The Pulse

Market Growth, Risks and Outlook

Mangsir 2082

Inside This Edition

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Himalayan Capital

A Subsidiary of Himalayan Bank Limited

Global Market Overview

€	1.17 $ (1.00%)
£	1.34 $ (1.45%)
₹	90.57* (2.05%)
¥	155.86* (0.89%)
A$	0.66 $ (1.67%)
C$	0.73 $ (1.88%)

S&P 500	6,816.52 (1.22%)
BSE SENSEX	85,840.32 (1.51%)
NIKKEI 225	50,037.99 (-0.76%)
FTSE 100	9,751.31 (0.55%)
DAX	24,229.91 (1.48%)
CAC 40	8,124.89 (-0.55%)
HANG SENG	25,628.88 (-3.55%)
SSE COMPOSITE	3,867.92 (-3.07%)

*Values Per 1 $

Gold ($) Per Oz.
4,305.23 (5.39%)

Bitcoin($)
86,449.70 (-8.32%)

Brent Crude($)
Per Barrell
60.12 (-3.87%)

Ethereum($)
3,106.17 (-6.54%)

#All Changes are in MoM basis.

Global Market Trends

The Mangshir period tells a clear but cautious global story: markets moved forward, but with one foot firmly on the brake. Investors were willing to take risks where growth and earnings visibility looked credible, yet they continued to protect portfolios against downside shocks. This explains why equities in the U.S. and India moved higher while gold surged simultaneously, an unusual yet important combination that signals confidence with insurance, rather than outright optimism.

At the core of this move was a moderation in U.S. dollar strength and a gradual shift in rate expectations. As the perceived gap between U.S. and non-U.S. growth stopped widening, the dollar lost some momentum against major and commodity-linked currencies. This helped risk sentiment and supported equity markets in economies with relatively stronger domestic demand and earnings resilience, particularly the U.S. and India. However, this support was not universal, highlighting that the global recovery narrative remains uneven rather than synchronized.

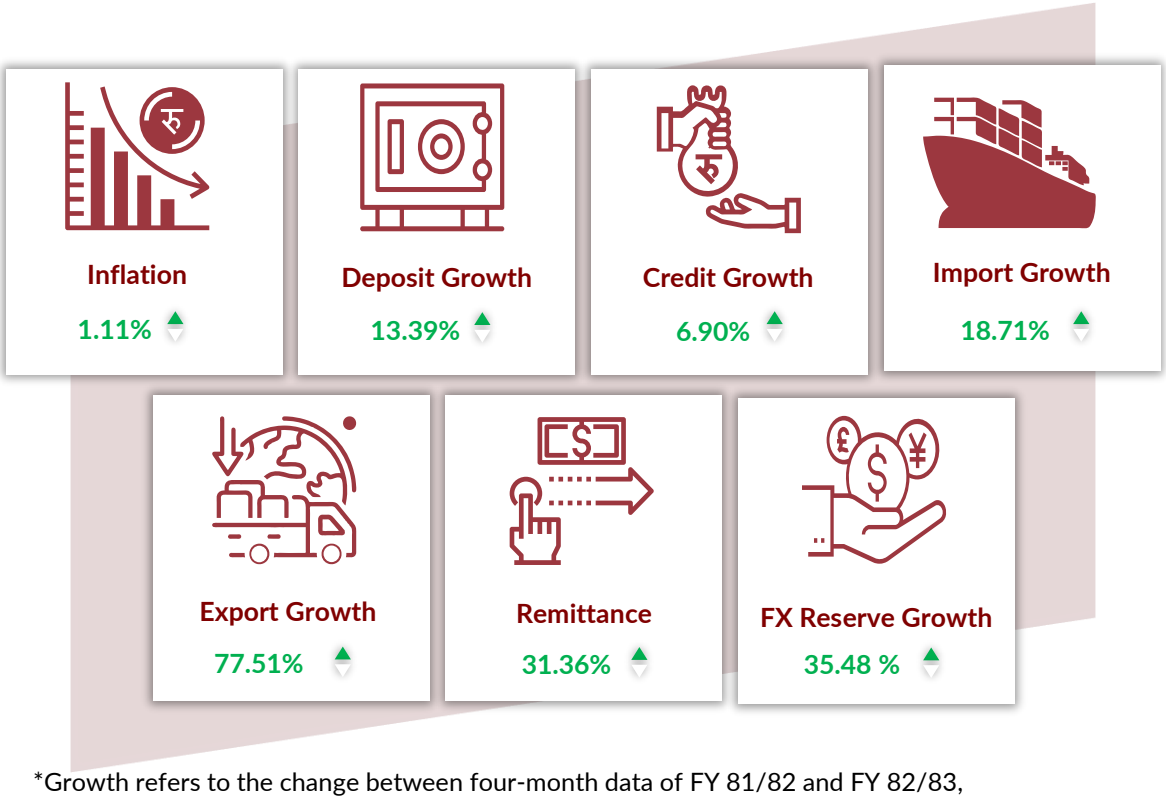
Asia clearly reflected this divide. Japan and India benefited from domestic policy stability and earnings visibility, but China-related markets continued to struggle. Persistent concerns around China's property sector, weak consumer confidence, and limited policy traction kept investors cautious, leading to sustained weakness in mainland China and Hong Kong equities. This divergence highlights that global investors are no longer treating "Asia" as a single market; capital is becoming increasingly selective.

Commodity markets reinforced this mixed signal. The decline in oil prices eased inflation and external balance concerns for importing economies such as India and Nepal, offering genuine macro relief. At the same time, the sharp rise in gold prices shows that investors are still uneasy about geopolitical risks, policy uncertainty, and late-cycle dynamics. In other words, markets are preparing for growth but are not confident enough to abandon safety.

Currency movements further support this interpretation. While the softer dollar improved sentiment globally, emerging-market currencies did not benefit equally. The Indian rupee weakened, reflecting capital flow sensitivity and external uncertainties, and because Nepal's currency is pegged to INR, this pressure transmitted directly to the Nepalese rupee. This means that despite lower oil prices, currency-related import pressures remain a watch point for Nepal.

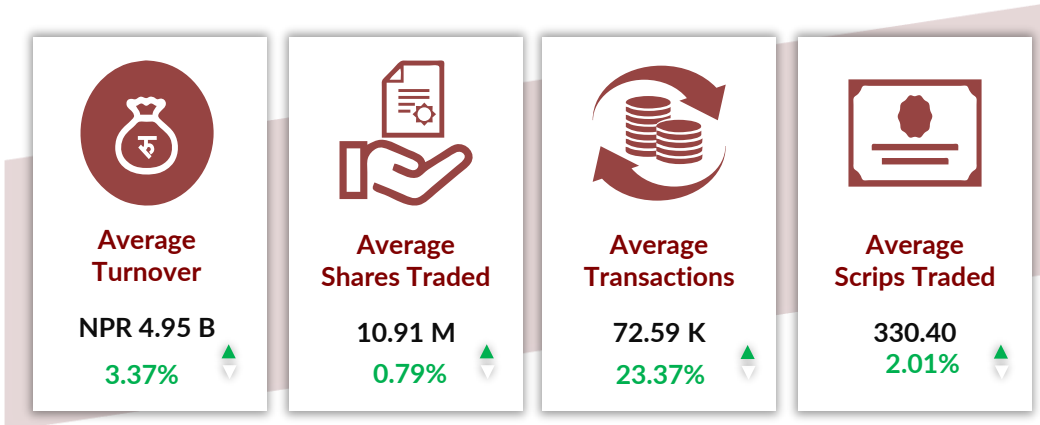
Finally, the sharp underperformance of crypto assets sends a quiet but important message. High-beta, liquidity dependent assets were sold even as equities rose, suggesting financial conditions are still tight and risk appetite has clear limits. Overall, the Mangshir snapshot describes a market environment that is constructive but skeptical investors are engaging with growth opportunities, but only selectively, while keeping protection firmly in place.

Macroeconomic Overview



*Growth refers to the change between four-month data of FY 81/82 and FY 82/83,
*Credit refers to claims on the private sector,
*Unless otherwise stated, the numbers are in NPR

Monthly Trading Statistics



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

Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Kartik-81	Ashwin-82	Kartik-82	Mangsir 25	Poush 03	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.48	1.55	0.00	1.51	1.51	-2.48	-1.55	0.00
Wt.Avg 91 Days TB rate (%)	2.77	1.91	2.37	2.48	2.31	-0.40	0.46	-0.17
Wt.Avg 364 Days TB rate (%)	2.98	0.00	2.58	2.54	2.54	-0.40	2.58	0.00
Wt. Avg Interbank Rate (%)	2.91	2.58	2.75	2.75	2.75	-0.16	0.17	0.00
CapEx (In Billion NPR)	34.53	19.18	25.31	31.89	35.12	-9.22	6.13	3.23

B. BFI Statistics

Description	Value As On					Change		
	Kartik-81	Ashwin-82	Kartik-82	Mangsir 25	Poush 03	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	5.01	3.85	3.74	3.74	3.74	-1.27	-0.11	0.00
Wt. Avg Lending Rate (%)	9.07	7.50	7.38	7.38	7.38	-1.69	-0.12	0.00
Base Rate (%)	7.02	5.56	5.44	5.44	5.44	-1.58	-0.12	0.00
CD Ratio (%)	78.26	74.63	74.28	74.26	74.17	-3.98	-0.35	-0.09
Fixed Deposits/Total Deposits (%)	54.13	46.08	45.36	45.36	45.36	-8.77	-0.72	0.00
Total Liquid Assets/Total Deposits (%)	25.62	23.99	23.41	23.41	23.41	-2.21	-0.58	0.00

Public Debt Subscription

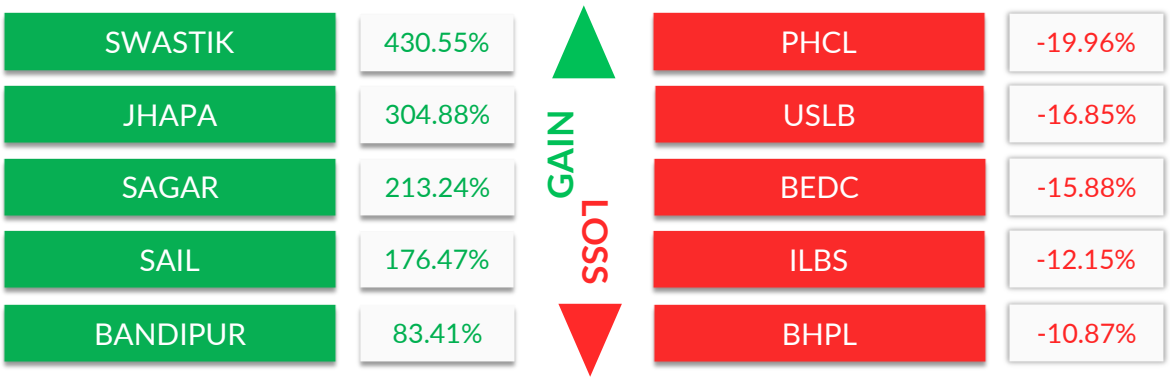
Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Average	Highest
28 Days	Mangsir 9	500.00	0.00	27	59	9.37	500.00	1.49	1.51	1.53
91 Days	Poush 1	500.00	0.00	25	66	6.55	500.00	2.10	2.31	2.42
182 Days	Poush 1	633.00	0.00	23	67	5.50	633.00	1.23	2.42	2.49
364 Days	Mangsir 23	200.00	0.00	16	41	9.46	200.00	2.50	2.54	2.60

*Figures are in 10 Millions NPR

Sectoral Movement

Index	Kartik 30, 2082	Mangsir 29, 2082	Change
NEPSE	2,540.57	2,601.61	2.40%
Manufacturing And Processing	7,269.43	8,233.85	13.27%
Hotels And Tourism	6,333.67	6,892.28	8.82%
Life Insurance	12,675.76	13,180.32	3.98%
Non Life Insurance	10,541.60	10,776.29	2.23%
Development Bank Index	5,236.74	5,345.99	2.09%
Finance Index	2,243.48	2,289.77	2.06%
Microfinance Index	4,784.57	4,878.29	1.96%
Mutual Fund	19.84	20.18	1.71%
Banking SubIndex	1,327.40	1,346.68	1.45%
HydroPower Index	3,288.46	3,332.07	1.33%
Investment	101.77	102.18	0.40%
Others Index	2,312.88	2,319.71	0.30%
Trading Index	3,794.95	3,782.91	-0.32%

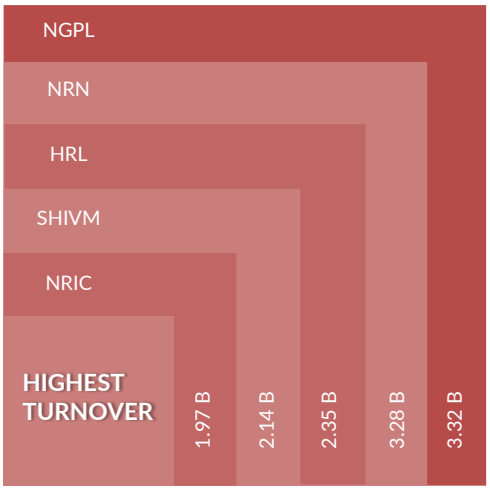
Major Movers



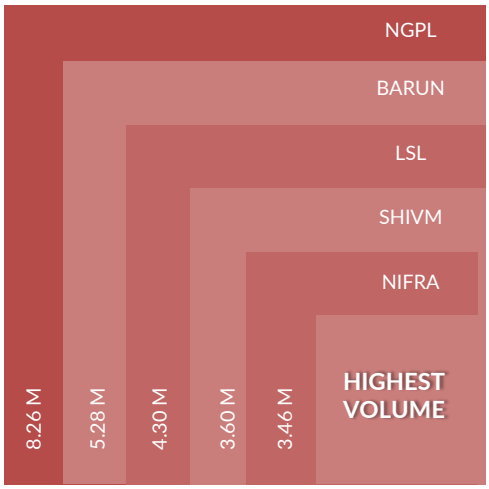
Sectoral Divergence-Turnover

Sectors	Last Three Month's avg	Monthly Avg	Divergence
NEPSE	4.79 B	4.95 B	3.37%
Life Insurance	0.28 B	0.39 B	40.42%
Hotels And Tourism	0.10 B	0.13 B	29.66%
Finance	0.12 B	0.13 B	14.10%
Hydro Power	1.97 B	2.19 B	11.10%
Microfinance	0.32 B	0.35 B	8.31%
Mutual Fund	0.01 B	0.01 B	5.73%
Manufacturing And Processing	0.33 B	0.35 B	4.55%
Tradings	0.01 B	0.01 B	-0.55%
Commercial Banks	0.36 B	0.35 B	-3.61%
Investment	0.36 B	0.33 B	-6.44%
Development Banks	0.28 B	0.26 B	-8.20%
Others	0.37 B	0.30 B	-17.00%
Non Life Insurance	0.12 B	0.10 B	-17.17%
Bond and Debenture	0.04 B	0.01 B	-86.89%

Highest Turnover



Highest Volume



NEPSE Outlook

Current Overview

- NEPSE closed on 23 December at 2,581.21, down 0.54% on the day, slipping back below the 2,600 mark and extending the corrective tone after the market failed to hold the recent rebound. Turnover was around NPR 3.52 billion, which is moderate but not strong enough to signal an aggressive dip, implying the move is more of a controlled pullback than a panic selloff.
- Momentum is weak rather than neutral, with RSI at 42.04, showing sellers have the upper hand, and the recent gains are being retraced. The index is not yet oversold, so weakness can persist unless buying pressure returns quickly near support.
- MACD is tilted bearish: the MACD line is below the signal line, and the histogram is negative, with both still below the zero line. This indicates momentum has rolled back over after a brief improvement, and the broader structure remains corrective instead of a confirmed trend reversal.
- For decision points, lean on the levels. Support sits at 2,594.44 (S1) and 2,486.21 (S2); resistance stands at 2,676.34 (R1) and 2,724.60 (R2). A sustained move back above R1/R2 on improving volume, ideally with RSI recovering toward 50–55 and MACD flattening toward/above zero, would improve the outlook from cautious to constructive. Conversely, a close below S1 would weaken the near-term structure and raise the risk of a deeper slide toward S2.
- Price is soft, and participation is only moderate, while momentum has shifted firmly toward the downside. It's a cautious setup: holding above support and showing stronger follow-through would signal stabilization, but failure to defend first support keeps the risk of another fade within the broader range.

Long-Term Overview

- On a long-term (weekly) basis, NEPSE is trading near 2,600 and remains range-bound, with a clear demand zone around 2,400 - 2,500 and a supply zone near 2,900–3,000. The latest rebound from the lower band confirms buyers are still defending support and the broader range structure is intact.
- The last major upswing was largely macro/policy-led, supported by improved liquidity and stronger risk appetite, but momentum faded as the index approached the upper range. Sentiment shocks and domestic uncertainty then amplified the pullback, keeping rallies capped and participation cautious.
- Technically, the current move looks like a recovery within the range rather than a fresh long-term uptrend. Weekly RSI is in the mid-zone, indicating balanced momentum, while MACD remains below zero, implying longer-term momentum is still weak despite short-term stabilization.
- Key levels are straightforward: a decisive weekly break below 2,400 would weaken the structure and raise downside risk, while a sustained breakout above 3,000 with stronger volume and improving momentum would be needed to shift the long-term view to bullish.
- Going forward, direction will depend heavily on liquidity, earnings, and political stability. Supportive conditions could gradually pull the index toward the upper band again, while renewed stress could drag it back toward the 2,400-demand zone.

SCRIP ANALYSIS

Reliance Spinning Mills Limited

A. About the Company

Reliance Spinning Mills Limited (RSML) is a public limited company established in 1994 AD and is widely recognized as Nepal's largest spinning mill. The company operates two manufacturing units at Khanar and Duhabi in Sunsari District and is professionally managed with a strong emphasis on consistent quality and continuous technological upgrading. RSML manufactures international-grade cotton, polyester, viscose, acrylic, and blended yarns, including grey, dyed, melange, and draw-textured yarns-serving both domestic and export markets. The company's production base is supported by an installed spindle capacity of 127,824 spindles (79,824 ring spindles and 2,400 vortex spindles), and as of mid-November 2024, its total installed manufacturing capacity stands at around 50,163 metric tons per annum. RSML has also outlined a capacity expansion plan to be funded through proceeds from the public issue of shares, along with additional bank financing, under which the annual installed capacity is projected to increase to 65,520 MT per annum. From a modest installed capacity of 9,000 spindles in 1996, the company has expanded steadily by strengthening client relationships and making sustained investments in modern production capabilities. Reliance Spinning Mills is the largest private employer in Nepal, with a workforce of over 4,000 people, including around 1,300 women, and is regarded as the country's single largest exporter, generating annual exports exceeding USD 50 million. Founded by Mr. Shashi Kanta Agrawal and Mr. Pawan Kumar Golyan, RSML has built a strong reputation in both local and international markets through its customer-centric approach, large-scale operations, and uncompromising commitment to quality.

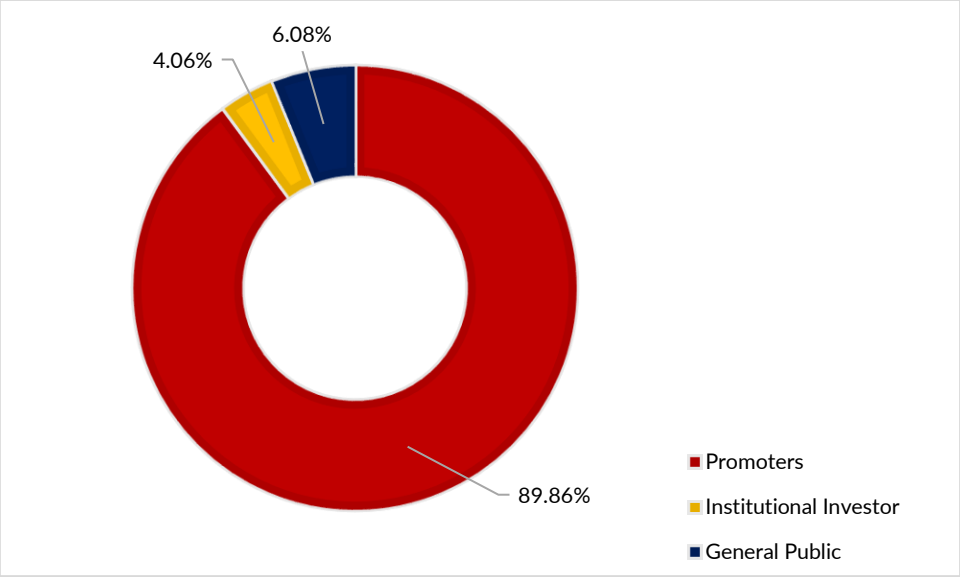


Figure: *Shareholding pattern of the Reliance Spinning Mills Limited post IPO.*

B. Key Details about the Company

Particular	Reliance Spinning's Mills Limited	
Location	KMC-28, Kathmandu	
Types	Manufacturing and Processing	
Factory	Unit A	Unit B
Factory Location	Itahari Sub-Metropolitan City-12, Sunsari	Duhabi Metropolitan-3 Sunsari
Production Capacity	48,960 MT	2,880 MT
Status	In Operation	In Operation

C. Swot Analysis

The SWOT analysis of Reliance Spinning Mills Limited presents a holistic view of the company's current position by assessing its internal strengths and constraints alongside the external operating environment. It highlights RSML's key advantages, such as its long operating track record, large-scale manufacturing base, diversified yarn portfolio, and established export orientation, while also flagging pressure points, including a concentrated production footprint, working-capital intensity reflected in a structurally long cash conversion cycle, and exposure to global demand cycles, raw-material and FX volatility, and competitive pressure in export markets.

Strengths

- Market position and operating track record support franchise stability: RSML's long operating history and large-scale presence in yarn manufacturing underpin a stable and resilient franchise. Continuous investment in modern spinning technology enables consistent product quality and uniform specifications, reducing customer switching risk. Its operational scale supports reliable supply and fulfillment of volume commitments, while a diversified yarn portfolio allows the company to meet multiple requirements of the same customers. Over time, RSML's established export presence and dealer network across Nepal, India, and other overseas markets have strengthened customer relationships, with sustained repeat business reflecting strong product acceptance and customer stickiness, particularly during cyclical downturns in the textile industry.
- Promoter capability and governance experience: RSML is promoted by established business groups with extensive experience in manufacturing and trade, providing the company with strategic guidance, financial discipline, and long-term vision. The board comprises members with deep sectoral expertise, enabling informed decision-making on capacity expansion, cost optimization, and market development. Active leadership participation in industry associations further strengthens the company's ability to anticipate and respond to regulatory, policy, and industry-level changes, which is particularly important in an export-oriented and highly regulated textile sector. Collectively, the strength of the promoters and the depth of governance experience enhance

stakeholder confidence, support business continuity, and improve the company's resilience across industry cycles.

- Diversified product base improves demand resilience: RSML's diversified product portfolio, comprising polyester, viscose, cotton, acrylic, and blended yarns, enhances demand resilience by reducing dependence on any single product segment or end market. This broad mix enables the company to adjust its production in line with changes in market demand, price realizations, and raw material conditions, thereby mitigating the impact of slowdowns in specific yarn categories. Additionally, the ability to supply multiple yarn types to the same customers strengthens commercial relationships, supports volume stability, and helps maintain better capacity utilization across different phases of the industry cycle.
- Captive power addition reduces operational disruption risk: The installation of a 9.2 MW captive solar power plant, commissioned in October 2024, significantly reduces RSML's exposure to power supply disruptions, which are a common challenge for energy-intensive textile operations. By lowering reliance on grid supply and diesel generators, the captive power source enhances operational continuity and cost predictability. This improved energy reliability is expected to support smoother plant operations, particularly during periods of power shortages, and contribute to margin stabilization over the medium term.
- Export orientation provides scale and revenue depth: RSML's export-oriented business model provides significant scale and revenue depth, with exports accounting for around 75% of total sales, largely to foreign markets such as India and Turkey. Given the limited size of the domestic market, this strong export presence enables the company to achieve higher capacity utilization and volume-driven growth. At the same time, access to international markets diversifies demand sources and supports revenue stability, provided the company continues to maintain competitiveness in terms of product quality, pricing, and delivery.

Weaknesses

- Concentration risk in export markets: While RSML's export orientation supports scale and growth, it also creates concentration risk, as a substantial portion of revenue is derived from a limited number of foreign markets, primarily India and Turkey. Any slowdown in demand, changes in trade or regulatory policies, or increased pricing pressure in these markets can quickly affect sales volumes and realizations. Moreover, heavy reliance on a few export destinations heightens exposure to country-specific economic cycles, currency fluctuations, and potential logistical or geopolitical disruptions, which may adversely impact revenue stability and operating performance during unfavorable conditions.
- Working-capital intensity and elongated operating cycle: RSML's operations remain structurally working-capital intensive, as reflected in its elevated cash operating and cash conversion cycles in recent years. The cash operating cycle moderated to 140.70 days in FY 2080/81 but remained high at 142.72 days in FY 2081/82, while the cash conversion cycle stayed elevated at around 132 days during the same period. Despite some improvement, a prolonged operating cycle continues to lock a significant portion of funds in inventory and

receivables, increasing reliance on bank-funded working capital. Given the company's high export exposure, any slowdown in overseas demand or delays in order execution can lead to inventory build-up and slower receivable collections, heightening sensitivity to interest rate movements and financing costs and exerting pressure on liquidity and profitability during cyclical downturns.

- Leverage-driven vulnerability during soft demand phases: RSML's financial risk profile remains sensitive to demand cycles due to elevated leverage following major capex investments, including additional borrowing for the captive solar project. During periods of weaker demand and pressured realizations, profitability can decline sharply, which in turn weakens debt protection indicators such as cash accrual-based coverage and interest servicing capacity. Even if operating performance improves during recovery phases, the higher debt load increases exposure to any renewed downturn in export demand or yarn prices, as fixed finance costs can compress cash flows and limit financial flexibility.
- High sensitivity of profitability to demand fluctuations despite partial mitigation of power risk: RSML's profitability remains sensitive to fluctuations in market demand due to high operating leverage, even though power-related operational risk has been partially mitigated through the installation of a captive solar power plant. While improved energy reliability supports smoother operations and cost stability, margins can still come under pressure during periods of weak demand or lower capacity utilization, as fixed costs are spread over a reduced production base. As a result, declines in realizations or volumes can continue to translate into disproportionate pressure on profitability and debt servicing metrics.

Opportunities

- Operating recovery potential amid improving demand conditions: RSML has the opportunity to achieve a meaningful recovery in operating performance as demand conditions improve, particularly in export markets. A sustained rebound in orders can lead to higher capacity utilization, enabling better absorption of fixed costs and supporting margin expansion. Improving price realizations, coupled with utilization of recently completed capex closer to design levels, can enhance operating efficiency and strengthen profitability over the medium term.
- Structural margin support from improved energy reliability: The commissioning of a captive solar power plant provides RSML with an opportunity to structurally stabilize energy costs and reduce reliance on high-cost alternative power sources, especially during dry seasons when outages are more frequent. Improved power reliability can support uninterrupted operations and lower energy cost volatility, which, if sustained, may translate into more predictable margins and stronger cash accruals over time.
- Capital structure improvement through completion of public issuance: The planned completion of the initial public offering presents an opportunity for balance-sheet strengthening through equity infusion. Successful capital raising can reduce leverage levels, ease debt servicing pressure, and improve coverage metrics by lowering net debt and interest burden. A stronger capital structure

would also enhance financial flexibility, improve lender confidence, and better position the company to withstand industry cyclicality.

- Regulatory and certification readiness supporting export continuity: RSML's compliance with regulatory and certification requirements for exports, including mandatory certifications for key markets, positions the company favorably to maintain access to important export destinations. Such readiness can act as an entry barrier for non-compliant competitors, supporting continuity of exports and reducing regulatory disruption risk, particularly in markets where compliance standards are tightening.

Threats

- Volatility in raw material prices and FX rates: RSML is exposed to fluctuations in key raw material prices, particularly Polyester Staple Fibre (PSF), whose pricing is closely linked to movements in crude oil. Sudden increases in PSF costs can exert pressure on operating margins when cost pass-through to customers is delayed, especially in competitive export markets where pricing flexibility is limited. Furthermore, the company's reliance on imported raw materials combined with its export-oriented sales profile exposes it to foreign exchange rate volatility. Unfavorable currency movements can increase procurement costs, impact sales realizations, and add variability to profitability and cash flows.
- Cyclical demand risk inherent to the textile industry: Demand for yarn is closely tied to global economic conditions and downstream textile activity. Prolonged weakness in international markets can result in slower order inflows, inventory accumulation, and extended receivable cycles, delaying margin recovery and increasing pressure on working capital and cash flows.
- Risk of slower-than-expected realization of capex benefits: The company's medium-term improvement prospects are closely linked to its ability to translate recent debt-funded capital expenditure into higher capacity utilization and improved operating efficiency. Any delays in demand recovery, operational stabilization, or working-capital availability could constrain effective utilization of the expanded capacity, thereby limiting anticipated efficiency gains and extending pressure on profitability, cash flows, and key financial metrics.
- Residual risk from unresolved NEA electricity charge dispute: While the Nepal Electricity Authority has already collected an initial installment from industries toward disputed electricity charges, uncertainty remains regarding the final recalculated amount and the timing of any additional settlement. Any unfavorable outcome or requirement for further payments could result in incremental cash outflows or additional provisioning, potentially weakening near-term liquidity and slowing balance sheet normalization, particularly during a period when the company's internal cash flows are in the process of recovery.

D. Use of Funds

Particular	Amount in NPR (billions)
To purchase machinery and equipment to increase production capacity	1.01
For the purchase of the land for expansion	0.10
For the construction of a building	0.34
Total	**1.44**

E. Key Assumptions used for Valuation

Specifics	Value	Remarks
Adjusted Beta (β)	0.94	Calculated by adjusting the Unadjusted beta, which is calculated by using the monthly return of the Manufacturing and NEPSE indices.
Market Return (Rm)	14.28%	CAGR of closing prices of NEPSE from Dec 1, 2018, to Dec 1, 2025.
Risk Free Rate (Rf)	2.64%	Latest Development Bond Rate adjusted for tax rate of 6%
Cost of Equity (Ke)	13.64%	As per the CAPM Model
Cost of Debt (Kd)	9.54%	As per the average monthly lending rates of commercial banks since February 2014 (adjusted as per the tax rate of the company)
Tax Rate	9.15%	As per the prospectus
WACC	12.10%	Discount rate for the valuation (based on the DE ratio of 0.60)

F. Other Assumptions

- Revenue is forecasted by using the average price and the capacity utilization.
- Selling and Distribution Expenses and Admin and Other Expenses are projected at 2.06% and 3.87% of total revenue, respectively, which are based on average expenses on respective headings of the company.
- COGS are assumed at 84.45% of revenue, which is the average of the last 6 years.
- Capital expenditure of NPR 5.3 billion is assumed during the FY 2082/83 as per the prospectus, then after 5% of the total assets.

G. Stock Valuation

We have valued Reliance Spinning Mills Limited using the Discounted Cash Flow (DCF) method. This valuation method estimates a company's value by projecting future cash flows and discounting them back to the present. DCF is well-suited for long-term, cash-generating businesses because it focuses on fundamentals rather than short-term market swings.

That said, DCF is inherently subject to assumptions on growth, margins, capex, and the discount rate can shift results, but it remains useful for long-term, cash-generating businesses because it values the actual cash flows, embeds the time value of money, and makes the drivers transparent.

The final valuation of Reliance Spinning Mills Limited based on the DCF Approach has been computed, tabulated below.

Method	Valuation Per Share in NPR
Discounted Cash Flow	585.90

H. Conclusion and Recommendation

Reliance Spinning Mills Limited is a well-established and large-scale spinning manufacturer with a long operating history, diversified yarn portfolio, and strong export orientation. The company's scale, established customer relationships, and continued investment in modern production technology support its competitive position within Nepal's textile manufacturing sector. Recent initiatives, including capacity expansion and the commissioning of a captive solar power plant, are expected to improve operational reliability and support efficiency over the medium term.

At the same time, RSML operates in a structurally cyclical, capital- and working-capital-intensive industry. Operating performance and cash flows remain sensitive to global textile demand, raw material price volatility—particularly polyester staple fibre and foreign exchange movements. Despite some moderation, the company's operating and cash conversion cycles remain elongated, resulting in continued reliance on bank-funded working capital. In addition, leverage remains elevated following recent debt-funded capital expenditure, which increases earnings and cash-flow sensitivity during periods of soft demand.

The proposed public issue represents a meaningful step toward strengthening the company's capital structure. Equity infusion is expected to partially reduce leverage, improve debt protection metrics, and enhance financial flexibility. However, the extent of balance-sheet improvement will depend on the timely completion of the issue, stabilization of demand conditions, and the company's ability to absorb expanded capacity at sustainable utilization levels.

Based on our Discounted Cash Flow (DCF) analysis, we estimate an intrinsic value of NPR 585.90 per share. In comparison, the IPO issue prices of NPR 820.80 for the general public and NPR 912.00 for institutional investors imply a valuation that is materially above our assessed intrinsic value. This gap suggests that the current pricing factors in a relatively optimistic outlook on demand recovery, margin normalization, and balance-sheet strengthening.

Overall, RSML offers long-term business strength driven by scale, export presence, and operational capability, but the IPO valuation appears to leave limited margin of safety at the offered prices. The investment case therefore hinges on the pace and durability of demand recovery, effective utilization of expanded capacity, and meaningful improvement in leverage and cash-flow metrics post-issue. Given these considerations, a neutral stance is appropriate, with close monitoring of operating performance and balance-sheet outcomes following the IPO.

ISSUE OF THE MONTH

Information Asymmetry in the Stock Market

A. Introduction

Information asymmetry in stock markets refers to a situation where one party has more information than another party in a transaction, and this information advantage gives the party with more information an unfair advantage in the transaction. In the context of the stock market, information asymmetry occurs when some investors have access to information that is not available to other investors, such as insider information about a company's financial performance or upcoming events that could impact its stock price. In such situations, investors with access to privileged information can make more informed investment decisions, potentially resulting in profits at the expense of other investors. This can lead to a situation where the stock market is not fully efficient, as prices may not always reflect all available information.

B. Why Information Asymmetry Exists:

Information asymmetry can exist for several reasons, including:

1. Market Complexity: The stock market is a complex system with many factors that can impact prices, including economic indicators, geopolitical events, and company-specific news. Institutional investors tend to have a better understanding of these factors than others, giving them an information advantage.
2. Research and Analysis: Institutional investors have access to larger set of resources, including access to more costly research and analysis tools than others, allowing them to be better informed earlier and make more informed investment decisions. For example, institutional investors may have more resources to devote to research and analysis than individual investors.
3. Timing of information: In some cases, information can be accessed by certain investors before it is made available to the general public. For example, analysts may receive early access to a company's earnings report before it is released to the public, giving them an information advantage.
4. Insider information: Insiders such as company executives, board members, and employees may have access to non-public information about the company's financial performance or upcoming events that could impact its stock price. They may use this information to make trades that profit from the information advantage.

C. Impact of Information Asymmetry on Small Investors

Small investors can be affected by information asymmetry in several ways. Here are some examples:

1. Mispricing: Information asymmetry can lead to mispricing in the market, which can negatively impact small investors. For example, if some investors

have access to information that indicates a stock is undervalued, they may buy the stock, causing its price to increase. Small investors who do not have access to the same information may end up buying the stock at a higher price than its true value, leading to lower returns.

2. Insider trading: Insiders, such as company executives, may have access to non-public information that can significantly impact the stock's value. If insiders use this information to trade stocks, it can lead to unfair advantages over small investors who do not have access to the same information. Insider trading is illegal, but it can still occur, leading to a negative impact on small investors.
3. Volatility: Information asymmetry can increase volatility in the market, making it challenging for small investors to predict market movements. For example, if some investors have access to negative news about a company before it becomes public, they may sell their shares, causing the stock's price to drop suddenly. Small investors who do not have access to the same information may find it difficult to understand why the stock price has dropped, causing them to panic and sell their shares, leading to a loss.
4. Scams: Information asymmetry can create opportunities for scams and fraudulent activities that can negatively impact small investors. For example, if a company releases false information about its financial performance, small investors who do not have access to the true information may invest in the company, leading to a loss.

D. Keys for Navigating Information Asymmetry

As a small investor, it can be challenging to avoid the pitfalls of information asymmetry entirely, but there are steps you can take to minimize its impact on your investment decisions:

1. Conduct research: Conducting thorough research on a company or industry can help you make informed investment decisions based on available information. It is essential to gather information from multiple sources, such as financial reports, news articles, and industry experts.
2. Diversify your portfolio: Diversifying your portfolio can help reduce the impact of any single stock or market event on your overall investment portfolio. By spreading your investments across different asset classes, sectors, and geographic regions, you can minimize the impact of any negative events that may occur in one particular area.
3. Stay up to date: Keeping up to date with the latest news and developments in the market and the companies you invest in is critical. Following reputable news sources, industry analysts, and company announcements can help you stay informed about any new developments that could impact your investments.
4. Seek advice: If you are unsure about how to navigate a particular investment or market, seek advice from a financial advisor or other investment professional. They can provide guidance and insights that can help you make informed investment decisions.

5. Avoid insider trading: Insider trading is illegal and can result in significant financial and legal consequences. As a normal investor, you should not use non-public information to make investment decisions or share information with others that could give them an unfair advantage.

E. Conclusion

In conclusion, information asymmetry in the stock market is a common phenomenon that can lead to unfair advantages for some investors over others. This can have negative impacts on small investors, including mispricing's, insider trading, volatility, and scams. However, there are ways for small investors to minimize the impact of information asymmetry on their investment decisions, such as conducting research, diversifying their portfolios, staying up to date with market developments, seeking advice, and avoiding insider trading. By following these strategies, small investors can make more informed investment decisions and navigate the stock market more successfully.

HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR	TICKER	TOTAL RETURN
	NABBC	102.71%
	CORBL	95.97%
	RADHI	91.86%
	UNHPL	90.81%
	NRIC	76.07%

PAST 3 YEARS	TICKER	CAGR
	CORBL	94.56%
	DLBS	92.66%
	BNL	90.81%
	NRN	72.98%
	GRDBL	72.32%

PAST 5 YEARS	TICKER	CAGR
	CORBL	68.15%
	BNL	53.19%
	GRDBL	49.77%
	NRN	45.35%
	RADHI	42.14%

PAST 10 YEARS	TICKER	CAGR
	STC	60.32%
	HDL	38.06%
	CORBL	32.76%
	MMFDB	26.29%
	PRIN	21.57%

Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
SHPL	IPO Local and Foreign	11,000,000	2025/11/23 AD 2082/07/07 BS	2025/12/07 AD 2082/07/21 BS	Nabil Investment Banking Limited and Himalayan Capital Limited
RSML	IPO Foreign	115,596	2025/12/08 AD 2082/07/22 BS	2025/12/11 AD 2082/07/25 BS	Global IME Capital Limited
SALAPA	IPO Foreign	172,388	2025/12/11 AD 2082/07/25 BS	2025/12/15 AD 2082/07/29 BS	Muktinath Capital Limited
MSY	Mutual Fund	50,000,000	2025/11/30 AD 2082/07/14 BS	2025/12/03 AD 2082/07/17 BS	Machhapuchchhre Capital

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