

The Pulse

Market Growth, Risks and Outlook

Jestha 2083

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Himalayan Capital

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Global Market

€	1.16 \$ (-1.23%)	S&P 500	7,431.45 (-0.93%)
£	1.34 \$ (-0.88%)	BSE SENSEX	75,527.95 (0.17%)
₹	95.19* (0.56%)	NIKKEI 225	67,232.20 (6.73%)
¥	160.22* (-1.50%)	FTSE 100	10,467.69 (1.02%)
A\$	0.70 \$ (-2.89%)	DAX	24,635.30 (0.73%)
C\$	0.71 \$ (-2.04%)	CAC 40	8,350.88 (3.32%)
		HANG SENG	24,718.10 (-6.33%)
		SSE COMPOSITE	4,031.51 (-3.50%)

*Values Per 1 \$

	Gold (\$) Per Oz. 4,218.97 (-9.26%)		Bitcoin(\$) 65,726.04 (-18.91%)
	Brent Crude(\$) Per Barrell 85.77 (-17.20%)		Ethereum(\$) 1,725.22 (-24.41%)

#All Changes are in MoM basis.

Global Market Trends

The Jestha 2083 snapshot reflects a more mixed global market environment compared to the broad-based optimism witnessed in Baisakh. While major equity markets remained relatively resilient, sharp corrections in commodities and digital assets indicate growing investor caution amid evolving geopolitical developments, persistent trade uncertainties, and concerns over the pace of global economic growth. Overall, market sentiment remained constructive but increasingly selective across asset classes.

Currency movements during the period reflected mixed performance against the U.S. dollar. Most major currencies, including the euro, British pound, Australian dollar, and Canadian dollar, weakened during the month, highlighting continued preference for dollar-denominated assets. The Japanese yen also depreciated against the dollar, although the decline largely represents a correction following the appreciation recorded in previous months. In contrast, the Indian rupee appreciated by 0.56%, demonstrating relative stability after experiencing repeated depreciation against the U.S. dollar in recent months. For Nepal, the strengthening of the Indian rupee provides some support to the Nepalese rupee under the currency peg arrangement and may help moderate imported inflation pressures.

Global equity markets displayed divergent performance during Jestha. Japan emerged as the strongest-performing major market, with the Nikkei 225 advancing by 6.73%, supported by strong corporate earnings, sustained foreign investor participation, and continued progress in corporate governance reforms. European markets also remained resilient, with the CAC 40, FTSE 100, and DAX posting gains, reflecting improving investor confidence and expectations of accommodative monetary conditions. India's Sensex recorded a modest gain, supported by favorable domestic fundamentals. In contrast, U.S. equities experienced a mild correction, while Chinese and Hong Kong markets remained under pressure amid concerns over sluggish domestic demand and persistent structural challenges. Compared with Baisakh, global equity performance became increasingly selective, with investors favoring markets with stronger earnings visibility and economic resilience.

Commodity markets witnessed a sharp correction during the month. Brent crude oil prices declined by 17.20%, driven by softer global demand expectations and improving prospects for diplomatic engagement between the United States and Iran, which raised expectations of additional oil supply and eased concerns over disruptions through the Strait of Hormuz. Gold prices also fell by 9.26%, extending the correction that began after reaching record highs earlier in the year and peaking again around April. Moderating geopolitical risks and easing inflation concerns reduced safe-haven demand and contributed to further weakness in gold prices. For oil-importing economies such as Nepal, lower energy prices are generally favorable as they help reduce import costs and inflationary pressures.

Digital assets were among the weakest-performing asset classes during Jestha. Bitcoin and Ethereum declined by 18.91% and 24.41%, respectively, reflecting reduced speculative activity and increasing investor caution toward high-risk assets. The broad-based correction indicates a moderation in risk appetite and a shift toward more fundamentally supported asset classes.

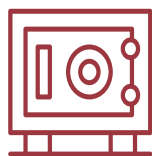
Overall, the Jestha 2083 snapshot suggests that global financial markets remained supportive for equities despite heightened volatility across commodities and digital assets. Strong gains in Japan and resilience in European markets indicate that confidence in corporate earnings and economic fundamentals remains intact in several major economies. However, weakness in Chinese equities, declining commodity prices, and sharp corrections in cryptocurrencies point to growing concerns regarding the global growth outlook. For Nepal, lower crude oil prices and the modest appreciation of the Indian rupee provide a favorable backdrop for inflation management and external sector stability, although geopolitical developments and slowing growth in key economies remain important risks to monitor in the coming months.

Macroeconomic



Inflation

5.04% ▲



Deposit Growth

16.01% ▲



Credit Growth

6.47% ▲



Import Growth

14.82 ▲



Export Growth

14.25% ▲



Remittance

41.17% ▲



FX Reserve

47.42 % ▲

*Growth refers to the change between ten-months data of FY 81/82 and FY 82/83,

*Credit refers to claims on the private sector,

Monthly Trading Statistics



**Average
Turnover**

NPR 4.62 B

-39.57% ▼



**Average
Shares Traded**

10.81 M

-41.66% ▼



**Average
Transactions**

55.27 K

-39.41% ▼



**Average
Scrips Traded**

347

0.99% ▲

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

Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Baisakh-82	Chaitra-82	Baisakh-83	Jestha 29	Ashad 5	YOY	MOM	WOW
WtAvg 28 Days TB rate (%)	2.96	1.65	1.65	1.65	1.65	-1.31	0.00	0.00
WtAvg 91 Days TB rate (%)	2.95	2.61	2.63	2.64	2.63	-0.32	0.02	-0.01
WtAvg 364 Days TB rate (%)	3.03	2.47	2.67	2.72	2.67	-0.36	0.20	-0.05
Wt Avg Interbank Rate (%)	3.00	2.75	2.75	2.75	2.75	-0.25	0.00	0.00
CapEx (In Billion NPR)	120.38	96.20	113.85	132.66	137.33	-6.53	17.65	4.66

B. BFI Statistics

Description	Value As On					Change		
	Baisakh-82	Chaitra-82	Baisakh-83	Jestha 29	Ashad 5	YOY	MOM	WOW
Wt Avg Deposit Rate (%)	4.37	3.40	3.35	3.35	3.35	-1.02	-0.05	0.00
Wt Avg Lending Rate (%)	8.11	6.77	6.73	6.73	6.73	-1.38	-0.04	0.00
Base Rate (%)	6.17	5.06	4.97	4.97	4.97	-1.20	-0.09	0.00
CD Ratio (%)	79.13	73.93	73.06	73.10	72.78	-6.07	-0.87	-0.32
Fixed Deposits /Total Deposits (%)	50.59	38.68	38.02	38.02	38.02	-12.57	-0.66	0.00
Total Liquid Assets/Total Deposits (%)	24.85	35.37	35.98	35.98	35.98	11.13	0.61	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	Magh 6	1000.00	0.00	22	41	3.15	1000.00	1.47	1.65	1.81
91 Days	Ashad 2	500.00	0.00	23	55	4.55	500.00	2.52	2.63	2.65
182 Days	Ashad 2	1133.00	0.00	27	67	3.01	1133.00	2.50	2.65	2.70
364 Days	Ashad 2	500.00	0.00	18	40	3.52	500.00	2.60	2.67	2.70

*Figures are in 10 million NPR

Sectoral Movement

Index	Baisakh 31, 2083	Jestha 31, 2083	Change
NEPSE	2,730.17	2,724.03	-0.22%
Non Life Insurance	10,705.07	11,352.87	6.05%
Finance Index	2,346.35	2,487.05	6.00%
Others Index	1,977.09	2,043.28	3.35%
Mutual Fund	21.81	21.87	0.28%
Life Insurance	12,423.49	12,443.41	0.16%
Development Bank Index	5,819.40	5,818.32	-0.02%
HydroPower Index	3,818.39	3,813.70	-0.12%
Hotels And Tourism	7,774.55	7,759.12	-0.20%
Banking SubIndex	1,443.04	1,439.97	-0.21%
Microfinance Index	4,784.10	4,737.89	-0.97%
Investment	102.01	100.57	-1.41%
Manufacturing And Processing	11,239.95	10,995.57	-2.17%
Trading Index	3,779.66	3,416.48	-9.61%

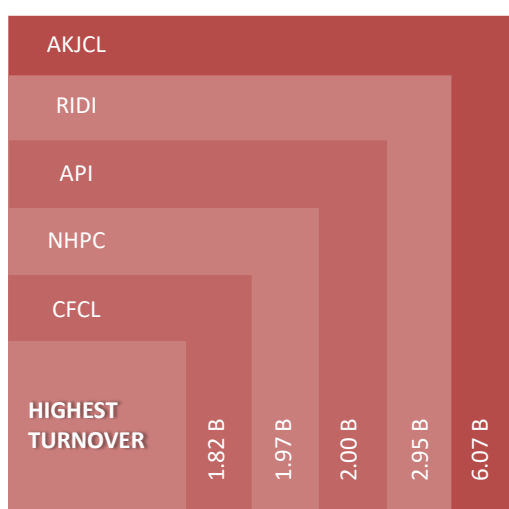
Major Movers

KHPL	255.33%	 GAIN  LOSS	UNHPL	-22.51%
SOPL	92.30%		JHAPA	-16.25%
APHL	52.02%		HFIN	-13.10%
CFCL	33.94%		PCIL	-11.74%
BUNGAL	21.62%		CORBL	-11.42%

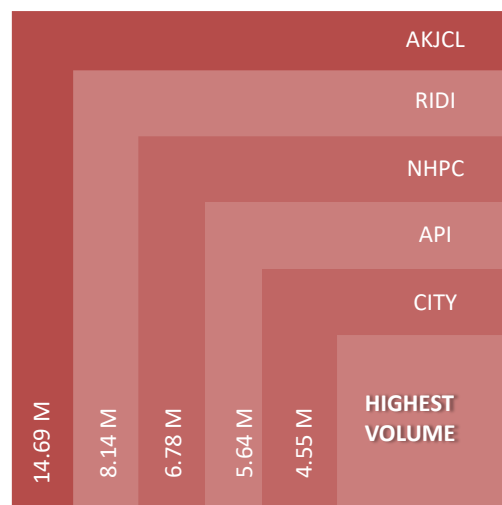
Sectoral Divergence-Turnover

Sectors	Last Three Month's avg	Monthly Avg	Divergence
NEPSE	7.64 B	4.62 B	-39.57%
Bond and Debenture	0.08 B	0.25 B	211.44%
Finance	0.24 B	0.29 B	22.32%
Hotels And Tourism	0.18 B	0.21 B	13.16%
Non Life Insurance	0.12 B	0.13 B	12.54%
Mutual Fund	0.02 B	0.01 B	-7.91%
Others	0.29 B	0.20 B	-30.81%
Life Insurance	0.19 B	0.12 B	-37.42%
Tradings	0.02 B	0.01 B	-44.20%
Hydro Power	3.87 B	2.15 B	-44.50%
Development Banks	0.42 B	0.23 B	-44.90%
Commercial Banks	0.69 B	0.34 B	-50.85%
Microfinance	0.28 B	0.13 B	-51.83%
Manufacturing And Processing	0.81 B	0.38 B	-52.93%
Investment	0.34 B	0.13 B	-62.25%

Highest Turnover



Highest Volume



NEPSE Outlook

Current Overview



- On June 19, the NEPSE Index closed at 2,702.11, gaining a marginal 1.64 points (+0.06%). Despite ending the day in positive territory, the overall market structure remains fragile as the index continues to hover just above the crucial 0.382 Fibonacci retracement level 2,681. The narrow trading range and lack of a meaningful rebound indicate that market participants remain cautious, while buying interest continues to be insufficient to trigger a sustained recovery.
- Market activity remained subdued, with total turnover standing at approximately NPR 4.54 billion. Trading volume has gradually declined in recent sessions, reflecting weakening participation from both institutional and retail investors. The absence of strong volume support suggests that the current stabilization lacks conviction and that market sentiment remains largely defensive.
- Technically, the index remains below the key 0.5 Fibonacci retracement level 2,748, which has now emerged as a significant resistance zone. The repeated inability to reclaim this level highlights persistent selling pressure and confirms that the market remains in a corrective phase. While the 2,681-support zone has so far managed to contain the decline, the index is trading increasingly close to this level, raising the risk of a breakdown if fresh demand fails to emerge. A decisive move below 2,681 could expose the market toward the next major support around 2,600, while the broader recovery structure would remain challenged unless the index regains 2,748 and subsequently 2,814.
- The Relative Strength Index (RSI) is currently at 36.97, reflecting weak momentum and subdued buying strength. Although the RSI has entered the lower end of its neutral range and is approaching oversold territory, it has yet to display any clear bullish divergence or reversal signal. This suggests that downside risks continue to outweigh upside opportunities in the near term.

- The MACD indicator remains bearish, with the MACD line positioned below the signal line and the histogram continuing to print negative readings. The widening negative momentum indicates that sellers retain control of the short-term trend, while the absence of a bullish crossover reinforces the market's weak technical posture.
- Looking ahead, immediate support levels are identified at (S1) 2,681 and (S2) 2,600, while resistance levels are seen at (R1) 2,748 and (R2) 2,814. The 2,681 zone now represents the most critical level for the market, as a break below this support could accelerate selling pressure and trigger a deeper correction. On the upside, reclaiming 2,748 is necessary to improve short-term sentiment, while a move above 2,814 would be required to restore a more constructive medium-term outlook. Overall, the market continues to exhibit weak momentum, declining participation, and a bearish technical bias, suggesting that caution remains warranted until stronger confirmation of buying interest emerges.

Long-Term Overview



- On the long-term weekly timeframe, the NEPSE Index closed at 2,702.11, continuing to trade within a multi-year symmetrical triangle formation that has been developing since the 2021 market peak. The index remains confined between a declining resistance trendline from the historical high near 3,200 and a rising support trendline originating from the 2022 bottom near 1,820, reflecting an extended consolidation phase rather than a confirmed long-term uptrend. While repeated failures to sustain above the 2,900–3,000 resistance zone highlight persistent supply pressure and weak breakout conviction, the rising support trendline has consistently attracted buying interest, resulting in a series of higher lows over recent years. However, as the triangle continues to tighten, the market is approaching a critical inflection point. A decisive break down below the rising support structure near 2,600–2,650 would weaken the long-term bullish framework and could trigger a deeper corrective move toward the 2,500–2,520 support zone, with further downside risk extending toward the broader 2,350–2,400 demand region. Conversely, a breakout above resistance would be required to confirm the start of a new upward trend. Until either

scenario materializes, the broader market structure remains neutral, characterized by compressing volatility and steadily increasing directional pressure.

- From a broader market structure perspective, NEPSE continues to trade above the key 0.618 Fibonacci retracement level near 2,687, which currently acts as an important medium-term support area. However, the inability to decisively challenge the 0.786 Fibonacci retracement level around 2,923 suggests that bullish momentum remains constrained despite supportive liquidity conditions and abundant banking sector liquidity. The recent pullback from the upper boundary of the triangle further reinforces that investors remain reluctant to aggressively accumulate equities at elevated levels. Although liquidity remains favorable, capital has largely rotated into selective sectors rather than supporting a broad-based market advance. This divergence between abundant liquidity and limited price expansion reflects underlying concerns regarding earnings visibility, policy execution, governance standards, and the sustainability of economic growth momentum.
- Momentum indicators continue to reflect a weakening but not yet bearish long-term technical setup. The weekly RSI (14) stands at 46.81, slipping below the neutral 50 level and indicating that buying momentum has gradually weakened following the recent rejection from higher levels. The RSI remains comfortably above oversold territory, suggesting that aggressive selling pressure has not yet emerged; however, the indicator also fails to signal the strength normally associated with a sustainable bullish continuation. Meanwhile, the MACD remains positive but has experienced a bearish crossover, with the MACD line declining toward the signal line and the histogram turning negative. This development suggests that upward momentum is fading and that the market is entering a period of consolidation or corrective adjustment. Overall, momentum indicators currently favor caution, as the market lacks the acceleration required to confirm a renewed bullish phase.
- Key technical levels remain clearly defined within the current long-term structure. On the downside, the immediate support is positioned around the 2,680–2,700 zone, coinciding with the 0.618 Fibonacci retracement level and the current market price area. Below this, the rising trendline support around 2,600–2,650 represents the most critical structural support for the ongoing triangle formation. A decisive weekly close below this support cluster would significantly weaken the prevailing bullish structure and could trigger a deeper correction toward the 2,520 Fibonacci support level, with further downside risk extending toward the broader 2,350–2,400 demand zone. On the upside, the market must first reclaim the 2,900–2,950 resistance area, followed by a decisive breakout above the psychological 3,000 level and the descending resistance trendline. Such a breakout would require substantial volume expansion, stronger sector-wide participation, and a meaningful improvement in investor confidence.
- Looking ahead, the long-term outlook remains increasingly dependent on the resolution of the current symmetrical triangle pattern. The ongoing convergence between the descending resistance trendline and rising support

trendline indicates that market volatility is steadily compressing while directional pressure continues to build. Historically, such prolonged consolidation phases often precede significant trend-defining moves. Although supportive liquidity conditions, strong remittance inflows, and improving macroeconomic stability provide a constructive backdrop, the market has thus far failed to translate these factors into sustained upward momentum. The recent rejection from higher levels, weakening RSI, and bearish MACD crossover suggest that the market may remain vulnerable to further consolidation in the near term. Nevertheless, as the triangle approaches its apex, the probability of a major directional breakout is increasing. Therefore, the coming months will be critical in determining whether NEPSE can finally transition into a sustainable long-term uptrend above 3,000 or face another corrective phase toward its lower support structure.

SCRIP ANALYSIS

Solu Hydropower Limited (SOHL)

A. About the Company

Solu Hydropower Limited (SOHL) is engaged in the generation and sale of electricity through the 82 MW Lower Solu Hydroelectric Project (LSHPP), a run-of-river hydropower project operating under a long-term Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA). Listed on the Nepal Stock Exchange (NEPSE), the company commenced commercial operations on 24 Shrawan 2082, marking its transition from a development-stage entity to an operational hydropower producer. The project operates with a Plant Load Factor (PLF) of 60.33% and holds a generation license valid until Chaitra 2106, providing long-term revenue visibility.

Strategically located in the Middle Mountains of the Lesser Himalayas, the project is situated on the Solu River in Solukhumbu District, Koshi Province. The Solu River, a major tributary of the Dudh Koshi River, originates from the sacred Dudh Kunda in the Numbur Mountain range. The project spans elevations ranging from 1,266 meters to 1,771 meters above mean sea level, with the headworks located approximately 18 kilometers upstream from the river's confluence. The entire project lies within Solu Dudhkunda Municipality and benefits from favorable hydrological and topographical conditions for power generation.

The company generates revenue under a long-term PPA with NEA, under which 55% of energy sales are denominated in U.S. dollars at a fixed exchange rate for the first ten years, providing partial protection against foreign exchange risk and enhancing cash flow stability. The company is promoted by a consortium of

established business groups, including the Triveni, Vishal, Goyal, Baidya, Rath, and Jain Groups, providing strong institutional backing and financial credibility.

The project's financial viability was significantly enhanced through the restructuring of foreign borrowings, which involved the waiver of approximately NPR 11 billion of debt by lenders, substantially reducing the financing burden and improving project economics. The restructuring materially strengthened the company's balance sheet and improved the long-term sustainability of the project by reducing debt servicing obligations. However, the company is currently awaiting approval from Nepal Rastra Bank (NRB) and other relevant authorities for the completion of the restructuring process. Until such approvals are obtained, the waived portion continues to be classified as Loans and Borrowings – Unsustainable in the balance sheet, creating residual regulatory and accounting uncertainty regarding the final recognition of the debt relief.

Further strengthening its financial profile, SOHL deployed the entire proceeds from its recent IPO toward debt repayment, improving its capital structure and reducing financing risk. Nevertheless, prolonged construction delays and project modifications resulted in the company securing only two of the five eligible tariff escalations under the PPA framework, limiting the project's long-term revenue enhancement potential and moderating overall project returns. Despite these constraints, SOHL benefits from a large-scale operating asset, contracted cash flows, and favorable sector fundamentals supported by rising domestic electricity demand and expanding regional electricity trade opportunities with India and Bangladesh.

Key details about the project:

Particulars	Details
Project Name	Lower Solu Hydropower Project
Project Location	Solududhkunda Municipality-11, Solukhumbu
River Source	Solu Khola
Types of Project	Run of River
Installed Capacity	82 MW
Total Cost of Project	NPR. 16.30 billion
Cost per MW	NPR. 0.199 billion
Dry Energy Mix	0.1681
Plant Load Factor (PLF)	0.619
Expiry Date of License	12/04/2106 BS (i.e. 23.76 years remaining)
RCOD	11/02/2078 BS
COD (as per Prospectus)	4/24/2082 BS
Escalation	2 out of 5

Investment highlights

- Operates the 82 MW Lower Solu Hydroelectric Project, one of Nepal's larger privately developed run-of-river hydropower projects.
- Long-term PPA with NEA provides stable revenue visibility and contracted cash flow generation.
- 55% of energy sales are denominated in USD at a fixed exchange rate for the first ten years, providing partial protection against foreign exchange risk.
- Entire IPO proceeds were utilized for debt repayment, strengthening the company's capital structure and improving future cash flow generation.
- Generation license valid until Chaitra 2106, providing a long operating horizon and sustained revenue-generating potential.

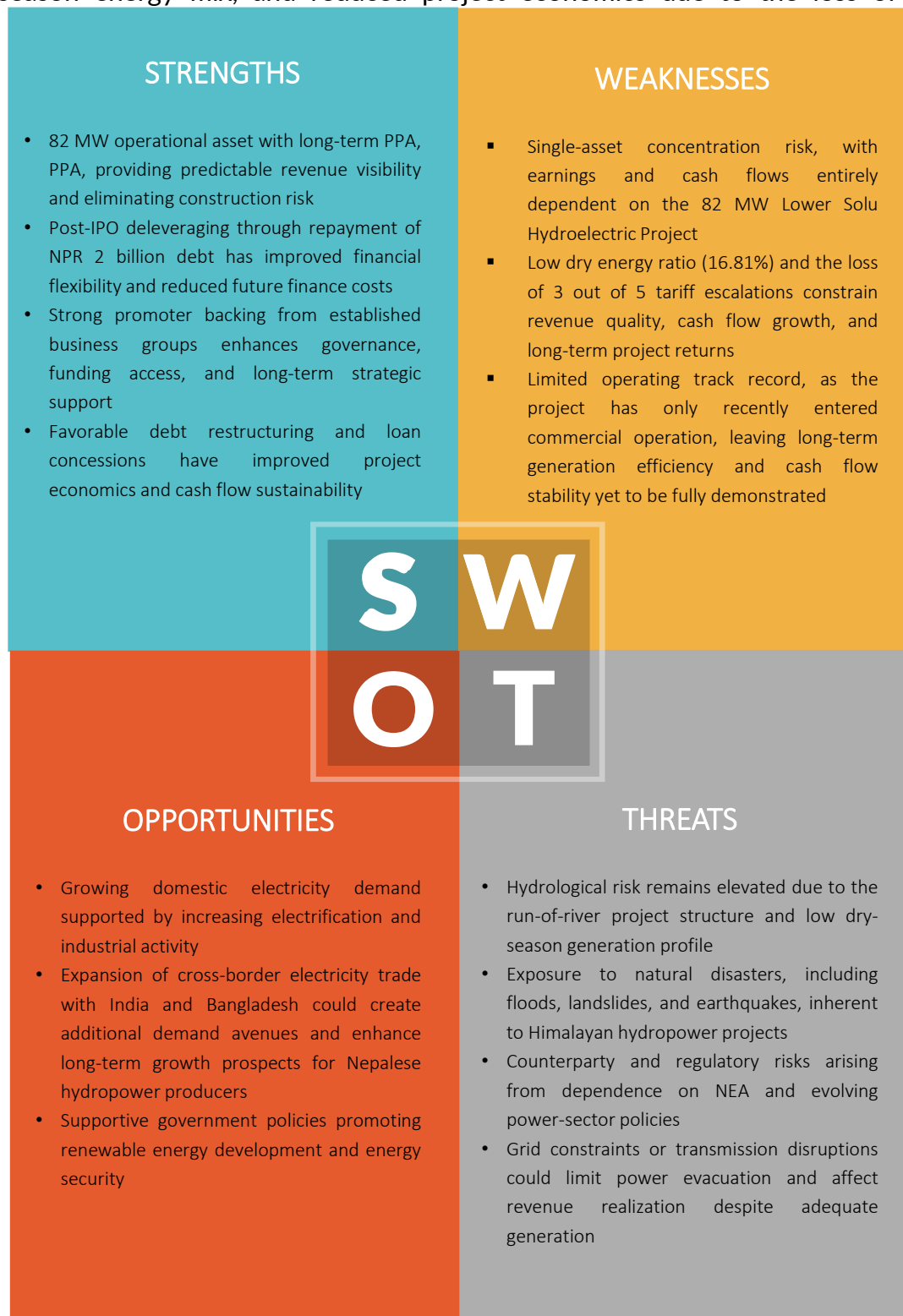
Recent Developments

- The project's financial viability has been significantly strengthened through the restructuring of foreign borrowings, including the waiver of approximately NPR 11 billion of debt, materially improving project economics and long-term financial sustainability.
- Following its public offering, the company utilized the entire IPO proceeds for debt repayment, strengthening its capital structure and reducing financing risk.
- The project's financial viability was significantly enhanced through the restructuring of foreign borrowings, under which lenders agreed to waive approximately NPR 11 billion of debt, materially improving project economics and long-term financial sustainability.
- The company is currently awaiting final approval from Nepal Rastra Bank (NRB) and other relevant authorities for the completion of the foreign debt restructuring process.
- Upon successful completion of the restructuring, balances currently classified as Long-Term Debt – Unsustainable and the associated restructuring-related intangible assets are expected to be derecognized, improving balance sheet quality, financial transparency, and the overall presentation of the company's financial position.
- Prolonged construction delays and project modifications resulted in the company securing only 2 out of the 5 eligible tariff escalations under the PPA framework, limiting long-term revenue enhancement potential and moderating overall project returns.

B. SWOT Analysis

The SWOT analysis of Solu Hydropower Limited (SOHL) reflects the company's strong position as an operating hydropower producer, supported by the successful commissioning of the 82 MW Lower Solu Hydroelectric Project and post-IPO

deleveraging. While SOHL benefits from stable long-term revenue visibility, its investment profile remains constrained by single-project dependence, a weak dry-season energy mix, and reduced project economics due to the loss of tariff



escalations. Going forward, the company's performance will depend on sustaining generation efficiency, managing hydrological risks, and capitalizing on growing domestic and regional electricity demand.

C. Valuation of the Company

We have applied the Discounted Cash Flow (DCF) method to estimate the fair value of Solu Hydropower Limited (SOHL). This valuation approach estimates the intrinsic value of the company based on its expected future cash flows, discounted to their present value using an appropriate cost of capital. The DCF method is particularly suitable for operating infrastructure assets such as hydropower projects, where value is primarily driven by long-term contracted cash flows, predictable revenue streams, and the asset's ability to generate sustainable earnings over its concession period. As such, the methodology provides a comprehensive assessment of SOHL's underlying value by focusing on its long-term cash-generating capacity rather than short-term market fluctuations.

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 servicing 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 estimates, hydrological variability, tariff escalations, operating costs, concession life, and discount rates, 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

Particulars	Value	Remarks
Adjusted Beta (β)	0.98	The adjusted beta for the company has been calculated by considering the beta of NEPSE with the Hydropower Index from the beginning of December 2018 to the beginning of June 2026.
Market rate of return (R _m)	10.94%	The market rate of return is taken considering the CAGR of NEPSE from the end of FY 2001/02 to the end of Jestha FY 2025/26.
Risk free rate (R _f)	4.31%	The latest development bond rate, namely "2098", with the rate 4.59%, and the final value is taken after adjusting for a 6% of tax rate.
Cost of Equity (K _e)	10.83%	As per the CAPM Model.

Cost of Debt (Kd)	10.47%	The cost of debt has been calculated as 10.47%, which is the average of the weighted average lending rates of commercial banks from mid-June 2016 to mid-May 2026
Weighted Average Cost of Capital (WACC)	9.93% to 10.70%	Using debt to capital ratio of 36.56%.
Tax Rate	0% to 20%	As per the Income Tax Act.

Other Assumptions

- Revenue projections assume generation at 90% of the contracted Plant Load Factor (PLF), resulting in an effective PLF assumption of 55.71% throughout the forecast 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.
- Operation and maintenance expenses are assumed at 4% of annual revenue, with a 2% annual escalation factor incorporated to reflect inflationary and operating cost adjustments over the project's life.
- Capital expenditure is assumed to occur at five-year intervals, with NPR 100 million allocated during each cycle to support major maintenance, rehabilitation, and asset upkeep requirements over the project's operating life.
- The valuation assumes successful completion of the proposed foreign debt restructuring arrangement, including the receipt of the necessary approval from Nepal Rastra Bank (NRB), enabling the outstanding balance classified as Long-Term Debt–Unsustainable to be resolved in accordance with the agreed restructuring framework.
- Insurance expenses are assumed at NPR 70 million annually throughout the remaining operating life of the project.
- 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 Solu Hydropower Limited based on the DCF Method has been computed and tabulated below.

Method	Valuation Per Share in NPR
DCF	144.14

D. Technical Analysis



- Based on the hourly chart, Solu Hydropower Limited (SOHL) continues to remain under corrective pressure following its sharp decline from the NPR 875 peak. The stock is currently trading within the NPR 650–655 range, which aligns closely with the 78.6% Fibonacci retracement level, marking a critical support zone. Although recent price action indicates some degree of stabilization at this level, the broader technical structure remains weak, as the stock continues to trade below key Fibonacci resistance levels and the previously breached ascending trendline.
- Recent trading sessions indicate a gradual easing of selling pressure, with buyers consistently defending the NPR 650 support zone. The RSI has recovered to the mid-60 range, suggesting an improvement in short-term momentum. However, the recovery lacks strong volume support, and the formation of lower highs continues to reflect limited buying conviction. A breakdown below NPR 650 would likely increase downside risk, potentially leading to a retest of the NPR 592 support level.
- On the upside, immediate resistance is observed around NPR 700, corresponding to the 61.8% Fibonacci retracement level. A sustained move above this level would improve market sentiment and could open the path toward NPR 733 and NPR 767. However, the absence of meaningful volume expansion suggests that any recovery may face resistance from overhead supply. Overall, SOHL remains in a corrective consolidation phase with a neutral-to-slightly bearish bias, and a confirmed trend reversal would require a decisive breakout above NPR 700 supported by stronger market participation.

E. Conclusion and Recommendation

Solu Hydropower Limited (SOHL) represents a transition from a development-stage project to a cash-generating infrastructure asset following the successful commissioning of the 82 MW Lower Solu Hydroelectric Project. Backed by a long-term PPA with the Nepal Electricity Authority (NEA), a partial USD-denominated

tariff structure, and a long remaining concession period, the company enjoys relatively strong revenue visibility and predictable long-term cash flow characteristics. Moreover, post-IPO deleveraging and the restructuring of foreign borrowings have materially strengthened the project's financial profile and improved its long-term sustainability.

Despite these strengths, the project's overall return profile has been moderated by prolonged construction delays, which resulted in the loss of three out of five eligible tariff escalations, thereby constraining long-term revenue growth. In addition, the low dry-season energy mix and the company's reliance on a single operating asset continue to expose earnings to hydrological variability and project-specific risks. While the proposed foreign debt restructuring has substantially improved project economics, the successful completion of the process remains contingent upon obtaining final regulatory approvals, leaving some residual uncertainty surrounding the ultimate normalization of the company's balance sheet.

From a valuation perspective, the DCF-derived intrinsic value of NPR 144.14 per share reflects the company's ability to generate stable cash flows over the remaining concession period. However, given the trade-off between improving financial fundamentals and lingering project-specific and regulatory risks, the investment case appears broadly balanced at current levels. Technically, the stock continues to exhibit a corrective consolidation structure, suggesting limited near-term momentum.

Overall, SOHL offers exposure to a fundamentally stable operating hydropower asset with improving financial flexibility and favorable long-term sector dynamics. Nevertheless, the pace of value realization will largely depend on the successful completion of the debt restructuring process, sustained generation performance, and the company's ability to translate its strengthened balance sheet into consistent cash flow generation. Accordingly, a neutral investment stance appears warranted, with investors advised to closely monitor regulatory developments and operational execution before reassessing the company's longer-term upside potential.

ISSUE OF THE MONTH

A. Value Investing through Graham's Number

What is Value Investing

Value investing refers to the strategy of investing in stocks that are trading at a significant discount to their intrinsic value. In order to achieve this a value investor must look for companies that are undervalued based on valuation metrics, typically low multiples of their profits or assets, for reasons which are not justified over the longer term.

This approach requires a long-term investment horizon and assures outperforming of index returns across multiple equity markets.

Graham's Number

Graham's Number is a concept based on Benjamin Graham's conservative valuation of companies. It calculates the intrinsic value of a company based on its earnings per share and book value per share. Different Investors use different metrics for looking at Graham's Number. If a stock's market price exceeds its graham's number, the stock is considered overpriced whereas a price below the number is considered good value.

Different investors use the formulae in its entirety or the formula's singular constituents to quickly calculate whether a stock is worth investing in or not.

The composite formula for graham's number is as follows:

$$\text{Graham's Number} = \sqrt{15 \times 1.5 \times EPS \times BVPS}$$

where,

$$EPS = \frac{\text{net income}}{\text{shares outstanding}}, \quad BVPS = \frac{\text{shareholder's equity}}{\text{shares outstanding}}$$

The individual components are also used for quickly comparing stocks as:

$$\text{Graham's Number} = 1.5 \times BVPS$$

$$\text{Graham's Number} = 15 \times EPS$$

Why is it useful?

Graham's number uses two major indicators of a company's financial health and performance, how much money it is making for each shareholder and how much

assets it holds to calculate the best value for a stock. It does not mean that the stock cannot be bought above that price but provides a simple measure to control risk exposure of an investor and helps towards guaranteeing stabler returns.

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HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR	TICKER	CAGR	PAST 3 YEARS	TICKER	CAGR
	AKJCL	96.49%		BNL	92.05%
	ALBSL	48.54%		CORBL	78.97%
	SAHAS	43.74%		GRDBL	72.73%
	SBL	39.43%		NRN	58.55%
	UHEWA	35.02%		ANLB	57.69%

PAST 5 YEARS	TICKER	CAGR	PAST 10 YEARS	TICKER	CAGR
	BNL	53.78%		STC	62.26%
	CORBL	39.91%		HDL	38.78%
	CHDC	35.58%		CORBL	32.90%
	NABBC	29.02%		GILB	28.72%
	GRDBL	28.86%		JSLBB	28.40%

*Returns are dividend-adjusted on a year-over-year (YoY) basis. Past performance should not be interpreted as indicative of future results. * CAGR means annual growth rate of an investment over specified time period.

Key Dates

Scrip	Issue Type	Quantity	From (AD)	To (AD)	Issue Manager
KHL	IPO-General Public	2,870,000	5/22/2026	5/27/2026	Sanima Capital Limited
SGHL	IPO-General Public	4,674,000	6/1/2026	6/4/2026	Laxmi Sunrise Capital Limited
ECL	IPO-General Public	655,700	6/5/2026	6/10/2026	Muktinath Capital Limited
SARVOTTA M	IPO-General Public	705,500	6/11/2026	6/16/2026	Global IME Capital Limited
SAEF2	MF	100,000,000	5/7/2026	5/18/2026	Sanima Capital Limited
RSY2	MF	100,000,000	5/12/2026	5/22/2026	Reliable Investment and Merchant Capital Limited
LSH12	MF	120,000,000	5/13/2026	5/20/2026	Laxmi Sunrise Capital Limited

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