

The Pulse

Market Growth, Risks and Outlook

Magh 2081

Inside This Edition

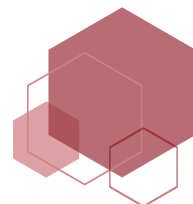
Global Markets Overview	1
Currency Market Trends	2
Macroeconomic Overview	3
Monthly Trading Statistics	3
Liquidity Overview	4
Public Debt Subscription	4
Sectoral Movement	5
Major Movers	5
Sectoral Divergence-Turnover	6
Highest Turnover, Volume	6
NEPSE Outlook	7
Scrip Analysis- CEDB Holdings Limited (CHDC)	9
Issue of the Month -How Belief Preservation Affects Investment Decisions	23
Key Dates	26

हिमालयन क्यापिटल लि.



Himalayan Capital





A Subsidiary of Himalayan Bank Limited



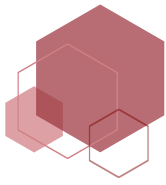
Global Markets Overview

€	1.09 \$ (4.30%)	S&P 500	6,101.24 (2.18%)
£	1.23 \$ (-1.99%)	BSE SENSEX	76,190.46 (-3.19%)
₹	81.58* (-4.53%)	NIKKEI 225	39,931.98 (-0.87%)
¥	130.11* (-17.51%)	FTSE 100	8,502.35 (4.33%)
A\$	0.70 \$ (13.41%)	DAX	21,394.93 (7.06%)
C\$	0.75\$ (7.95%)	CAC 40	7,927.62 (7.78%)
		HANG SENG	20,066.19 (-0.12%)
		SSE COMPOSITE	3,252.63 (-4.34%)

*Values Per 1 \$

	Gold(\$) Per Oz. 2,770.00 (5.64%)		Bitcoin(\$) 104,714.65 (11.20%)
	Brent Crude(\$) Per Barrell 78.47 (6.39%)		Ethereum(\$) 3,317.27 (-0.35%)

#All Changes are in MoM basis.



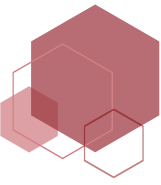
Currency Market Trends

The Euro, Australian Dollar, and Canadian Dollar have shown positive growth, with the Australian Dollar experiencing the most significant increase of 13.41%, likely driven by stronger commodity markets or favorable trade balances. Conversely, the British Pound, Indian Rupee, and Japanese Yen have declined, with the Yen showing a substantial depreciation of 17.51%. This suggests challenges in Japan's economic environment or monetary policy adjustments. Overall, major shifts in these currencies highlight varying economic conditions and external pressures across regions.

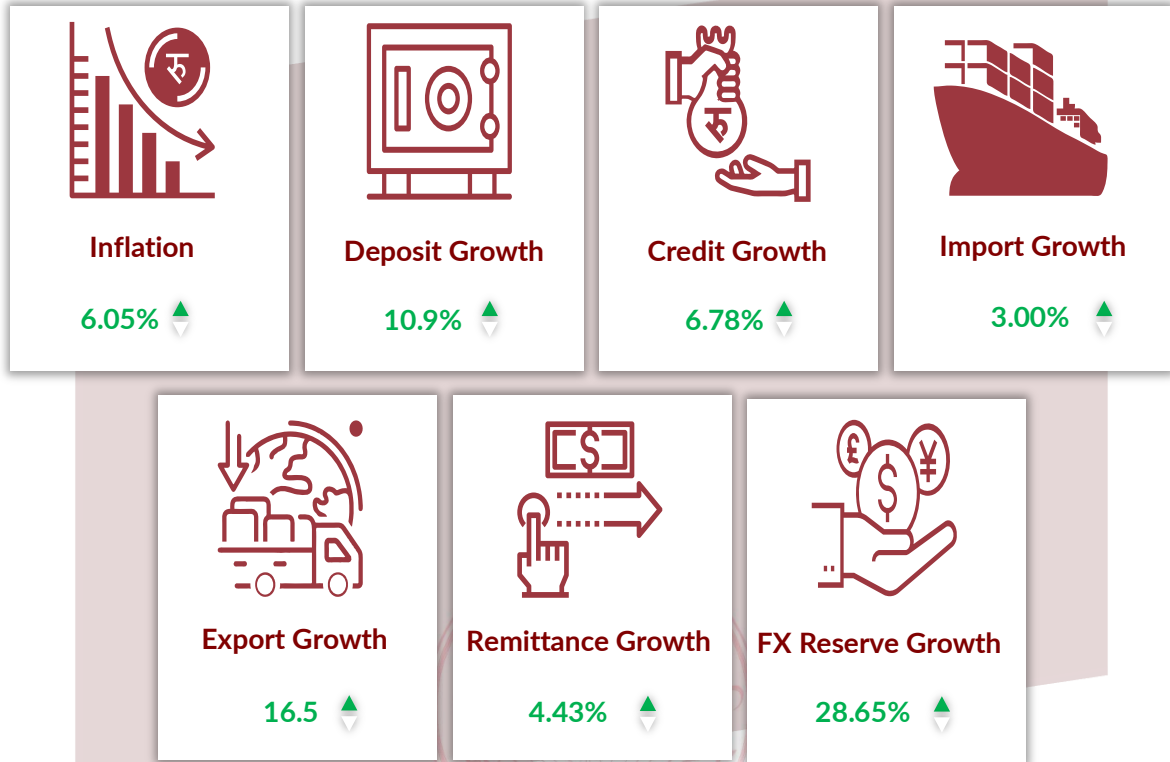
Among global stock indices, European markets such as the DAX and CAC 40 experienced strong growth, up by 7.06% and 7.78% respectively, likely due to regional economic recovery or investor confidence. The S&P 500 and FTSE 100 also posted modest gains, while Asian indices like the SSE Composite and BSE SENSEX saw declines of 4.34% and 3.19%, indicating weaker investor sentiment or economic slowdown in these regions. The Nikkei 225 and Hang Seng indices showed relatively smaller changes, signaling limited movement in the Japanese and Hong Kong markets.

Bitcoin led the growth in the cryptocurrency space with an 11.20% increase, reflecting strong investor demand or a favorable market sentiment for digital assets. Gold and Brent Crude also showed significant price increases of 5.64% and 6.39%, driven by inflation concerns or geopolitical uncertainties impacting commodity markets. Ethereum, however, declined slightly, down 0.35%, suggesting mixed trends within cryptocurrencies.

The data reveals a dynamic economic landscape with currencies and commodities responding strongly to global economic shifts, while stock markets show a mixed performance reflecting regional disparities. The cryptocurrency market, spearheaded by Bitcoin, indicates continued investor interest in digital assets. Overall, these patterns underscore the interconnectedness of global markets and the need for a nuanced approach to investment and economic forecasting.



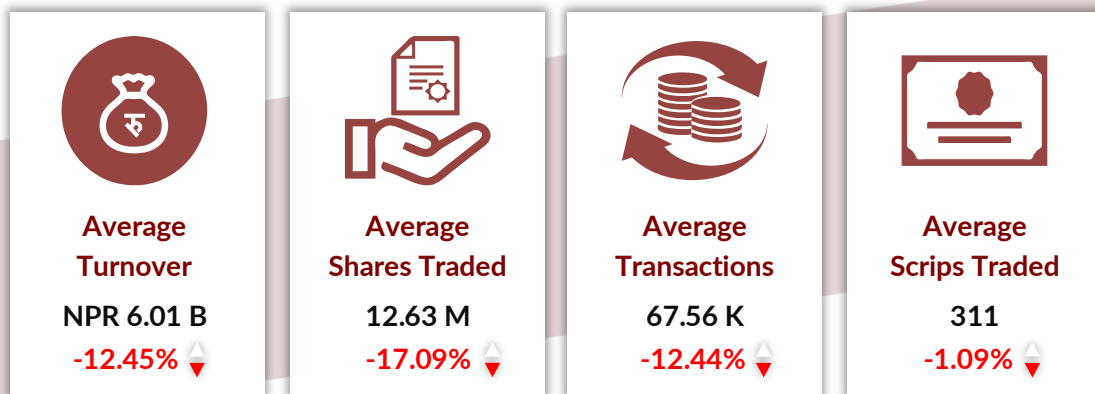
Macroeconomic Overview



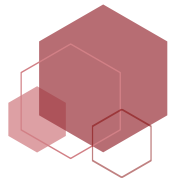
* Growth refers to the change between five months data of FY 80/81 and FY 81/82.

* Credit refers to claim on private sector.

Monthly Trading Statistics



* For the period (December 29, 2024) - (January 23, 2025)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Mangsir-80	Kartik-81	Mangsir-81	Magh 04	Magh 11	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.20	2.48	2.81	2.75	2.75	0.61	0.33	0.00
Wt.Avg 91 Days TB rate (%)	3.53	2.77	2.85	2.81	2.83	-0.68	0.08	0.02
Wt.Avg 364 Days TB rate (%)	4.64	2.98	2.98	2.95	2.95	-1.66	0.00	0.00
Wt. Avg Interbank Rate (%)	2.04	2.91	3.00	3.00	3.00	0.96	0.09	0.00
CapEx (In Billion NPR)	36.06	34.53	40.80	58.18	60.84	4.74	6.27	2.66

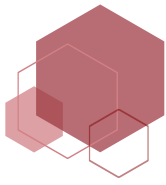
B. BFI Statistics

Description	Value As On					Change		
	Mangsir-80	Kartik-81	Mangsir-81	Magh 04	Magh 11	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	7.62	5.01	4.78	5.01	4.78	-2.84	-0.23	-0.23
Wt. Avg Lending Rate (%)	11.85	9.07	8.90	9.07	8.90	-2.95	-0.17	-0.17
Base Rate (%)	9.64	7.02	6.82	7.02	6.82	-2.82	-0.20	-0.20
CD Ratio (%)	79.90	78.26	78.54	79.40	78.30	-1.36	0.28	-1.10
Fixed Deposits/Total Deposits (%)	60.24	54.13	52.63	54.13	52.63	-7.61	-1.50	-1.50
Total Liquid Assets/Total Deposits (%)	27.36	25.62	26.44	25.62	26.44	-0.92	0.82	0.82

Public Debt Subscription

Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Highest	Average
28 Days	Poush 14	500.00	0.00	14	32	2.59	500.00	2.63	3.00	2.96
91 Days	Poush 14	75.00	0.00	16	42	34.51	75.00	2.75	2.82	2.81
182 Days	Poush 14	500.00	0.00	11	26	3.21	500.00	2.77	2.84	2.82
364 Days	Poush 14	750.00	0.00	11	22	2.53	750.00	2.94	2.98	2.95

*Figures are in Millions NPR

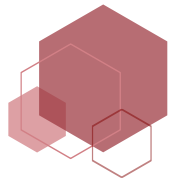


Sectoral Movement

Index	Poush 11	Magh 10	Change
NEPSE	2,630.71	2,654.35	0.90%
Others	1,940.61	2,083.29	7.35%
Hotels & Tourism	6,427.14	6,829.26	6.26%
Hydropower	3,494.98	3,706.62	6.06%
Investment	99.42	104.33	4.94%
Life Insurance	12,493.73	13,074.30	4.65%
Manufacturing & Processing	6,817.81	7,080.55	3.85%
Development Bank	5,366.11	5,560.96	3.63%
Non Life Insurance	12,460.42	12,788.96	2.64%
Microfinance	4,922.47	4,903.00	-0.40%
Mutual Fund	20.30	20.09	-1.03%
Commercial Bank	1,427.91	1,350.74	-5.40%
Trading	4,718.85	4,460.99	-5.46%
Finance Company	3,073.25	2,564.75	-16.55%

Major Movers

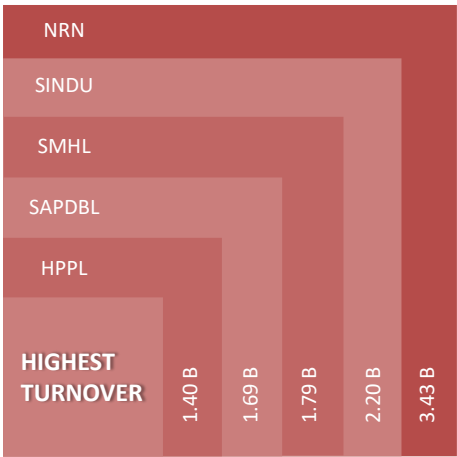
SAPDBL	54.80%	JFL	-49.14%
GRDBL	54.17%	PFL	-39.16%
DOLTI	46.76%	SMB	-29.13%
CORBL	39.16%	NFS	-28.89%
NYADI	37.91%	GMFIL	-16.67%



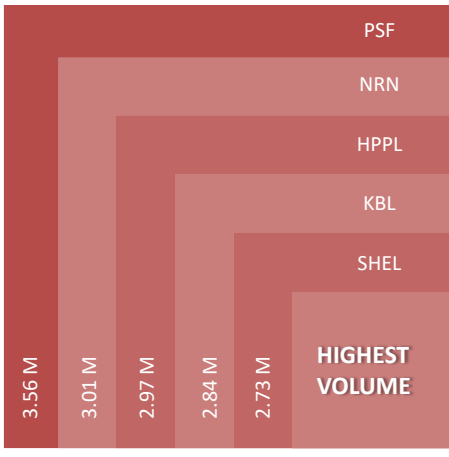
Sectoral Divergence-Turnover

Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	6.86 B	6.01 B	-12.45%
Hydro Power	2.36 B	2.72 B	15.17%
Development Banks	0.58 B	0.63 B	7.44%
Mutual Fund	0.01 B	0.01 B	6.24%
Others	0.24 B	0.24 B	0.47%
Microfinance	0.47 B	0.45 B	-2.36%
Investment	0.45 B	0.43 B	-2.67%
Commercial Banks	0.67 B	0.55 B	-16.80%
Manufacturing And Processing	0.22 B	0.18 B	-19.15%
Tradings	0.03 B	0.02 B	-22.37%
Life Insurance	0.30 B	0.22 B	-26.43%
Finance	0.92 B	0.65 B	-29.64%
Non Life Insurance	0.29 B	0.19 B	-32.49%
Hotels And Tourism	0.13 B	0.08 B	-35.38%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview

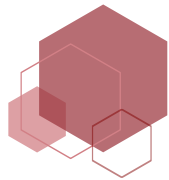


As of 26 January 2025, the NEPSE index closed at 2,643.93 points, marking a gain of 13.22 points (0.50%) across 19 trading days, compared to that of 26 December, 2024.

The average turnover in these 19 trading days saw a decrease to NPR 6.03 billion, down from NPR 6.19 billion in the previous month.

The Relative Strength Index (RSI) stands at 52.05 points, indicating the market is in the neutral while the Moving Average Convergence Divergence (MACD) indicator suggests a bullish trend, but still is below the histogram.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,540, (S2) 2,450, and (S3) 2,360 while immediate resistance levels are recognized at (R1) 2,660, (R2) 2730, and (R3) 2,820. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.



B. Long Term Overview



The NEPSE index has recently broken through the psychological barrier of 2,200, a level not reached in over two years. This surge is driven by several key factors: a reduction in interest rates, and the Nepal Rastra Bank's (NRB) rate cuts aimed at stimulating economic activity.

The NRB's policy rate reductions have notably benefited the banking, financial institutions (BFI), and construction sectors. Furthermore, the NRB's decision to remove the NPR 20 crore cap on institutional investors is expected to further boost capital inflows into the market.

Given these factors, the market is likely to continue its upward momentum. If the NEPSE index surpasses its previous high of 3,200, Trend Based Fibonacci extension levels suggest it could target 3,400 and 3,690.

On the downside, if the market experiences a pullback, long-term support is expected around 2,390, followed by 2,200, the previous resistance level. These levels will depend on broader economic conditions and market sentiment.



SCRIP ANALYSIS

CEDB Holdings Limited (CHDC)

A. About the Company

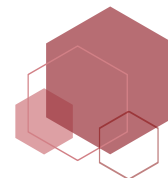
CEDB Holdings Limited (CHDC), a public limited company established in 2009, is committed to addressing Nepal's increasing energy demand through strategic investments in hydropower. The company has made significant progress in expanding its footprint within the energy sector, demonstrating a strong commitment to shareholder returns. CHDC's portfolio primarily focuses on hydropower investments, reflected in increasing dividend income and improved financial indicators such as net worth, liquidity, and reduced outstanding receivables.

The company has strategically invested in multiple hydropower projects. Alongside these investments, CHDC leverages its management expertise by earning management fees from overseeing the daily operations of its hydropower subsidiaries. Recognizing the challenges associated with its concentrated portfolio, CHDC is actively diversifying by exploring opportunities in solar energy, aligning with global trends and Nepal's evolving energy mix. This strategic shift is expected to mitigate the risks of high capital requirements, lengthy development timelines, and delayed profitability inherent to hydropower.

Financially, CHDC has shown resilience, with improving metrics supported by plans to issue rights shares equivalent to 54.50% of its paid-up capital post-dividend. This initiative aims to strengthen its capital base and support future growth, including potential renewable energy and infrastructure investments. Although the company provides corporate guarantees for certain investee companies, it maintains a controlled debt-to-asset ratio, reflecting its prudent financial management.

Favorable government policies promoting renewable energy offer CHDC significant growth opportunities. Through its diversified renewable energy investments, the company is well-positioned to meet Nepal's rising energy consumption needs. Additionally, the potential liquidation of hydropower assets during favorable market conditions provides a pathway for substantial profit realization.

While CHDC's reliance on hydropower exposes it to sector-specific risks like project delays and water resource dependency, its ongoing diversification efforts aim to



reduce such vulnerabilities. Effective management of financial exposure, particularly through corporate guarantees, will be critical for sustaining growth.

CEDB Holdings Limited stands out as a promising player in Nepal's renewable energy sector. Its diversification initiatives and robust financial strategy lay the groundwork for medium—to long-term success. For investors seeking steady returns and exposure to Nepal's renewable energy sector, CHDC presents a compelling opportunity.

CEDB Holdings Limited: Investment Portfolio and Subsidiaries

Investment Portfolio

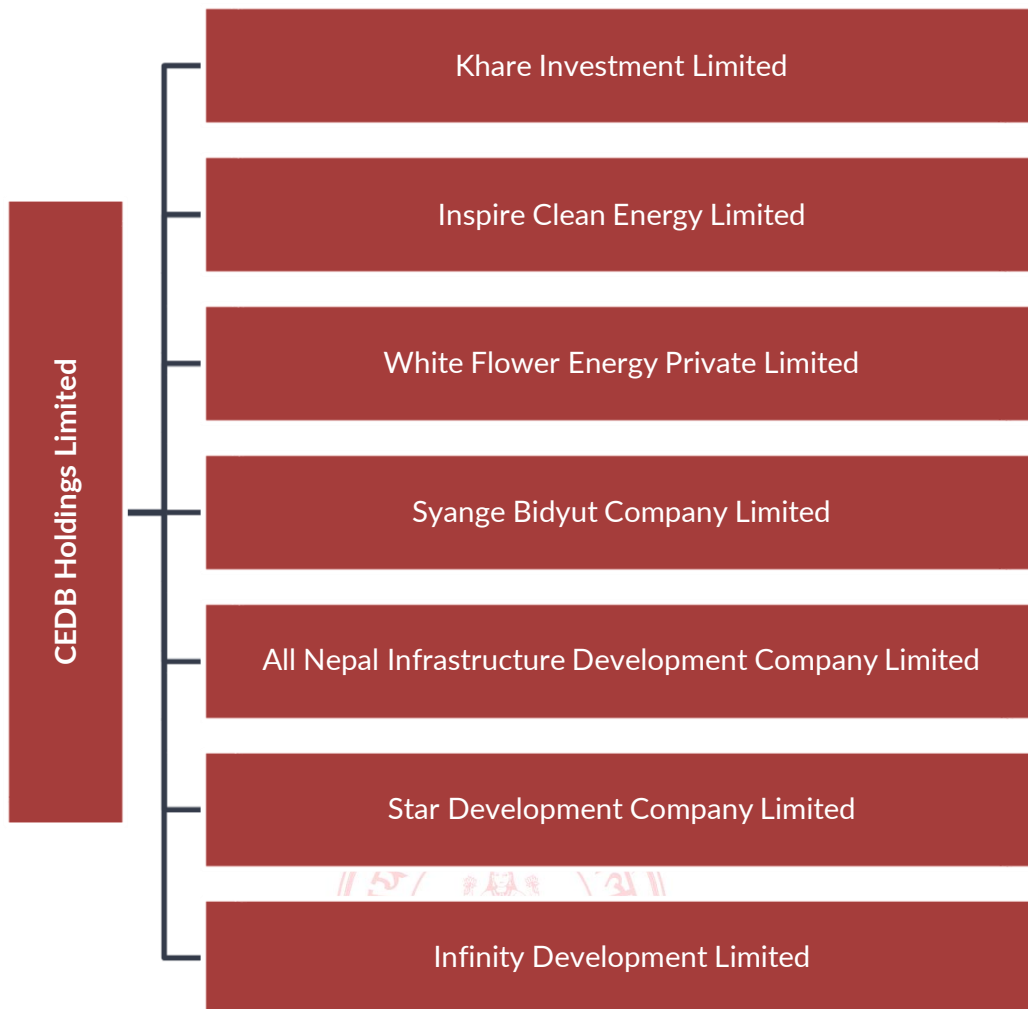
As of the FY 2080/81 annual report, CEDB Holdings Limited has strategically invested in the following companies and projects.

Company / Project	Investment (NPR millions)
Elevation Energy Management Ltd.	45.97
Kasuwa Khola Hydropower Ltd.	20.76
Rapti Hydro and General Construction Ltd.	10.00
Universal Power Company Ltd.	47.50
Dordi Khola Hydropower Company Ltd.	12.00
Nepal Power Exchange Ltd.	1.00
Other Investments	0.63

These investments align with the company's focus on expanding its renewable energy footprint and strengthening Nepal's hydropower capabilities.

Subsidiaries

CEDB Holdings Limited operates through its network of subsidiaries, which are integral to its business model:

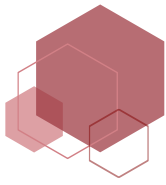


These subsidiaries contribute to the company's diversified operations in hydropower generation.

The company aims to conduct Initial Public Offerings (IPOs) for all its subsidiaries within the next 1 to 2 years. Under this plan, All Nepal Infrastructure Development Company Limited, with a net worth exceeding NPR 150 per share, is set to issue an IPO through book building within 6 months to 1 year at a premium price. Similarly, IPOs for Elevation Energy Management Limited, Inspire Clean Energy Limited, Sangye Hydropower Company Limited, and Khare Investment Limited are targeted within the next 1 to 2 years, as per its annual report for FY 2080/81.

Upcoming Projects of CHDC:

The 40.7 MW Mathillo Chhujung Khola Hydropower Project in Sankhuwasabha has completed a Take or Pay PPA and plans to upgrade to 50.50 MW, targeting construction within two years.

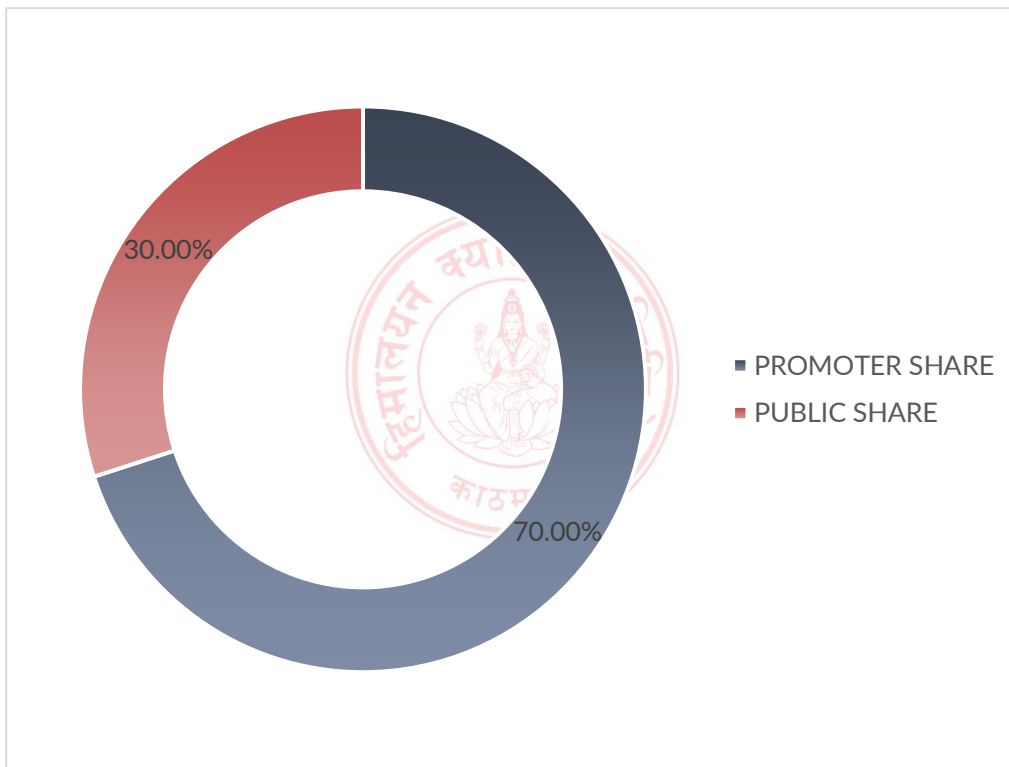


In Solukhumbu, the 24.41 MW Super Inkhu Khola and 24.22 MW Mathillo Inkhu Khola projects are Run-of-River (ROR) models. Both aim to finalize PPAs and licenses within a year, with construction starting in three years. Developing them in a Cascade model will reduce costs.

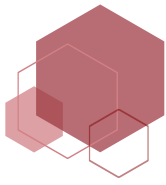
The 30 MW Myagdi Khola A Project in Myagdi, also an ROR model, is in its final licensing stage, with construction planned within three years.

The 152.7 MW Super Humla Karnali Project in Karnali Province, a PROR model, is under survey. Plans are to expand it to 300 MW+ for electricity export to India.

Shareholding breakdown of CHDC



As of recent updates, the promoters hold 70% of the company's total shares, while the public holds the remaining 30%.



Comparative Annual Performance Visualizations

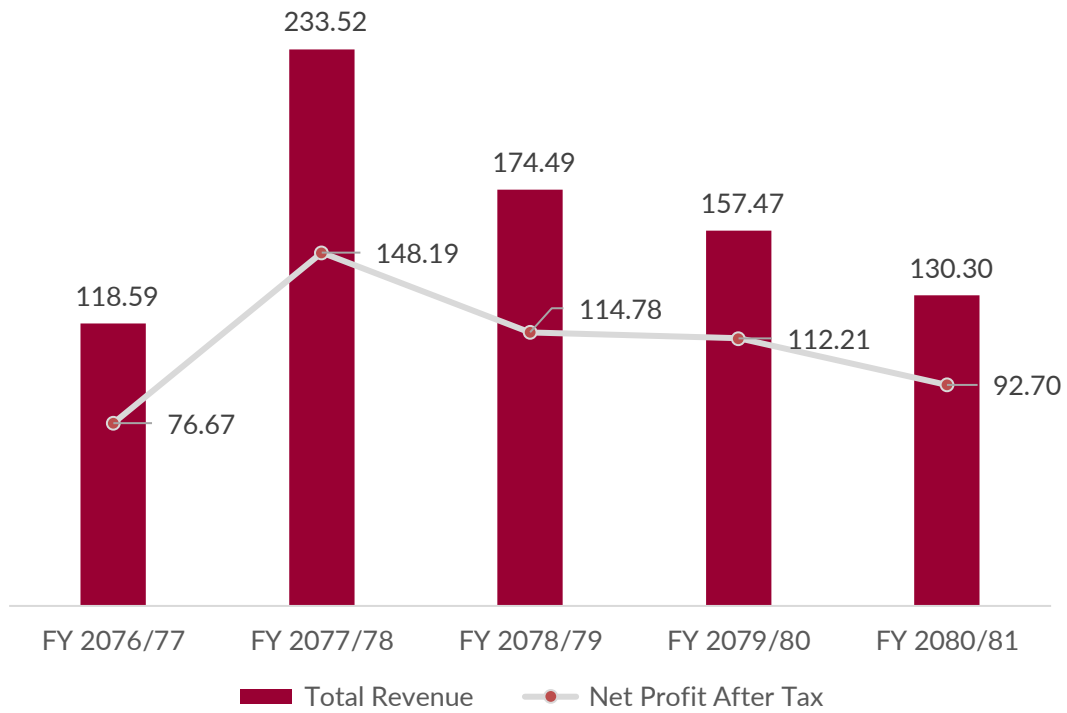


Figure: Annual Comparison of Revenue and Net Profit After Tax (in millions)

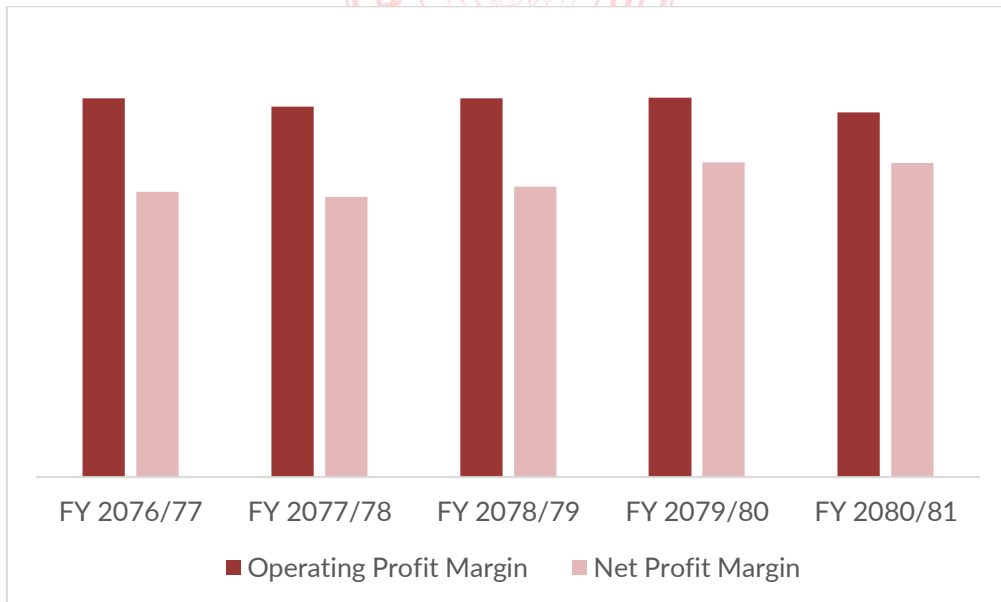


Figure: Annual Comparison of Operating profit and Net Profit Margin

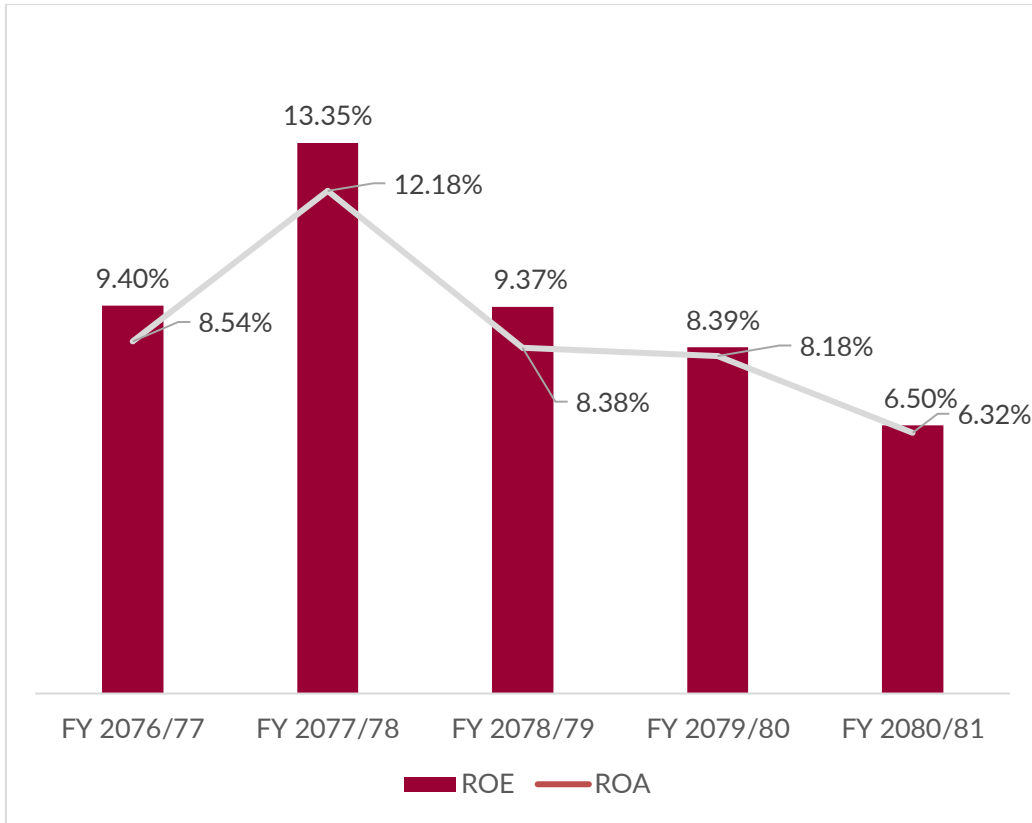
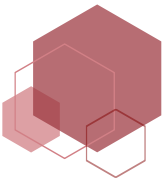


Figure: Comparison of Return on Return on Asset (ROA) and Return on Equity (ROE)

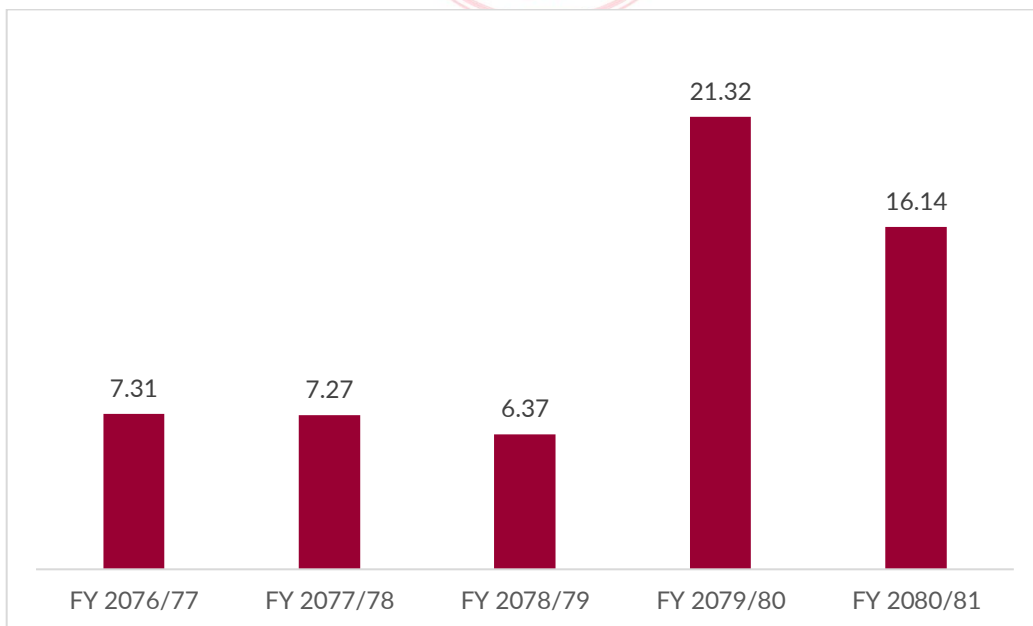


Figure: Annual Current Ratio

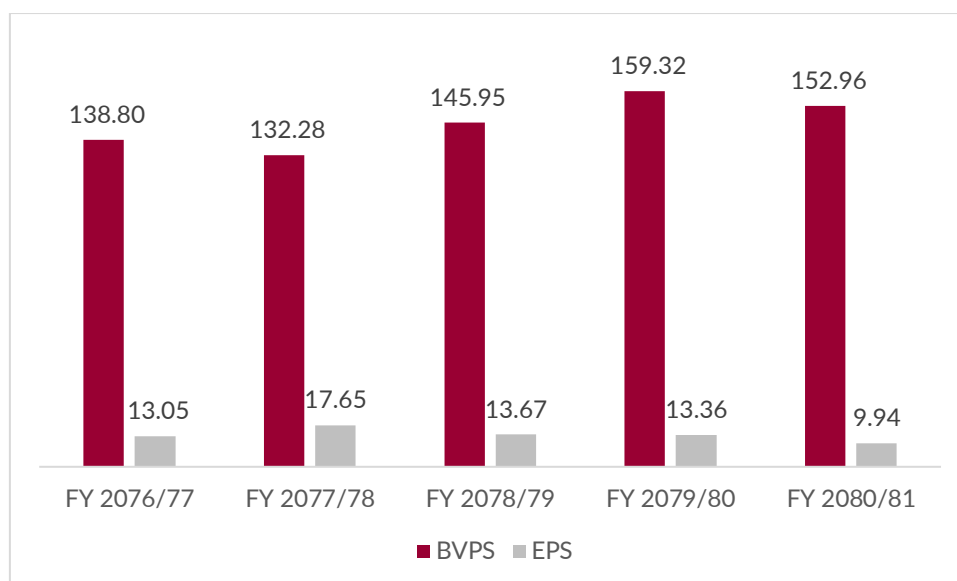
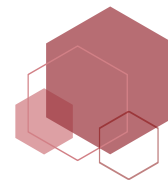


Figure: Comparison of EPS and Book Value Per Share

Analysis of Income Sources (in NPR millions)

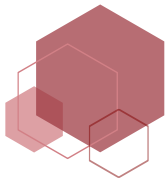
Particulars	2076/77	2077/78	2078/79	2079/80	2080/81	Trend
Management Fee	91.3	180.9	109.18	52.98	21.6	
Interest and Other Income	26.65	49.67	65.07	65.35	60.77	
Rent from Sublet	0.12	0.18	0.24	0.18	-	
Dividend Income	0.53	2.77	-	38.96	47.79	
Other Income	-	0.002	-	-	0.14	

Management Fee Income:

CHDC's management fee income has shown a sharp decline over the years. In FY 2076/77, it stood at NPR 91.30 million, making it the largest contributor to the company's revenue. However, by FY 2080/81, this income had reduced significantly to NPR 21.60 million. This decline suggests a reduced engagement in managing hydropower subsidiaries, due to the termination of management contracts. The shift indicates that CHDC is moving away from relying on active operational income to other more passive income sources.

Interest and Other Income:

Interest and other income have remained a stable contributor to CHDC's revenue over the years. Starting at NPR 26.65 million in FY 2076/77, it peaked at NPR 65.35 million in FY 2079/80 and slightly declined to NPR 60.77 million in FY 2080/81. This stability



reflects consistent returns from financial investments, such as fixed deposits and other interest-earning instruments, which provide CHDC with a reliable income stream amidst fluctuations in other revenue sources.

Dividend Income:

Dividend income has become a key revenue source for CHDC, rising from NPR 0.53 million in FY 2076/77 to NPR 47.79 million in FY 2080/81. This growth highlights CHDC's strategic focus on equity investments in hydropower projects and its ability to generate consistent returns.

Investors remain optimistic about future dividend inflows, further boosting confidence in CHDC's growth potential. With dividends now a major contributor to revenue, CHDC is well-positioned to enhance financial performance and deliver value to shareholders.

Rent from Sublet:

Income from subletting has remained insignificant over the years. It peaked at NPR 0.24 million in FY 2078/79 but steadily declined to zero in FY 2080/81. This minimal contribution indicates that rental income is not a significant focus area for CHDC and has little impact on its overall revenue profile.

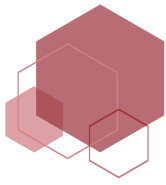
Other Income:

Other income has been negligible throughout the years, with only a minor contribution of NPR 0.14 million in FY 2080/81. Its insignificant presence underscores that CHDC's revenue is largely dependent on core operations such as dividends and interest income, rather than ancillary sources like miscellaneous or one-time earnings.

Potential Gain on Sale of Shares and Upcoming Listings

CHDC's growing portfolio of investments in hydropower companies, including DORDI and RHGCL, which are already listed on NEPSE and nearing the end of their IPO lock-in periods on 22 June 2025 and 25 July 2025 respectively, could provide the company with opportunities to realize substantial gains through the sale of shares. If market conditions are favorable, CHDC may choose to sell these shares, potentially making them a significant revenue source, especially in a bull market.

Additionally, some of CHDC's other investments and subsidiaries are set to be listed on NEPSE within the next 1-2 years, providing further opportunities to capitalize on market conditions. If CHDC opts to sell these shares, this shift from passive income



to active capital gains may enhance liquidity, profitability, and investor confidence, strengthening CHDC's financial position and supporting its long-term growth.

B. SWOT Analysis

A SWOT analysis provides a comprehensive view of CEDB Holdings Limited's current position by evaluating its internal strengths and weaknesses alongside external opportunities and threats. Through this analysis, we can better understand the company's ability to navigate a dynamic operating environment and capitalize on growth prospects.

Strengths

- Strong foundation in the hydropower sector with a growing portfolio of investments.
- Reliable dividend income streams and improved financial indicators.
- Minimal reliance on debt and strong liquidity position.
- Experienced management team and stable governance structure, with promoters holding 70% of shares.

Weaknesses

- High dependency on hydropower investments with long gestation periods and capital-intensive projects.
- Moderate operational performance in some investee projects due to technical challenges.
- Financial exposure to corporate guarantees for group companies.
- Declining management fees from terminated contracts with hydropower projects.

Opportunities

- Favorable government policies supporting renewable energy expansion in Nepal.
- Rising energy demand creates opportunities for future projects.
- Potential to liquidate hydropower assets during favorable market conditions for profit realization.
- Planned diversification into solar energy and investments in convertible preference shares.

Threats

- Regulatory changes affecting investment companies and the hydropower sector.
- Dependency on timely returns from investments for future commitments.



- Adverse financial performance of group companies impacting overall stability.
- Climate-related risks, including variability in water flow for hydropower projects.

C. Stock Performance Adjusted for Dividends and Financial Performance



Note – CHDC is represented in blue while NEPSE is highlighted in orange.

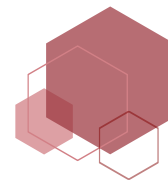
Since its listing on June 10, 2021, till January 23, 2025, CEDB Hydropower Development Company Limited (CHDC) has delivered stellar returns, surging by 392.65%, far outperforming the NEPSE index, which declined by 9.92%. This exceptional performance is attributed to the company’s dividend growth—from NPR 0.53 million in FY 2076/77 to NPR 47.79 million in FY 2080/81—and strategic advancements in its hydropower projects, including Dordi-1, Mathillo Chhujung Khola, and Myagdi Khola, etc.

CHDC’s diversification into solar energy and its 54.50% rights share issuance further solidify its growth trajectory while maintaining financial stability. Additionally, investors are optimistic about further improvements in CHDC’s financials due to the increased probable dividends it may receive from its subsidiaries.

Technically, the stock has shown consistent higher and lower highs since listing, supported by strong trading volumes. While profit booking causes intermittent corrections, the long-term outlook remains bullish, driven by project execution and rising investor confidence.

Key Variables used for Valuation:

1. Sustainable Growth Rate for longer period projection to calculate terminal value= 3.50%

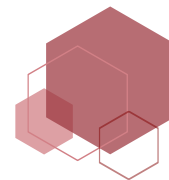


2. Other specifics are as follows:

Specifics	Value	Remarks
Adjusted Beta (β)	1.16	Assumption—Since its listing date, the raw weekly beta of 1.24 will move towards the market beta of 1 over time (Beta taken from npstocks.com).
Market Return (R_m)	11.04%	CAGR of closing prices of NEPSE from FY 2001/02 to FY 2023/24.
Risk-Free Rate (R_f)	5.15%	The latest Development Bond Rate is adjusted for a tax rate of 6.00%.
Cost of Equity (K_e)	11.94%	As per the CAPM Model
Cost of Debt (K_d)	8.03%	As per the average monthly lending rates of commercial banks since February 2014 (adjusted as per tax rate).
Tax Rate	25.00%	As per the tax rate for investment companies in Nepal.
WACC	11.94%	Discount rate for the valuation (based on equity 99.99% and debt 0.01% in its capital structure).

Other assumptions:

- ✓ Valuation has been done from FY 2081/82 to FY 2085/86.
- ✓ Management fee income is projected to start at NPR 30 million across all scenarios. In the base case, it is expected to grow by 5% annually, with worst- and best-case scenarios assuming 2.5% and 10% growth, respectively. These variations reflect the potential impact of contract terminations, renegotiations, or new management opportunities.
- ✓ In the base case, interest and other income is projected to grow annually by 22.89%, consistent with the historical five-year trend. The best-case scenario assumes 25% growth, driven by favorable conditions, while the worst-case scenario anticipates 15% growth due to potential rate declines. These projections reflect CHDC's stable track record in this revenue stream.
- ✓ Dividend income for CHDC is projected to grow by 30% annually in the base case, with a 35% growth in the best case and 20% in the worst case. These conservative projections contrast with historical growth of 208.41%, which is excluded to focus on more stable, predictable returns. This aligns with CHDC's strategy to deliver consistent shareholder value.
- ✓ We assume, for valuation purposes, that CHDC will sell 50% of its investments in DORDI, RHGCL, and Elevation Energy after the completion of their respective IPO lock-in periods in both the base and worst-case scenarios and 60% in the best-case scenario. For Elevation Energy, we assume the IPO will be issued in FY 2082/83. The selling price for DORDI and RHGCL is estimated based on the 180-day average closing price of their respective stocks as of January 23, 2025.



For Elevation Energy, we have assumed a selling price of NPR 400. It is important to note that this assumption pertains to CHDC selling its investments and does not imply any sale of its subsidiaries post-IPO lock-in period.

- ✓ We assume that the company will adopt NFRS starting from FY 2081/82 as stated in its latest annual report, with unrealized gains on DORDI, RHGCL, and Elevation Energy recognized as income. These gains will be calculated based on the 180-day average closing price of DORDI and RHGC stocks as of January 23, 2025, while for Elevation Energy, the gains will be calculated using a price of NPR 400.
- ✓ Expenses are projected using the five-year historical average as the basis for estimation.
- ✓ Pre money valuation (before the inclusion of rights shares) have been considered
- ✓ No CAPEX and working capital have been assumed.
- ✓ We have excluded CHDC's proposed projects from our valuation, as they have long gestation periods and are still in the pre-development phase, with construction yet to begin. These projects will require significant time before they start generating returns. Additionally, our valuation focuses on a five-year horizon, making it impractical to account for the impact of these long-term projects within this timeframe.

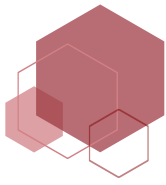
D. Stock Valuation

We have valued CHDC 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. It's commonly used because it considers the time value of money, providing a comprehensive, long-term financial assessment.

Internationally, DCF valuation is widely used for its adaptability and detailed view of future cash flows. However, it's subjective, relying on assumptions about growth and risk, which can vary widely across analysts and markets.

The final average valuation of CHDC based on the DCF Approach has been computed, and tabulated below.

DCF Valuation	Valuation Price (NPR)
Worst Case	303.71
Base Case	378.94
Best Case	475.69
Average Valuation	386.11



E. Technical Analysis



The technical analysis of CHDC indicates the following:

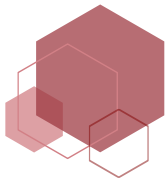
Support Levels:

- **NPR 1,520.00:** The lower support level where previous price consolidations occurred.
- **NPR 1,720.00:** The higher support level, providing a cushion for any potential pullbacks.

Resistance Levels:

- **NPR 2,005.00:** The first resistance level that the price needs to break for continued upward momentum.
- **NPR 2,130.00:** The next resistance level, marking a potential target zone for bullish movements.

The RSI stands at 72.91, placing the stock in the overbought zone and suggesting a possible short-term pullback or consolidation. The MACD line is above the signal line at 30.00 compared to 18.01, with an expanding positive histogram, reinforcing the bullish sentiment. Additionally, the surge in trading volume reflects strong market participation and confidence in the stock's upward trend. While the overall trend remains bullish, caution is advised due to the overbought RSI. Traders should monitor for a breakout above the NPR 2000 resistance or a retest of the NPR 1,521.69 and NPR 1,717.70 support levels for buying opportunities.



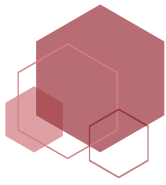
F. Conclusion

CEDB Holdings Limited (CHDC) is a fundamentally strong company with a solid portfolio in Nepal's renewable energy sector, but its current market valuation appears overly optimistic. With a closing price of NPR 1826 as of January 23, 2025, the stock trades significantly above its intrinsic value. The Discounted Cash Flow (DCF) valuation estimates an average price of NPR 386.11, with a range from NPR 303.71 in the worst case to NPR 475.69 in the best case. This large gap indicates that the current price far exceeds the company's fair value, limiting its appeal for mid- to long-term investors seeking meaningful returns.

The valuation excludes CHDC's proposed projects, which are in the pre-development phase with long gestation periods, as they fall outside the five-year horizon considered. This approach focuses on tangible, near-term performance rather than speculative future gains. Additionally, no assumptions for CAPEX or working capital were included, aligning the valuation with immediate operational realities.

From a technical perspective, the stock is in an overbought zone, with the RSI at 72.91, suggesting the likelihood of a short-term pullback or consolidation. Support levels are identified at NPR 1,521.69 and NPR 1,717.70, which could provide better entry points if the price corrects. Resistance levels at NPR 2,000 and NPR 2,131.51 represent potential ceilings for the stock in the short term. While the MACD indicates continued positive momentum, the stretched valuation limits the attractiveness of these technical signals for sustained investment.

As Warren Buffett aptly stated, **"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."** While CHDC remains a promising company with strong growth potential, its current price leaves no margin of safety for mid- to long-term investors. Short-term traders might find opportunities in volatility, but caution is warranted. For long-term value seekers, it would be prudent to wait for a correction or a more reasonable valuation to align with sound investment principles.



ISSUE OF THE MONTH

How Belief Preservation Affects Investment Decisions

“The ability to focus attention on important things is a defining characteristic of intelligence.” – Robert J. Shiller

A. What is Belief Preservation

Human behavior is determined by conscious and unconscious decisions, which can be influenced by behavioral biases. People tend to make judgments based on preconceived notions or, more problematically, on feelings alone, neglecting many crucial facts. This is a risky way of thinking and investing. Belief Preservation, which refers to an individual's inclination to stick to their previous belief even after hearing fresh evidence that contradict. It is one of the major cognitive biases affecting proper decision making.

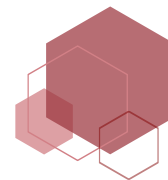
One example of this bias in financial markets is when investors naturally think that excellent firms make good investments. However, this is not always the case. A corporation may be outstanding in their own industry but a bad judgment of other industries. Another example is analysts projecting future results based on past performance. Just because a firm has had rapid growth over the last five years does not guarantee that trend will continue permanently

B. Types of Belief Preservation Errors

There are different types of belief preservation errors that investors can make which leads to poor investment decision. This includes:

I. Representativeness

Representativeness is a cognitive shortcut that substitutes a probability question with a resemblance inquiry. In other words, rather than analyzing the objective probability of a situation occurring, people choose to analyze how closely it relates to a comparable question. The representativeness bias lends credence to the idea that humans fail to appropriately analyze and apply probability in their decision-making. Investors may miss patterns or extrapolate data incorrectly because it does not suit their existing assumptions.



The conjunction error is the most typical error caused by this bias. When the likelihood of A&B occurring is deemed to be greater than the probability of A. For example, after reading a brief character description of someone who lacked imagination but was extremely analytical, people thought such a figure was more likely to be both an investor and a guitarist than simply a guitarist.

They failed to see that an investor who plays guitar is a subset of everyone who plays guitar. When reading crucial indications in the markets, investors may confront the conjunction fallacy. Bringing this issue to people's attention does not prevent them from making the same mistake again. People are prone to committing simple calculating errors, notwithstanding their understanding of the basic calculating error. What's more, specialists who make high-stakes choices commit the conjunction error as well. Almost all economists, analysts, and expert statisticians failed to spot nested situations, demonstrating how difficult it may be to prevent this error.

II. Conservatism

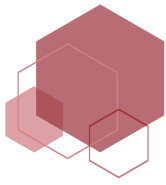
Conservatism refers to the propensity to not alter one's beliefs appropriately when confronted with fresh data. In other words, it happens when a person overestimates their existing knowledge while underestimating new information. Even though there is no rational basis for this assumption, the original knowledge is perceived to be more relevant and valuable than the new information. Conservatism in finance can lead to investors underreacting to company events such as earnings releases, dividends, and stock splits.

III. Confirmation Bias

Confirmation bias refers to the propensity to seek, interpret, favor, and recall evidence that confirms one's previous ideas. People, for example, have a tendency to selectively acquire or recall information, or to interpret confusing data in a way that supports their previous perspective. Confirmation bias is also seen when people intentionally seek out and give more weight to evidence that confirms what they already believe, while ignoring or underweighting material that contradicts it. In finance, confirmation bias can cause investors to dismiss data that suggests their strategy may lose money, leading to overconfidence.

IV. Hindsight Bias

Hindsight bias occurs when prior events appear to be more prominent than they actually were, enabling an individual to assume that the occurrences were predicted even when there was no objective foundation for doing so. Essentially, this bias happens when a person feels they "knew it all along" after seeing the conclusion of an unusual occurrence.



V. Illusion of Control

The illusion of control happens when individuals overvalue their capacity to influence events or outcomes, particularly random ones, despite the fact that such a belief is unfounded. This bias in finance may cause investors to overestimate risks and struggle to respond to negative events.

C. Dealing with Belief Preservation

Belief Preservation is difficult to avoid, but there are certain steps you may take to mitigate its consequences. This can help you make more correct decisions in your daily life; they include:

- **Recognizing belief preservation:** When people acknowledge that they are using the belief preservation, they are more likely to correct themselves and produce more accurate evaluations.
- **Checking your judgments for bias:** Take a few moments before making judgements about individuals or circumstances to evaluate how prejudice may be impacting your choices.
- **Using logic to solve difficulties:** When dealing with challenges, attempt to think things out rationally. It may also be advantageous to understand more about critical thinking abilities and logical fallacies.
- **Requesting comments from others:** It might be difficult to identify the application of representativeness in your own thinking, so getting feedback from others can be useful. Explain your reasons and encourage them to check for any biases.

One Investor specific mitigation technique to mitigate belief preservation is keeping an investment journal: This helps in writing down investment rationale and then comparing it to the consequences, whether positive or negative which can be used to evaluate one's decision making and improve on it.

Thus, understanding that we have this bias and making decisions logically can help us make better investment decisions.

**This article was previously published in the Falgun, 2078 edition of The Pulse.*



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
NMIC	IPO	225,000 (O)	2025/01/21 AD 2081/10/08 BS	2025/02/04 AD 2081/10/20 BS	NIMB Ace Capital
NGPL	RIGHT	18,512,792 (O)	2025/01/07 AD 2081/09/23 BS	2025/01/27 AD 2081/10/14 BS	Siddhartha Capital
SMBPO	AUCTION	6,0000 (P)	2025/01/07 AD 2081/09/23 BS	2025/02/10 AD 2081/10/28 BS	RBB Merchant Banking
ICFCD88	DEBENTURE	120,000 (O)	2025/01/22 AD 2081/10/09 BS	2025/01/26 AD 2081/10/13 BS	Kumari Capital

Disclaimer: Investment in equity shares has its own risks. The information contained herein is based on analysis and on sources that we consider reliable. This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research and Investment Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

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