by incorporating the time value of money and evaluating key value drivers such as generation performance, revenue realization, operating efficiency and capital structure.

However, the DCF method remains sensitive to key assumptions relating to generation estimate, hydrological variability, tariff escalations, operating costs, concession life and discount rate applied, all of which can materially influence the final valuation outcome. Despite these sensitivities, DCF continues to be one of the most widely accepted valuation methodologies for hydropower companies due to its forward-looking nature and emphasis on long-term cash flow generation.

Key Valuation Assumptions

Particular's	Value	Remarks
Adjusted Beta (β)	0.98	The adjusted beta from the company has been calculated by considering the beta of NEPSE with the Hydropower Index from the beginning of December 2018 to beginning of July 2026.
Market rate of return (Rm)	11.04 %	The market rate of return is taken considering the CAGR of NEPSE from the end of FY 2001/02 to the end of Chaitra FY 2025/26.
Risk free rate (Rf)	2.77 %	The latest development bond rate, namely "2086", with the rate 2.95%.
Cost of Equity (Ke)	10.84 %	As per the CAPM Model.
Cost of Debt (Kd)	10.58 %	Average lending rate of last 10 years.

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Weighted Average Cost of Capital (WACC)	9.14% to 10.65 %	WACC = wd .Kd+ we.Ke, where wd = (D/E)/(1+D/E)
Terminal Growth Rate	-	No growth rate have been assumed since the projects are handed to government at end of its license period.
Debt to equity Ratio (Post IPO)	71.64 %	Debt to Equity Ratio post IPO

Other Assumptions

- Revenue projections are assumed generation at 95.21% of the contracted Plant Load Factor (PLF), resulting in a PLF assumption of 60.59% throughout the forecasted period.
- Royalty expenses are projected in accordance with prevailing hydropower regulations, comprising a capacity royalty of NPR 100 per KW and a revenue royalty of 2% during the first 15 years of operation, increasing to NPR 1,000 per KW and 10% of revenue thereafter.
- Administrative expenses are assumed at 5% of annual revenue for the first period and are assumed to grow at 3% per annum till contracted period.
- Depreciation is provided on SLM basis as per IFRIC 12 service concession arrangements whereby the company has to allocate the project cost over the license period granted by Nepal government.
- Capital expenditures are assumed to occur every 5 year till completion of remaining period.
- No terminal value has been assigned in the valuation, as the project assets are assumed to be handed over to the Government of Nepal upon the expiry of the generation license, in accordance with prevailing hydropower regulations.

The final valuation of Suryakunda Hydro Electricity Limited based on the DCF Method has been computed and tabulated below.

Method	Valuation Per Share in NPR
DCF	107.36

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D. Technical Analysis



- Based on the daily chart, Suryakunda Hydro Electric Limited (SKHEL) appears to remain in a prolonged corrective phase after its sharp post-listing advance from the NPR 300 zone to a late-April peak of about NPR 2,200. Since then, the stock has formed a steady series of lower highs and lower lows. The July rebound to around NPR 1,100–1,120 appears to have stalled near the 0.618 Fibonacci retracement (about NPR 1,025) of the listing rally before the decline resumed. The stock is now trading around NPR 760, slightly below the 9-day EMA (NPR 762.03), and just above the 0.786 Fibonacci level (about NPR 705), which roughly coincides with the October low of NPR 700–720. Smaller candles and narrowing daily ranges in recent sessions may suggest that selling pressure is easing. However, the broader structure appears to remain bearish until the sequence of lower highs is broken.
- The RSI (14) reads 43.85, below the 50 midline but well above oversold territory, and it appears to have recovered from the low-30s reached in October. This may indicate that downside momentum is fading, though it has probably not yet turned positive. The MACD line (−16.66) remains below zero but appears to have moved slightly above its signal line, with a small positive histogram (8.08). This could point to an early, tentative improvement in short-term momentum rather than a confirmed reversal. Volume peaked during the April listing rally and seems to have faded steadily since, suggesting limited fresh buying interest. The latest reading (1.76K) likely reflects a partial session and may not be representative. A decisive close below the NPR 700–705 zone could weaken the base. Because there is little visible support below it, such a break may expose deeper levels towards the 0.886 Fibonacci level near NPR 515.
- On the upside, immediate resistance may be seen around NPR 762, at the 9-day EMA, followed by the NPR 850–870 zone, where the September highs and the 38.2% retracement of the July–October decline appear to overlap. A sustained close above NPR 870 with expanding volume could possibly open the way to NPR 960–1,025, which corresponds to the 61.8% retracement of the July–October decline and the major 0.618 level. However, the long-term downtrend and the sub-50 RSI suggest rallies may continue to face selling pressure. On the

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fundamental side, the project began commercial operation on 28 July 2025 under a take-or-pay PPA with NEA. However, the 14-month delay in reaching commercial operation brought a penalty of about Rs 20.54 million and the loss of one tariff escalation, and high leverage means interest is projected to absorb more than half of revenue. The prospectus projects EPS of Rs –2.30 for FY 2082/83 and Rs 4.56 for FY 2083/84, which implies a forward P/E of roughly 167x. At NPR 760, the stock also trades at about 7x the DCF value of Rs 107.36 and nearly 8x its book value of about Rs 96, which may limit valuation comfort and could keep the post-listing premium unwinding. Overall, the stock appears to be testing a key Fibonacci support with a cautious-to-bearish bias. A confirmed recovery would probably require a close above NPR 850–870 with sustained buying.

E. Conclusion and Recommendation

Suryakunda Hydro Electric Limited (SKHEL) appears to represent a newly operational hydropower company whose sole asset, the 11 MW Upper Tadi Khola Hydropower Project in Nuwakot, has been in commercial operation since Shrawan 12, 2082. A 30-year take-or-pay Power Purchase Agreement (PPA) with the Nepal Electricity Authority for 61.32 GWh a year, together with a generation license valid until 2107/06/21, may provide long-term revenue visibility. The backing of Api Power Company Limited, which holds a 59.67% stake and operates about 62 MW of hydro and solar assets, could add operational and financial support. Financially, the first quarter of operations (unaudited) delivered net profit of Rs 7.01 million, or an annualized EPS of Rs 5.08, and accumulated losses narrowed from Rs 28.86 million to Rs 21.85 million. This could suggest that the plant has begun converting generation into earnings. The 10-year income-tax holiday and the upgrade of the issuer rating from B+ to CARE-NP BB- (Is) may further support this view, reflecting reduced construction risk now that the project is operating.

That said, SKHEL's investment profile may remain constrained by several structural factors. Commercial operation came about 14 months after the required date. This brought a delay penalty of about Rs 20.54 million and cut tariff escalations from five to four, permanently capping the tariff at Rs 5.38 (wet) and Rs 9.41 (dry) per kWh. The company depends on a single run-of-river plant with no water storage, so earnings would likely remain exposed to hydrology and seasonality. Only about 10.43 GWh of the 61.32 GWh annual contract energy falls in the higher-tariff dry season. The first-quarter profit came from a wet-season period and is therefore unlikely to be a run rate. The company itself projects a net loss of Rs 15.84 million (EPS Rs –2.30) for FY 2082/83 before a gradual rise to EPS of Rs 4.56 and Rs 6.85. Leverage also remains high, with debt making up about 72% of total capital and interest likely to absorb more than half of revenue. This leaves earnings sensitive to interest-rate movements and debt-service cover at a modest 1.26x or so. The BB- rating indicates moderate default risk. Dependence on NEA as the only buyer, rising royalties after year 15, and exposure to floods and landslides along the headworks, penstock and the 7 km 33 kV line to Samundratar could add to operational risk, particularly as the plant

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lies within the wider Trishuli catchment. Any change in PPA terms, royalties or taxes would be a further matter worth tracking.

On the valuation front, the prevailing market price of NPR 760 implies a multiple of roughly 150 times annualized first-quarter EPS. On projected FY 2083/84 EPS of Rs 4.56, the multiple is about 167 times, and the company expects a loss for the current year. The price also stands at about 7 times the DCF value of Rs 107.36 and nearly 8 times the book value of about Rs 96 per share. At this price, the market capitalization is close to NPR 5.24 billion, or roughly NPR 476 million per MW of installed capacity. That is more than twice the project's construction cost of about NPR 215 million per MW, and it appears to sit at a very considerable premium to what a single 11 MW project may justify on earnings. Only 20% of the capital was issued through the IPO, and half of that went to project-affected locals, so the present price may be supported more by scarcity of tradable float and post-listing speculative interest than by underlying fundamentals. Technically, the stock appears to remain in a prolonged corrective phase after its late-April peak near NPR 2,200, with a series of lower highs and lower lows. It is now testing the 0.786 Fibonacci support near NPR 705, which roughly coincides with the October low. The stock is trading just below its 9-day EMA (NPR 762.03), and the RSI (14) at 43.85 remains under the midline. The MACD shows only a tentative positive crossover below zero, which may point to easing selling pressure rather than accumulation. A decisive close below NPR 700–705 could expose the stock towards the NPR 515 region.

Overall, SKHEL may offer exposure to an operating hydropower asset with a take-or-pay PPA, a strong promoter, an upgraded credit rating and an early profitable quarter. Even so, the risk-reward balance at current levels may be unfavourable. The earnings base diverges widely from the prevailing market price, and the delay has already cost a tariff escalation. Single-asset and seasonal concentration, high leverage and a still-bearish technical structure add to the concern. Accordingly, a cautious investment stance may be warranted at prevailing prices. Existing holders may consider using strength towards the NPR 850–870 zone to review or trim exposure. Prospective investors may prefer to wait for several conditions before considering fresh entry: a meaningful price correction towards levels closer to fundamental value, and audited full-year results confirming generation close to contract energy. Progress in reducing or repricing debt, and confirmation of volume-backed support above NPR 700 or a sustained close above NPR 850–870, would also help.

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ISSUE OF THE MONTH

The Efficient Market Hypothesis

Every investor who buys a share is making a quiet bet: that the price on the screen is wrong, and that they know something the market has not yet priced in. The Efficient Market Hypothesis (EMH) asks whether that bet can be won consistently. If prices already reflect all available information, then studying charts, reading annual reports or waiting for the next quarterly result should not, on average, deliver returns above what the risk of the stock justifies.

The question matters more than it first appears. It decides whether active stock selection is worth its cost, how much weight a valuation deserves when it disagrees with the market price, and how regulators should think about disclosure and insider trading. For NEPSE investors, who have watched the index move within a broad 2,450 to 3,050 range for more than two years while individual stocks have swung far more widely, it is a practical question rather than an academic one.

A. The Theory

The Efficient Market Hypothesis was formalized by Eugene Fama in 1970. In his words, a market is efficient when prices "fully reflect" all available information. The logic rests on competition. If a share were obviously underpriced, informed investors would buy it, and their buying would push the price up until the opportunity disappeared. If it were overpriced, selling would push it down. In a market with many well-informed participants, mispricing should therefore be small and short-lived.

A direct consequence is that prices should move only when new information arrives. Because genuinely new information is, by definition, unpredictable, price changes should also be unpredictable. This is the idea of the random walk:

P_t = P_{t-1} + \varepsilont

Here P is the price and ε is a random shock with no pattern, so today's price change offers no reliable guide to tomorrow's. EMH does not claim that prices are always "right" or that no investor ever beats the market. It claims that no investor can beat it consistently, after adjusting for risk and costs, using information that is already available.

B. The Three Forms of Efficiency

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Fama separated efficiency into three forms, depending on how much information prices are assumed to reflect. Each form contains the one before it, so a market that is strong-form efficient is also semi-strong and weak-form efficient.

Form	Prices reflect	What would stop working
Weak	All past prices and trading volume	Technical analysis: charts, moving averages, RSI and similar indicators
Semi-strong	All publicly available information, including financial statements, dividends, ratings and news	Fundamental analysis based on published information
Strong	All information, public and private	Even insiders could not earn consistent abnormal returns

In practice, few people argue that any market is strong-form efficient. Insider trading laws exist precisely because those with private information can profit from it. The real debate is about the weak and semi-strong forms: whether chart patterns repeat often enough to exploit, and how quickly prices absorb a quarterly result, a bonus announcement or a rating change.

C. How Efficiency is Tested

Testing EMH means asking whether returns can be earned above what risk alone would justify. That requires a benchmark for the expected return, and the Capital Asset Pricing Model discussed in last month's issue is the most common one:

$$E(R_i) = R_f + \beta_i \times (R_m - R_f)$$

Using the inputs from last month, a development bond rate of 2.95% and a NEPSE CAGR of 11.07%, a stock with a beta of 1.0 would be expected to return about 11.07% a year. The abnormal return is simply what the stock actually earned minus this expected figure:

$$AR_{i,t} = R_{i,t} - E(R_{i,t})$$

Weak-form tests check whether past returns predict future ones, using autocorrelation, runs and variance-ratio tests. Semi-strong tests use event studies, which add up abnormal returns in the days around an announcement. In an efficient market, the price adjusts almost entirely on the announcement day. A gradual drift over the following weeks suggests the information was absorbed slowly, which an alert investor could have exploited.

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D. Limitation of the theory

EMH is a useful benchmark, but it rests on assumptions that real markets often fail to meet.

- **Investors are not always rational.** Behavioural finance documents systematic biases: overconfidence, herding, anchoring to past prices and the tendency to extrapolate recent gains. When many investors share the same bias, prices can drift away from fundamental value for long periods.
- **Arbitrage has limits.** Correcting a mispricing requires capital, the ability to sell short and the patience to wait. Where short selling is not allowed, an overpriced stock can only be corrected by holders choosing to sell, so overvaluation tends to persist longer than undervaluation.
- **Bubbles and crashes happen.** Episodes such as the dot-com bubble and the 2008 crisis are hard to reconcile with prices always reflecting fundamentals, even if each was clear only in hindsight.
- **Information is costly.** Grossman and Stiglitz pointed out a paradox: if prices already reflected everything, no one would pay to gather information, and without that research prices could not become efficient. Some inefficiency must remain to reward the people who make markets efficient.
- **The joint-hypothesis problem.** Any test of efficiency also tests the model used to define the expected return. An apparent abnormal return may mean the market is inefficient, or simply that CAPM measured risk poorly. The two cannot be fully separated.

None of these points proves that markets are easy to beat. They suggest instead that efficiency is a matter of degree, and that it varies across markets and over time.

E. Relevance in Current Nepali Market

The available evidence suggests that NEPSE is not yet weak-form efficient, at least on daily data. A study of daily NEPSE and sub-index returns from January 2019 to January 2021 rejected the random walk on most of its five tests. A more recent study covering July 2020 to April 2025 across NEPSE and 12 sectoral indices reached the same conclusion for daily returns, with mixed results on weekly data. Past prices therefore appear to carry some information about future prices, which may help explain why technical analysis remains widely followed.

Several features of the market as of Aswin 2083 are likely to contribute to this:

Retail dominance and herding. Trading is driven largely by individual investors, so sentiment and momentum may carry prices further than fundamentals justify. Newly listed hydropower shares have often climbed to several times their issue

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price on consecutive upper-circuit days, only to give back much of the gain over the following months.

No short selling yet. Without short selling or securities lending, an overpriced stock can only fall when holders choose to sell. This limit to arbitrage may allow overvaluation, especially in small-float stocks, to persist.

Daily price bands. Circuit limits protect against panic but can also spread a single piece of news over several sessions, creating the kind of short-term predictability that weak-form tests detect.

Uneven information flow. Prices often appear to move ahead of bonus, dividend and right-share announcements. This could reflect informed anticipation, but it may also point to information reaching some investors before others, which bears on the semi-strong and strong forms.

The reform agenda could gradually change this picture. SEBON is working on margin lending, intraday trading, securities lending and borrowing, and short selling, and the intraday trading concept paper has been published. On Ashwin 29, 2083, SEBON and the NEPSE Board began discussing the restructuring of NEPSE's ownership, governance, technology and trading systems. Short selling in particular would let pessimistic views enter prices, and wider NRN and institutional participation could deepen price discovery. Intraday trading may add liquidity but could also add short-term noise. The effect on efficiency is likely to depend on how these measures are implemented.

F. What Investors May Wish to Consider

If NEPSE is less than fully efficient, opportunities may exist, but so do traps. The same forces that create mispricing, herding and slow information flow, can keep a stock mispriced far longer than an investor can wait. A share that looks cheap may stay cheap, and one that looks expensive may become more expensive before it corrects.

A few practical points follow:

Treat market price and value as separate questions. A price set by momentum after listing may say little about the cash flows a company can generate. Valuation work is most useful precisely when the two diverge.

Expect inefficiency to shrink. Each reform that adds short selling, institutional money or faster disclosure is likely to erode simple patterns. Strategies that worked in the past may work less well in future.

Account for costs. Brokerage, SEBON fees, capital gains tax and the price impact of trading in thin stocks can absorb much of a small abnormal return.

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Diversify. Where prices are noisy, a single stock can be driven by sentiment for months. A spread of holdings reduces the cost of being wrong about any one of them.

The sensible conclusion is not that markets are either perfectly efficient or easy to beat. Efficiency is better seen as a spectrum on which NEPSE currently sits closer to the less efficient end. That position may reward careful, patient analysis, but it is also likely to keep shifting as the market deepens.

HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR	TICKER	CAGR
	AKJCL	88.66%
	RIDI	58.87%
	GHL	54.75%
SiddharthaBank	SBL	50.39%
BIKASH	BHCL	44.51%

PAST 3 YEARS	TICKER	CAGR
	SAMAJ	179.19%
Bottlers Nepal Limited	BNL	81.32%
NRN	NRN	76.22%
आत्मनिर्भर लघुवित्त वित्तीय संस्था लिमिटेड Aatmanirbhar Laghubitta Bittiya Sanstha Limited	ANLB	-8.91%
	RADHI	54.84%

PAST 5 YEARS	TICKER	CAGR
Bottlers Nepal Limited	BNL	50.61%
NRN	NRN	28.86%
CEDB Holdings Limited	CHDC	28.15%
Soaltee Hotel Limited	SHL	26.94%
NEPAL LUBE OIL LIMITED	NLO	26.70%

PAST 10 YEARS	TICKER	CAGR
Salt Trading Corporation Limited	STC	61.41%
	HDL	40.53%
NEPAL LUBE OIL LIMITED	NLO	25.67%
Bottlers Nepal Limited	BNL	24.57%
मेरोमाइक्रोफाइनान्स MEROMICROFINANCE LAGHUBITTA BITTIYA SANSTHA LTD.	MERO	23.21%

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Key Dates

Scrip	Issue Type	Quantity	From (AD)	To (AD)	Issue Manager
MNMF2	Mutual Fund	100,000,000	9/17/2026	9/24/2026	MUKTINATH CAPITAL LIMITED
Beni hydropower project ltd	IPO	8,63,200	9/07/2026	9/11/2026	NMB CAPITAL LIMITED

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Himalayan Capital Limited
IT Plaza, Kamaladi, Kathmandu,
Contact: 01-5970675
www.himalayancapital.com
info@himalayancapital.com

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