

The Pulse

Market Growth, Risks and Outlook

Ashad 2081

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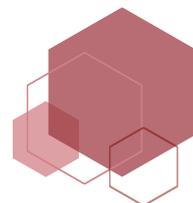
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Himalayan Capital

A Subsidiary of Himalayan Bank Limited



Global Markets Overview

€	1.07 \$ (-1.21%)	S&P 500	5,460.48 (4.30%)
£	1.26 \$ (-0.72%)	BSE SENSEX	79,013.67 (6.64%)
₹	83.35* (0.04%)	NIKKEI 225	39,578.87 (4.10%)
¥	160.90* (2.72%)	FTSE 100	8,179.68 (-0.62%)
A\$	0.67 \$ (0.37%)	DAX	18,235.45 (-1.41%)
C\$	0.73\$ (-0.09%)	CAC 40	7,479.40 (-6.26%)
		HANG SENG	17,718.61 (-2.83%)
		SSE COMPOSITE	2,969.14 (-3.93%)

*Values Per 1 \$

	Gold(\$) Per Oz. 2,337.55 (-0.16%)		Bitcoin(\$) 62,789.90 (-8.23%)
	Brent Crude(\$) Per Barrell 86.48 (4.62%)		Ethereum(\$) 3,439.57 (-8.19%)

#All Changes are in MoM basis.



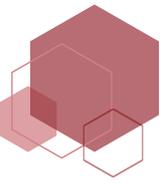
Currency Market Trends

The currency market experienced varied movements this month. The Euro (EUR) declined by 1.21%, from 1.08 to 1.07, and the British Pound (GBP) decreased by 0.72%, from 1.27 to 1.26. The Indian Rupee (INR) saw a slight increase of 0.04%, rising from 83.32 to 83.35. The Japanese Yen (JPY) appreciated notably by 2.72%, from 156.64 to 160.90, and the Australian Dollar (AUD) increased by 0.37%, moving from 0.66 to 0.67. Meanwhile, the Canadian Dollar (CAD) remained stable, with a minor decrease of 0.09%, staying at 0.73. These movements reflect a dynamic and mixed performance across different currencies.

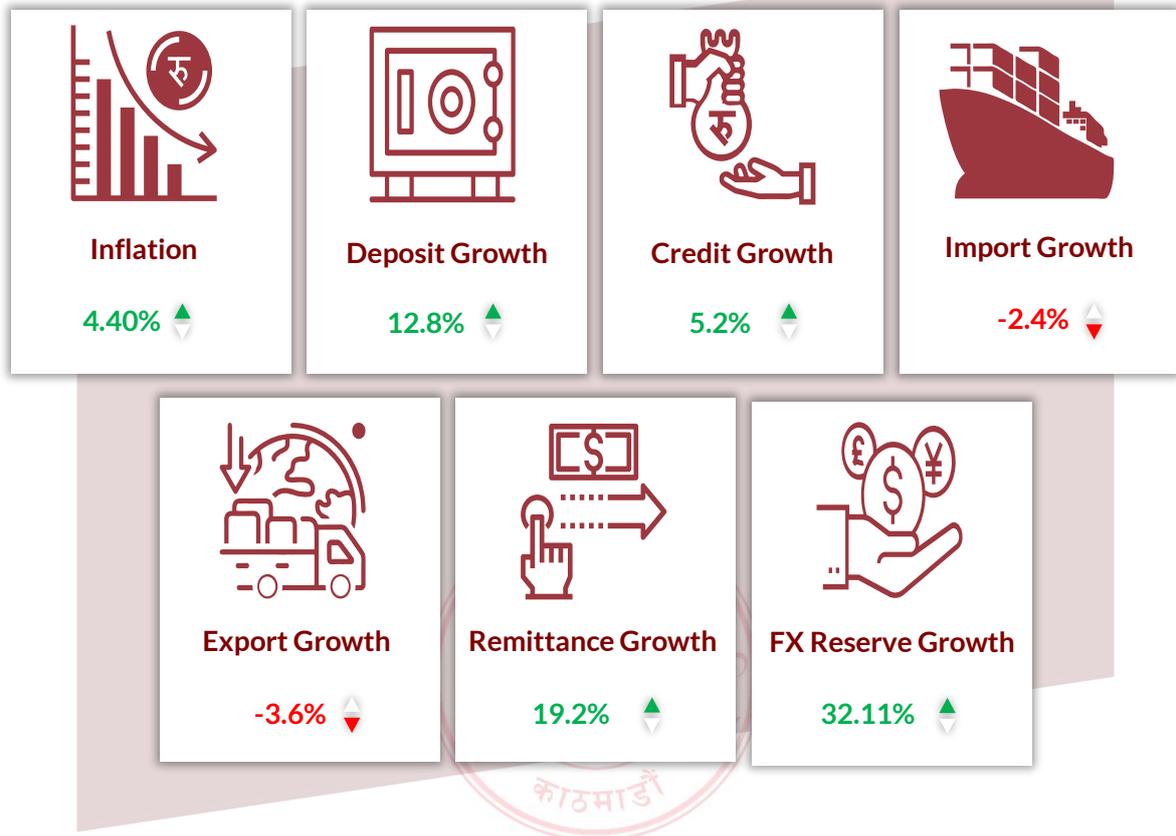
In the latest market update, Bitcoin and Ethereum saw significant declines, with Bitcoin dropping 8.23% from 68,422.50 to 62,789.90 and Ethereum falling 8.19% from 3,746.22 to 3,439.57. Gold experienced a slight decline of 0.16%, from 2,341.39 to 2,337.55, trading within a narrow range of \$2300 to \$2340 per ounce due to anticipated Fed rate cuts. Conversely, Brent Crude rose by 4.62%, from 82.66 to 86.48, with market fears suggesting further increases due to Israel-Hezbollah tensions in the Middle East.

The performance of major global stock indices showed mixed results this month. The S&P 500 rose by 4.30%, the BSE SENSEX increased by 6.64%, and the NIKKEI 225 grew by 4.10%. In contrast, the FTSE 100 declined by 0.62%, the DAX fell by 1.41%, and the CAC 40 dropped by 6.26%. The HANG SENG index decreased by 2.83%, and the SSE COMPOSITE fell by 3.93%. These mixed results reflect varying market conditions and investor sentiment across different regions.

In summary, the currency market exhibited diverse movements this month, with the Euro and British Pound declining modestly while the Indian Rupee saw marginal gains. The Japanese Yen appreciated notably, contrasting with the Australian Dollar's slight increase and the stability of the Canadian Dollar. Meanwhile, Bitcoin and Ethereum experienced significant declines, contrasting with Gold's minor drop and Brent Crude's notable rise amid geopolitical tensions. Global stock indices showed a mixed performance, with gains in some like the S&P 500 and BSE SENSEX, while others such as the FTSE 100 and CAC 40 faced declines. These fluctuations underscore the varied economic conditions and investor sentiments influencing global financial markets currently.



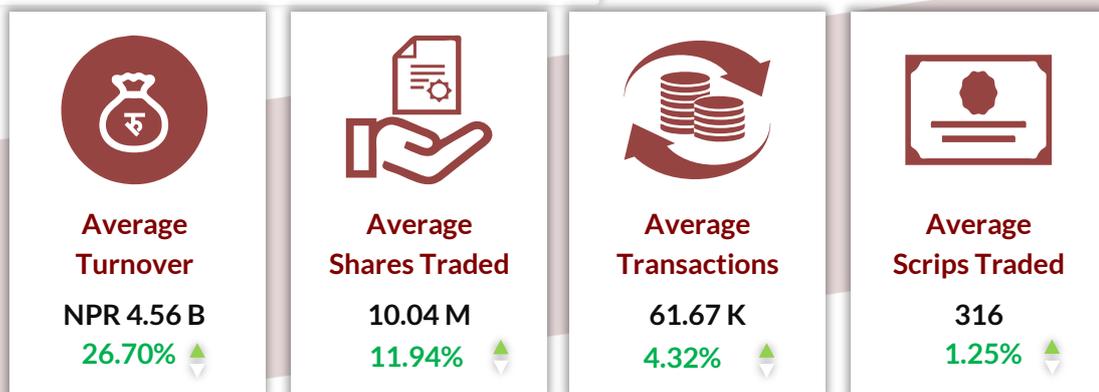
Macroeconomic Overview



* Growth refers to the change between ten months of FY 79/80 and FY 80/81.

* Credit refers to claim on private sector.

Monthly Trading Statistics



* For the period (June-2, 2024) - (June-30, 2024)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Baisakh-80	Chaitra-80	Baisakh-81	Ashad 7	Ashad 14	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	8.45	2.71	2.87	2.96	2.96	-5.58	0.16	0.00
Wt.Avg 91 Days TB rate (%)	9.66	3.00	3.02	3.00	3.00	-6.64	0.02	0.00
Wt.Avg 364 Days TB rate (%)	9.43	3.29	3.27	3.21	3.19	-6.16	-0.02	-0.02
Wt. Avg Interbank Rate (%)	7.01	3.07	2.88	2.96	3.00	-4.13	-0.19	0.04
CapEx (In Billion NPR)	125.68	97.38	111.88	140.36	145.40	-13.80	14.50	5.04

B. Money Market Indicators

Particulars	30-Jun-24	29-May-24	% Change	Month High	Month Low
SLF Rate	6.50%	6.50%	0.00%	6.50%	6.50%
Market Excess Liquidity (NPR in Billion)	60.82	-3.45	1862.90%	60.80	-5.00

C. BFI Statistics

Description	Value As On					Change		
	Baisakh-80	Chaitra-80	Baisakh-81	Ashad 7	Ashad 14	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	8.08	6.53	6.35	6.35	6.35	-1.73	-0.18	0.00
Wt. Avg Lending Rate (%)	12.65	10.55	10.34	10.34	10.34	-2.31	-0.21	0.00
Base Rate (%)	10.27	8.51	8.34	8.34	8.34	-1.93	-0.17	0.00
CD Ratio (%)	85.63	80.88	80.10	79.83	79.64	-5.53	-0.78	-0.19
Fixed Deposits/Total Deposits (%)	59.63	58.50	58.66	58.66	58.66	-0.97	0.16	0.00
Total Liquid Assets/Total Deposits (%)	24.60	27.87	26.56	26.56	26.56	1.96	-1.31	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	Highest	Average
28 Days	Chaitra 6	500.00	0.00	19	68	5.08	500.00	2.45	2.49	2.49
91 Days	Falgun 22	604.50	0.00	24	91	5.30	604.50	2.74	2.83	2.79
182 Days	Chaitra 6	430.00	0.00	18	60	4.64	430.00	3.05	3.12	3.10
364 Days	Chaitra 6	900.00	0.00	20	80	2.59	900.00	3.15	3.39	3.32

*Figures are in Millions NPR

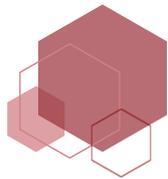


Sectoral Movement

Index	Jestha 17	Ashad 16	Change
NEPSE	2,069.53	2,037.09	-1.57%
Finance Company	2,148.83	2,431.67	13.16%
Hydropower	2,485.48	2,555.88	2.83%
Trading	2,749.23	2,825.32	2.77%
Microfinance	4,357.91	4,464.52	2.45%
Mutual Fund	18.83	18.92	0.48%
Investment	76.04	75.26	-1.03%
Development Bank	4,054.80	3,997.45	-1.41%
Non Life Insurance	10,574.47	10,391.84	-1.73%
Hotels & Tourism	5,341.28	5,238.93	-1.92%
Others	1,636.21	1,587.62	-2.97%
Life Insurance	10,092.13	9,773.22	-3.16%
Commercial Bank	1,119.25	1,066.91	-4.68%
Manufacturing & Processing	6,748.95	6,354.32	-5.85%

Major Movers

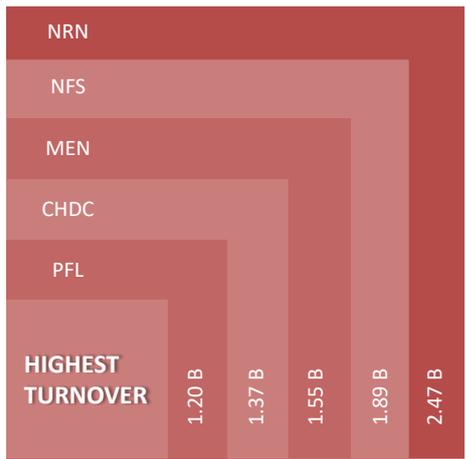
NFS	74.27%	NABBC	-15.75%
MKJC	41.15%	PFL	-12.76%
GMFBS	40.01%	HDL	-10.97%
MKCL	32.38%	ILBS	-9.41%
KBSH	29.00%	USLB	-9.36%



Sectoral Divergence-Turnover

Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	3.60 B	4.56 B	26.70%
Investment	0.21 B	0.40 B	91.87%
Finance	0.46 B	0.76 B	63.78%
Tradings	0.01 B	0.02 B	63.12%
Microfinance	0.50 B	0.77 B	55.68%
Hydro Power	1.01 B	1.36 B	34.49%
Hotels And Tourism	0.08 B	0.10 B	31.92%
Others	0.18 B	0.20 B	13.33%
Non Life Insurance	0.13 B	0.14 B	2.67%
Development Banks	0.19 B	0.20 B	0.80%
Mutual Fund	0.00 B	0.00 B	-14.04%
Commercial Banks	0.23 B	0.19 B	-17.20%
Life Insurance	0.19 B	0.13 B	-30.05%
Manufacturing And Processing	0.28 B	0.18 B	-37.16%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview



On June 30, 2024, the flagship NEPSE index concluded at 2,051.92 points, with a monthly average turnover reaching NPR 4.58 billion, signifying an increase compared to the previous month's average turnover of NPR 3.95 billion.

Presently, the Relative Strength Index (RSI) stands at 44.02 points, placing it within the neutral zone.

The Moving Average Convergence and Divergence (MACD) indicator currently indicates a Bearish crossover between the MACD line and the signal line and the indicator lines are positioned above the baseline, reflecting a negative sentiment in the market.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,025, (S2) 2,025, and (S3) 1,956, while immediate resistance levels are recognized at (R1) 2,080, (R2) 2,133, and (R3) 2,155. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.



B. Long Term Overview

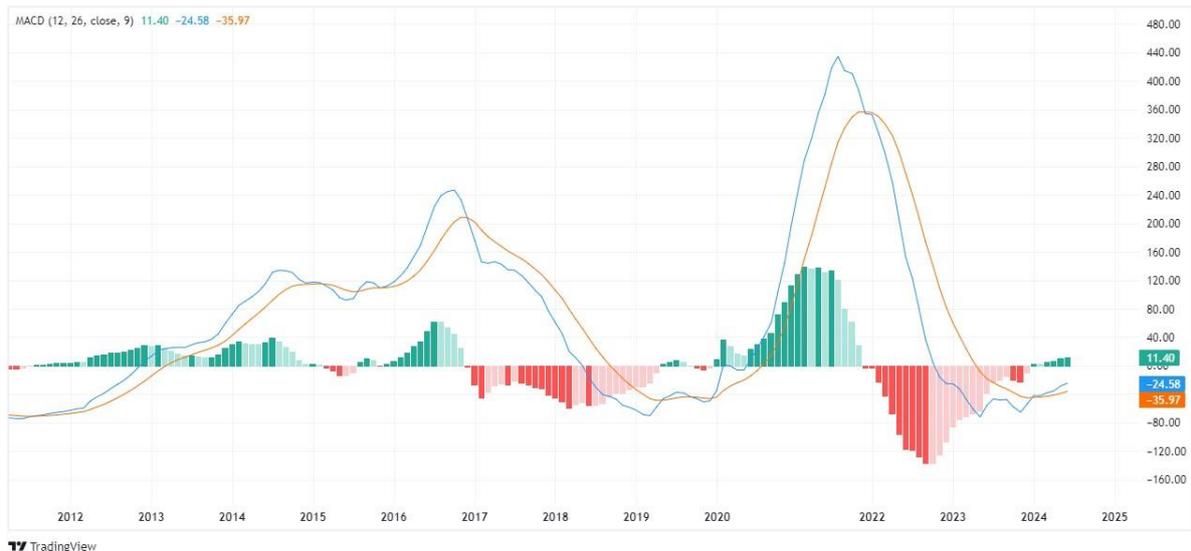


As observed from the above chart, NEPSE has experienced around 43% decline from the peak of the recent bull-run and appears to be consolidating around the resistance zone of the 2,100 - 2,200 level. This level has been tested multiple times in the past 1.5 years. The future trajectory of the index is of utmost importance for further analysis, especially considering that, currently, the flagship NEPSE index has not surpassed this resistance zone. It reached a recent intra-day high of 2,153.59 on May 29, 2024, following the quarterly monetary policy review by NRB for the 3rd quarter of FY 23/24, where the central bank introduced significant changes to improve the financial landscape. Banks can now sell their equity investments up to 20% of paid-up capital, increasing their profitability. Loan loss provisions for good loans have also been reduced from 1.25% to 1.20%. The central bank is gradually easing policies to reduce impairments and improve banks' profitability. These factors generated a positive investor sentiment in the market.

The national budget for FY 2024/25, while not introducing significant positive policies to meet investors' expectations for the stock market, also did not implement any measures that would negatively impact the market.

If there is a break out from this supply zone, the next target for the index would be at 2,450 and 2,600 levels (psychological resistance zones) as shown in the above figure.

Given the NEPSE index's repeated failure to breach the 1,800-level, it is reasonable to consider it as the bottom of the ongoing bearish cycle (Historical support zone). Considering if the index breaks the demand zone and drops below 1,800 levels, the long-term support zone would be at 1,750 and 1,600 levels (psychological support zones) as shown in the above figure.



The monthly NEPSE chart reveals that, for the first time since February 2022, the MACD line has recently started to cross above the signal line.

C. Life Insurance Industry Analysis

The life insurance industry in Nepal has shown resilience and growth, evidenced by a steady increase in gross premium collection and expanded coverage among the population. In fiscal year 2079/80, the sector recorded a 2.83% growth in gross premium, reaching NPR 142.57 billion, indicating rising demand for life insurance products. Coverage, excluding foreign employment policies, also improved from 38.44% to 39.03% year-over-year (YoY), underscoring increased penetration in the domestic market. Despite a slight decrease in insurance penetration as a percentage of GDP, down from 2.81% to 2.65% YoY, the industry's role in contributing to economic stability remains significant. The investment size of these companies surged totaling NPR 569.16 billion, reflecting confidence in long-term financial strategies. While the number of claims paid decreased by 32.55% YoY, the amount paid increased by 12.26% YoY, highlighting insurers' commitment to fulfilling obligations amidst evolving market dynamics. The industry faces challenges such as workforce adjustments, as seen in a 4.45% YoY decline in direct employment and a 6.33% YoY decrease in the number of insurance agents. However, with substantial increases in paid-up capital from NPR 43.89 billion to NPR 52.16 billion YoY, the sector is poised for continued growth and adaptation, focusing on enhancing regulatory compliance, technological integration, and meeting evolving consumer needs to sustain its positive trajectory in Nepal's financial landscape. The gross written premium of the life insurance market was NPR 142.57 billion in FY 79/80. According to the Global Data research report, the life insurance market is expected to achieve a CAGR of more than 13% during FY 79/80 to FY 83/84.

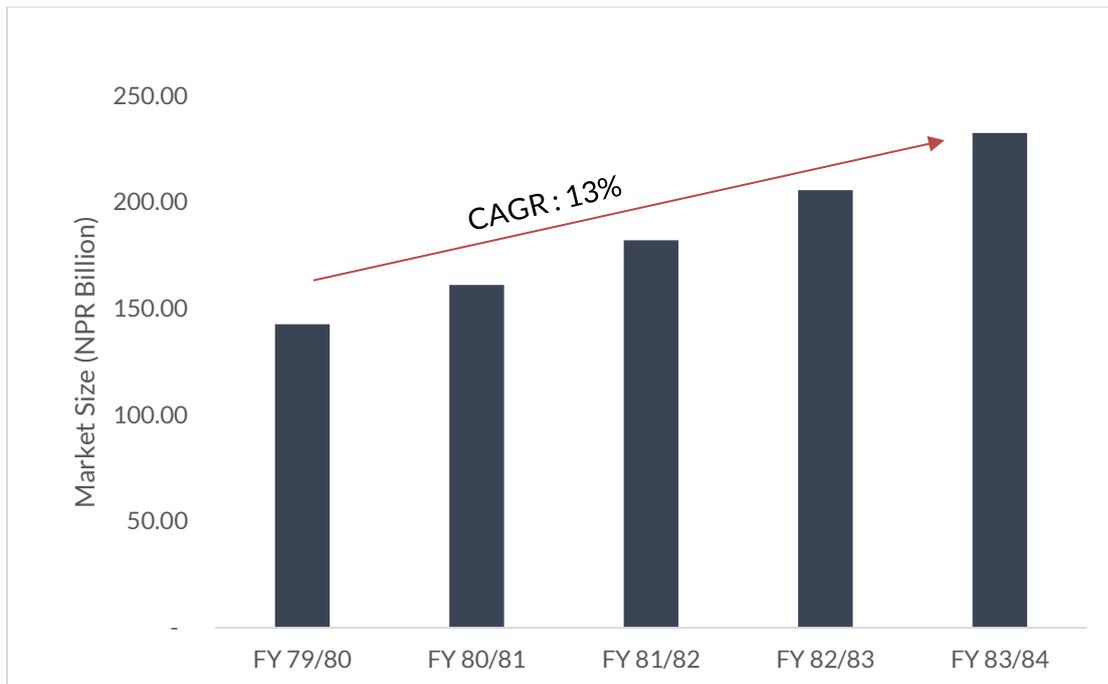


Figure: Life Insurance Market Outlook, FY79/80-FY83/84 (NPR Billion)

Challenges and Opportunities Encountered by the Insurance Sector

Challenges

Lack of Awareness:

The insurance sector in Nepal faces a significant challenge due to the lack of information among the public. Selling insurance products is a difficult task as many individuals remain unaware of the benefits associated with insurance coverage. It is crucial for insurance companies to address this issue by actively promoting and educating the public about the advantages and value of insurance. By raising awareness and providing clear and accessible information, the insurance sector can overcome this hurdle and better serve the needs of the Nepali population.

Low Penetration Rate:

Low insurance penetration is one of the greatest issues facing Nepal's insurance sector. In Nepal, Insurance penetration was only 44.38% in 2023 as per life insurance, according to a report by Insurance board. This indicates that a sizable section of the populace still lacks insurance, making them susceptible to monetary shocks brought on by illnesses mishaps or natural catastrophes. A lot of variables contribute to this low penetration rate. Consumer ignorance is one the most crucial factors. Many People just do not understand the benefits of insurance or how it works, thus they do not see the



value in acquiring insurance goods. Many people feel that insurance companies will find ways to avoid paying claims.

Regulatory Environment:

Regulatory issues pose challenges for the insurance business in Nepal. The Insurance Board, responsible for regulation, has faced criticism for its slow approval process and inadequate enforcement of regulations. This has hindered innovation in the industry, as insurers are reluctant to invest in new products or technology due to regulatory uncertainties.

Poor supervision and monitoring:

Supervision of insurance industry is responsibility of Insurance Board. The supervision and monitoring unit of the Board need to be equipped with well-versed experts in fraud investigation, claims, risk assessment, loss valuation, underwriting, reinsurance, accounting, rate making, marketing and so on. The unit need to be resourceful, have access to information and have sufficient data. The supervision team hardly disclose a few of the fraudulent activities but many of them may be conceal. Due to the lack of efficient and strong supervision of the market, negative consequences arise.

Opportunities

There are several opportunities for insurance companies in Nepal to expand and thrive, including:

Market Potential:

The insurance penetration rate in Nepal is comparatively lower when compared to other nations. This suggests that there is untapped potential in the market for insurance companies to broaden their customer base and raise awareness about insurance among the population. As the economy progresses and individuals and businesses develop a greater understanding of the importance of insurance, there will be a surge in demand for insurance products and services.

Product Diversification:

Insurance companies in Nepal have a favorable opportunity to introduce and expand their range of products. At present, the market is predominantly focused on conventional life and non-life insurance offerings. Nevertheless, there exists ample space for innovation and the creation of new insurance products that cater to specific



customer requirements. This includes areas such as health insurance, travel insurance, agriculture insurance, and micro insurance.

Digital Transformation:

The insurance industry in Nepal is progressively embracing digital advancements to optimize operational efficiency, elevate customer experience, and broaden distribution channels. This has led to an increased requirement for professionals proficient in digital marketing, data analytics, and technology integration. Insurance companies that allocate resources towards digital transformation will gain a competitive edge in the market.

Micro insurance:

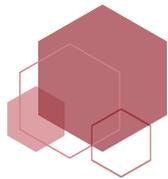
In Nepal, there exists a notable population involved in the informal sector and agricultural activities. This demographic provides a substantial opportunity for micro insurance, which aims to offer insurance solutions tailored to the requirements of low-income individuals and small-scale enterprises. Insurance companies can capitalize on this potential by developing micro insurance products that are both affordable and easily accessible, catering specifically to the needs of this segment.

Risk Management Services:

With the growing expansion and increasing complexity of businesses in Nepal, there arises a demand for dedicated risk management services. Insurance companies can cater to this need by providing comprehensive risk assessment, risk mitigation, and risk consulting services, aiding businesses in identifying and effectively managing potential risks. Such services encompass crucial areas like loss control, business continuity planning, and cyber risk management.

International Operations:

Certain insurance companies in Nepal have commenced the expansion of their operations beyond the confines of the nation. Given the prevalent trend of globalization and the escalating cross-border trade, there exist prospects for insurance professionals to engage in international operations, foster strategic alliances, and explore potential avenues in neighboring countries.



SCRIP ANALYSIS

Citizen Life Insurance Company Limited (CLI)

A. CLI Stock Price Analysis



As observed in the daily chart of CLI, the stock is showing higher lows, indicating active buyer participation. The stock has formed an ascending triangle and has tested the resistance level of 495 multiple times. If the stock breaks this resistance with good volume, we can expect it to move up to 538, which is the all-time high for the scrip.

B. Stock Performance Comparison



Figure: Comparison of Stock Performance: CLI vs. NEPSE (Weekly Chart since CLI listing in NEPSE)

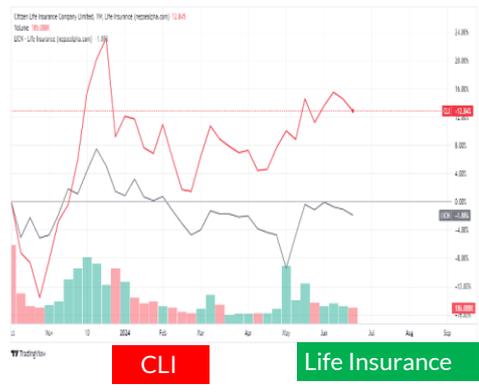
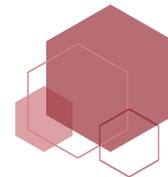


Figure: Comparison of Stock Performance: CLI vs. Life Insurance Index (Weekly Chart since CLI listing in NEPSE)



C. About the Company

Citizen Life Insurance Company Limited (CLI) is a public limited life insurance company (LIC), licensed by the Insurance Board in August 2017 and operating since October 2017. Its head office is in Thapathali, Kathmandu. As of mid-April 2023, the company has been in operation with 160 network points, approximately 24,900 individual agents and 57 corporate agents spread across the nation for procuring new business and extending after-sales services. CLI reported a profit after tax of NPR 102 million in FY2023 on a total asset base of NPR 14,728 million as of mid-July 2023 compared to a profit after tax of NPR 376 million in FY2022 on a total asset base of NPR 10,283 million. The company garnered a profit of NPR 281.30 million during 9M FY2024 (subject to change after actuarial valuation) on a total asset base of NPR 20,646 million as of mid-April 2024.

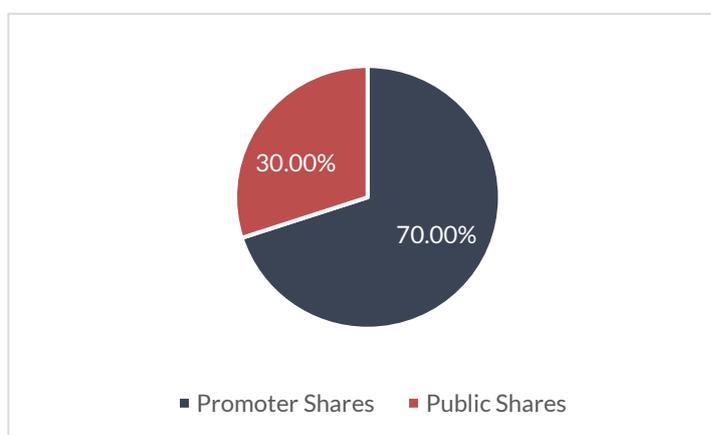


Figure: Shareholding Pattern (CLI)

Note: Shareholding Pattern of CLI is as per Nepalstock.com Updated On Jan 11, 2024.

Revenue Breakdown

Particulars	2076/77	2077/78	2078/79	2079/80
Endowment	29.20%	33.77%	41.54%	44.90%
Anticipated Endowment	31.92%	38.14%	28.80%	26.68%
Endowment Cum Whole Life	29.53%	20.02%	14.74%	14.40%
Foreign Employment Term	6.65%	1.42%	3.22%	3.42%
Micro Term	2.71%	6.65%	11.71%	10.60%
Total	100.00%	100.00%	100.00%	100.00%

Figure - Percentage Breakdown of Revenue Sources for the Last 4 Fiscal Years.

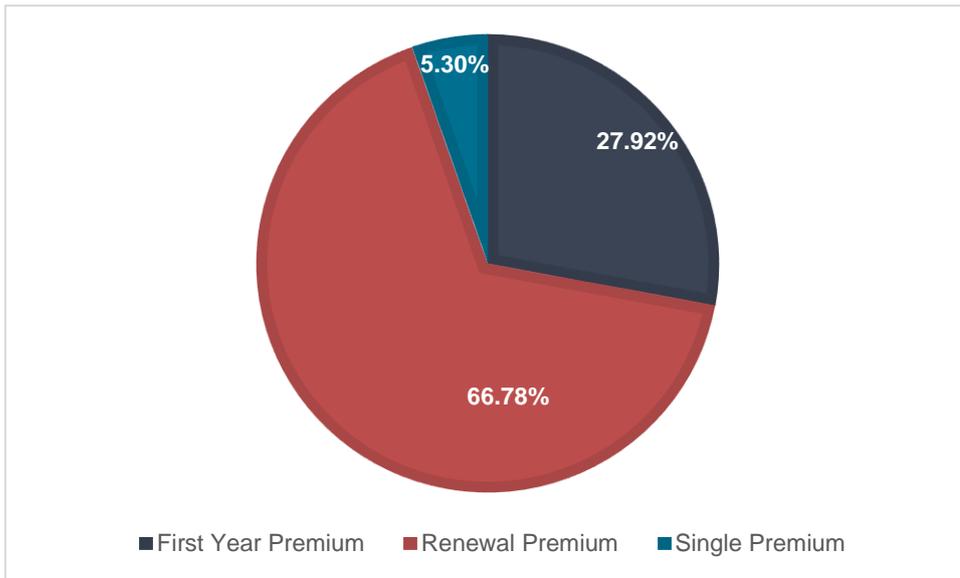


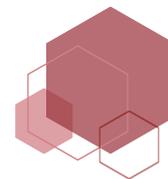
Figure - Percentage Breakdown of Gross Earned Premium FY79/80.

Particulars	2076/77	2077/78	2078/79	2079/80
Endowment	28.17%	34.38%	50.46%	49.17%
Anticipated Endowment	47.51%	43.70%	14.33%	4.20%
Endowment Cum Whole Life	19.54%	9.63%	9.73%	9.12%
Micro Term	4.78%	12.29%	25.49%	37.51%
Total	100.00%	100.00%	100.00%	100.00%

Figure - Percentage Breakdown of First Year Premium for the Last 4 Fiscal Years.

Particulars	2076/77	2077/78	2078/79	2079/80
Endowment	31.96%	30.06%	33.34%	44.19%
Anticipated Endowment	19.29%	36.01%	45.91%	38.07%
Endowment Cum Whole Life	48.44%	33.62%	20.58%	17.60%
Foreign Employment Term	0.00%	0.00%	0.00%	0.00%
Micro Term	0.31%	0.31%	0.16%	0.13%
Total	100.00%	100.00%	100.00%	100.00%

Figure - Percentage Breakdown of Renewal Premium for the Last 4 Fiscal Years.



Particulars	2076/77	2077/78	2078/79	2079/80
Endowment	27.24%	56.22%	30.57%	39.91%
Anticipated Endowment	0.00%	0.00%	0.00%	0.00%
Endowment Cum Whole Life	27.11%	17.50%	1.04%	5.53%
Foreign Employment Term	45.65%	26.28%	68.39%	54.56%
Micro Term	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

Figure - Percentage Breakdown of Single Premium for the Last 4 Fiscal Years.

D. SWOT Analysis

Strengths:

- 1. Good Business Growth:** CLI has shown impressive growth in gross premium written (GPW) and first-year premium (FYP), with a CAGR of 46% and 15% respectively from FY2019 to FY2023. This growth is supported by a strong agency force and an experienced management team.
- 2. Strong Market Presence:** Despite being relatively new (operational since October 2017), CLI has established a robust presence in Nepal with 160 network points and a large agency force of approximately 24,950 agents as of mid-April 2023.
- 3. Adequate Solvency and Capital Position:** CLI maintains a comfortable solvency ratio (1.82 as of 2023) well above the regulatory minimum of 1.5 times. The company's capital position is expected to improve further with planned capital raising through an IPO.
- 4. Quality Investment Portfolio:** The Company holds a substantial investment portfolio dominated by Fixed Deposit Receipts (FDRs) and debentures of class-A banks, yielding approximately 10.35% in FY2023. This diversified portfolio is a strength despite the need to adapt to new investment directives.
- 5. Satisfactory Reinsurance Arrangement:** CLI has adequate reinsurance arrangements with Nepal Reinsurance Company Limited and others, covering regular life policies and catastrophic events, which mitigates risk exposure effectively.



Weaknesses:

- Limited Operating Track Record:** CLI short operational history (less than seven years) limits its market penetration and overall industry standing despite rapid growth rates.
- Regulatory Challenges:** Recent regulatory changes regarding policyholder bonuses could impact near-term profitability and growth prospects, requiring adjustments in financial planning and operations.
- Risk from Term Policies:** Increasing death claims from term life products pose a profitability challenge, despite reinsurance coverage. This trend could affect future solvency ratios and overall financial stability.

Opportunities:

- Market Expansion:** Opportunities exist to further expand market share and increase penetration in the Nepalese insurance market, leveraging its strong distribution network and experienced team.
- Investment Opportunities:** New investment directives provide avenues for diversifying investment portfolios, potentially increasing returns and supporting long-term financial sustainability.

Threats:

- Competitive Market:** Intense competition within the insurance industry in Nepal could impact CLI growth and market share expansion efforts.
- Regulatory Changes:** Ongoing and future regulatory changes, such as those affecting bonus provisions, could impose additional compliance costs and operational adjustments.
- Economic and Market Risks:** External economic downturns or changes in market conditions could adversely affect investment returns, profitability, and overall business performance.



Comparative Annual Performance Visualizations



Figure: Annual Comparison of Gross Earned Premium and Profit after Tax

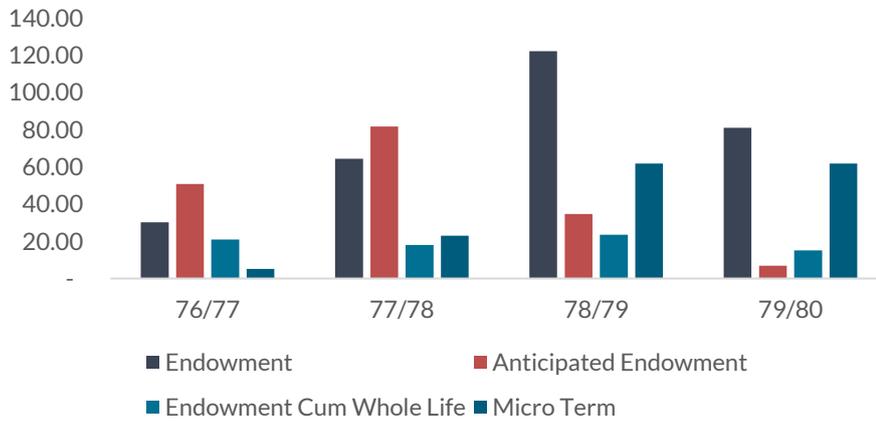


Figure: Annual comparison of First Year Premium (In NPR cr.)

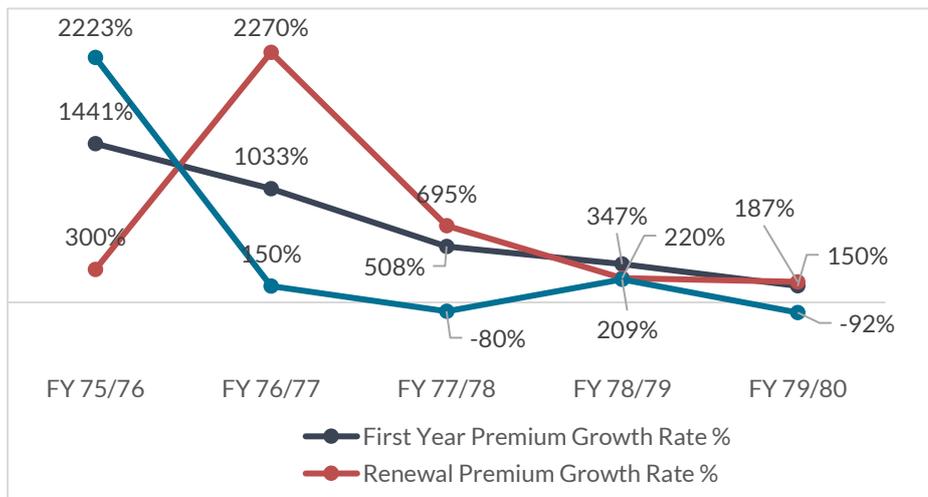


Figure: Annual Comparison of Premium Growth Rates (%)

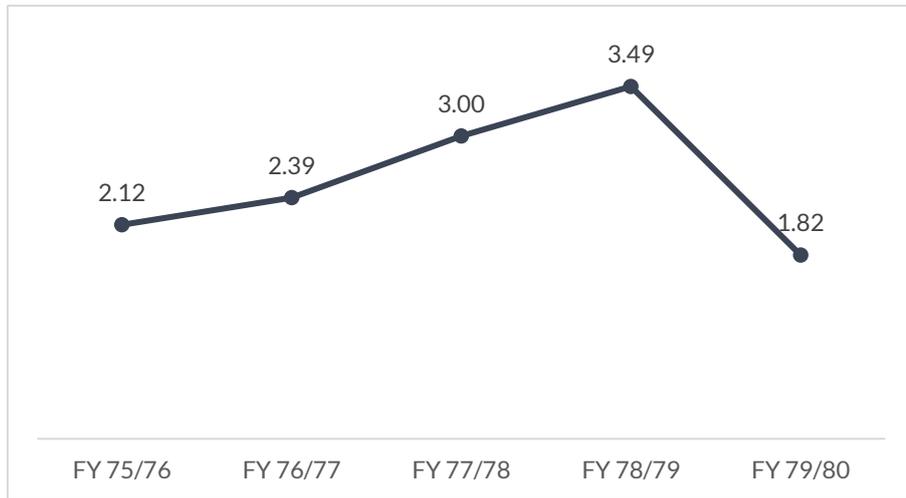


Figure: Annual Comparison of Solvency Margin.

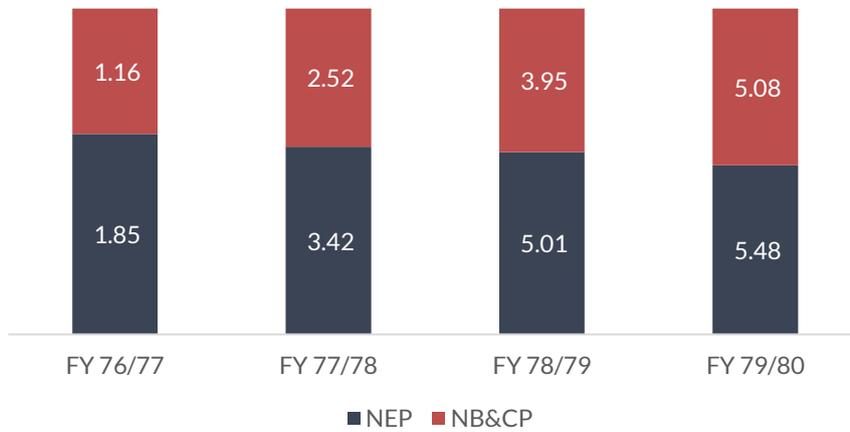


Figure: Annual Comparison of Net earned Premium & Net Benefits & Claim Paid.

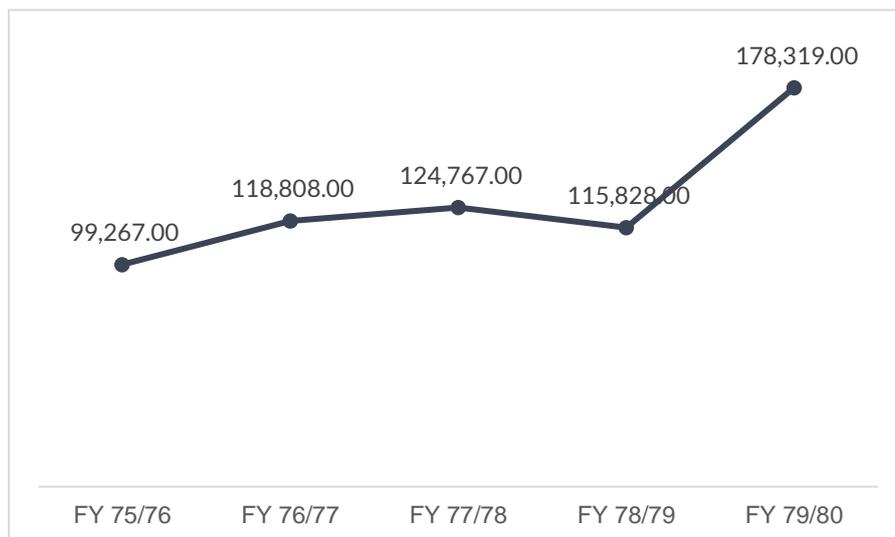
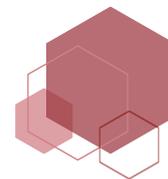


Figure: Annual Comparison of Number of In force Policies

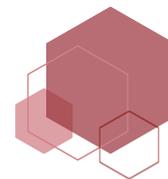


Comparable Company Analysis (As per Audited Report of FY 2079/80)

Key Metrics	Indicators	CLI	SNLI	RNLI	ILI	Average
Market Cap	NPR (Cr.)	1,854.96	1,783.12	1,941.84	2,075.50	1,913.85
CMP (as of 30th June, 2024)	NPR	471.10	450.10	418.50	415.10	438.70
Paid Up Capital	NPR (Cr.)	393.75	396.16	464.00	500.00	438.48
Market Share (as of Jestha End)	%	3.96	2.54	2.76	3.03	3.07
Gross Written Premium	NPR (Cr.)	589.33	375.20	379.59	418.70	440.70
Net Premium Earned	NPR (Cr.)	548.21	289.20	357.04	395.19	397.41
Expense Ratio	%	11.61	17.70	33.56	10.00	18.22
Commission Ratio	%	12.20	11.63	13.39	11.75	12.24
Claim Settlement Ratio	%	3.29	0.02	-	0.33	0.91
Persistency Ratio	%	92.20	88.01	33.53	91.34	76.27
Solvency Ratio	%	1.82	1.44	1.84	2.80	1.98
EPS	NPR	4.33	34.94	11.94	10.00	15.30
ROE	%	2.92	22.36	10.92	3.08	9.82
ROA	%	0.82	8.28	2.88	1.45	3.36
Net Insurance Premium/ Gross Insurance Premium	%	93.02	79.48	94.06	94.39	90.24
Reinsurance Ratio	%	6.98	20.52	5.94	5.61	9.76
Return on Investments and Loan	%	10.35	9.42	8.72	8.11	9.15
Investment in Shares/ Total Net Assets	%	4.52	14.31	3.11	1.90	5.96
Total Number of Inforce Policies	Nos	178,319.0	912,430.0	1,026,538.0	259,571.0	594,214.5

Comparable Company Summary

The comparable company analysis reveals several strengths in CLI's performance within the insurance industry. CLI boasts a market capitalization of NPR 1,854.96 Cr., closely aligning with the industry average of NPR 1,913.85 Cr., reflecting its significant market presence. Its current market price (CMP) of NPR 471.10 surpasses the average of NPR 438.70, indicating strong investor confidence. Although its paid-up capital of NPR 393.75 Cr. is slightly below the industry average of NPR 438.48 Cr., CLI still maintains a competitive edge. Most notably, CLI leads in market share with 3.36%,



exceeding the average of 3.08%, underscoring its dominant position. CLI's solvency margin is also above the industry average, indicating its strong financial condition. This robust market share, coupled with strong market capitalization and investor confidence, highlights CLI's commendable performance in the industry.

I. Key Variables used for Valuation:

1. Sustainable Growth Rate for longer period projection to calculate terminal value (Average Last 12 years GDP growth rate and Projected GDP growth rate for this FY by the World Bank) = 3.63%
2. Other specifics are as follows:

Specifics	Value	Remarks
Adjusted Beta (β)	1.29	Assumption - The raw beta of 1.44 as per system X, will move towards the market beta of 1 over time.
Market Return (Rm)	11.21%	CAGR of closing prices of NEPSE from FY 2001/02 to FY 2022/23
Risk Free Rate (Rf)	5.15%	Latest Development Bond Rate adjusted for tax rate of 6%
Cost of Equity (Ke)	12.99%	As per CAPM Model
Tax Rate	25%	As per annual report
WACC	12.99	The discount rate used for the valuation of insurance businesses is based on the cost of equity, given that these companies operate with minimal or no debt

E. Stock Valuation

The valuation of CLI based on Embedded Value (EV) and adjusted Value of New Business (VNB) Approach has been computed, which has been tabulated below.

Particulars	Values
Value in Force	1,027,938,561.96
Current Book value	7,069,094,964.00
Embedded Value (EV)	8,097,033,525.96
(+) VNB	3,989,656,437.44
Total Value	12,086,689,963.40
Shares outstanding	39,375,000.00
Share Price	306.96



Notes:

Calculating the Embedded Value (EV) of a life insurance company involves assessing both the current value of the company's existing business and the value of its future new business. EV is a common metric used to value life insurance companies, providing a comprehensive measure of the company's financial health and future profit potential.

Calculating the value of new business (VNB) for an insurance company is a critical aspect of evaluating the profitability of new policies written over a certain period. The VNB represents the present value of future profits expected to be earned from these new policies.

Current book Value has been adjusted as per the Q4 assumptions.

F. Conclusion

Citizen Life Insurance Company Limited (CLI) has rapidly established itself as a significant player in Nepal's insurance industry since its inception in 2017. Despite its relatively short operational history, CLI has demonstrated robust growth in key metrics such as gross premium written (GPW) and first-year premium (FYP), supported by a strong agency force and effective management team. The company's strategic strengths include a widespread market presence with 160 network points and a substantial agent network, ensuring broad market coverage.

Financially, CLI has maintained a sound solvency ratio well above regulatory requirements, indicating strong capital adequacy and risk management practices. Its investment portfolio, predominantly composed of Fixed Deposit Receipts (FDRs) and class-A bank debentures, has delivered satisfactory returns, contributing to overall profitability.

However, CLI faces challenges typical of a rapidly growing company in a competitive market. Regulatory changes, particularly those impacting policyholder bonuses and operational costs, pose short-term hurdles. Moreover, the increasing claims from term life products highlight potential profitability risks despite adequate reinsurance coverage.

Looking forward, CLI has opportunities to expand its market share further by leveraging its established distribution network and exploring new investment avenues to enhance returns. The planned IPO is expected to strengthen its capital base, supporting future growth initiatives and regulatory compliance.



ISSUE OF THE MONTH

Building Long-Term Wealth Through Dollar-Cost Averaging

The ability to manage one's emotions when making rational decisions is a key trait of successful investors. This is easier said than done, which is why many long-term investors employ Dollar-Cost Averaging in controlling risk and removing emotions from the equation as they grow their investment portfolio.

A. What is Dollar-Cost Averaging?

It is a long-term investing strategy in which equal monetary amounts are invested on a regular and periodic basis in a specified investment or portfolio over specific time periods. As a result, when prices are low, more shares are acquired, and when prices are high, fewer shares are purchased. This method may reduce the total average cost per share of the investment, offering the investor a cheaper overall cost for the shares acquired over time.

B. Dollar-Cost Averaging as a rational investment strategy.

Fear of joining the market at an inopportune moment might lead to inactivity or rash judgments. Dollar-cost averaging helps loosen volatility by buying more shares when prices fall and fewer shares when prices climb. This is the cost-averaging impact of the strategy. A long-term approach is also dollar-cost averaging. Barring unforeseen events, it allows you to progressively increase your ownership in a specific investment over time.

Dollar-Cost Averaging simplifies things from an emotional standpoint. You invest the same amount of money each month, regardless of market swings. You will be less emotionally impacted by market volatility and less likely to make reckless financial decisions if you have the discipline to adhere to it.

C. Benefits of Dollar-Cost Averaging

As an investor is buying more shares at lower prices and fewer shares at higher prices, therefore they are effectively averaging down the overall price of the shares. Dollar-Cost Averaging cannot guarantee a profit or prevent losses in declining and volatile markets. This stock market investment approach, on the other hand, is designed to assist in reducing the risk involved with making a single major purchase. Investors



should be wary of stock prices plummeting soon after making an investment. As a result, spreading the investment across time can assist to mitigate some of the risk that poor timing and potentially detrimental price swings can have on investment selections.

D. How to calculate Dollar-Cost Averaging?

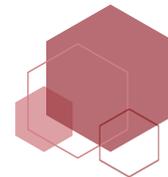
Let's say that an investor named Mr. Ujjwal invests Rs 10,000 per month for 1 year into Suvechchha Cosmetics. Now the price of the company may change each month, but the amount Ujjwal invests never changes. Theoretically speaking, as long the company increases in price over that time period, Mr. Ujjwal will have successfully used Dollar-Cost averaging to see a positive return on his investment.

Dollar-Cost Averaging

Period	Market Price	Amount Invested	Shares Purchased	Shares Owned
January	250.00	10,000	40	40
February	238.10	10,000	42	82
March	217.39	10,000	46	128
April	212.77	10,000	47	175
May	208.33	10,000	48	223
June	200.00	10,000	50	273
July	188.68	10,000	53	326
August	238.10	10,000	42	368
September	250.00	10,000	40	408
October	263.16	10,000	38	446
November	294.12	10,000	34	480
December	294.12	10,000	34	514

Total Cost	Current Value	Total Gain if Sold
120,000	151,176	31,176 *

*Does not include brokerage fees



E. Build long-term wealth even if you're a new investor

Most novice investors do not have big funds to invest and are unsure where to start. Typically, as their earning ability grows, they will have more money to put into their investing portfolio each month. As a result, dollar-cost averaging is the optimal technique for beginning investors aiming to create a long-term portfolio. It also allows for a hands-off approach, which is perfect for new investors.

F. Dollar-Cost Averaging vs. Market Timing

Dollar-cost averaging allows investors to continue putting money into the market regardless of market circumstances. Dollar-cost averaging requires investors to invest the same amount of money at regular periods (monthly, quarterly, etc.) in order to accumulate wealth over time. Rather than focusing on the intricacies of "timing the market" or forecasting price moves, dollar-cost averaging is about regularly putting money into the market regardless of gains or volatility.

Dollar-Cost Averaging	Market Timing
<ul style="list-style-type: none">✓ Investing fixed sums at recurring times✓ Can take emotion out of investing✓ The emphasis is on consistency rather than market success.	<ul style="list-style-type: none">✓ Investments may be postponed due to market circumstances.✓ This might result in regret or procrastination.✓ The emphasis is on adding money at the correct time, which can result in larger returns - or losses.

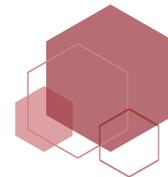
That said, while Dollar-Cost averaging is a simple strategy, there are a few caveats to keep in mind before you jump in. You must have the discipline to stick to it

G. Alternative Strategies

There are several alternative strategies to Dollar-Cost averaging, each with their pros and cons. Although they can require a more hands on approach. So, remember to choose a strategy that balances the risk with your expectations.

I. Value Averaging

Value averaging is one such example. Value averaging, as opposed to Dollar-Cost averaging, suggests that if Mr. Ujjwal were to buy shares in a firm, he would buy less when the price was high and more when the price was low. While this approach can yield



great returns, investors run the danger of not having enough money to continue with it when larger purchases are necessary in a down market. Dollar-cost averaging is a much easier technique because it is passive and does not need substantial contributions at specific times.

II. Lump Sum

Investors can also make a one-time lump sum investment. This is helpful if you have a substantial quantity of money ready to invest since, in theory, firm stocks improve in value over time, and money sitting on the side will not generate as high a return for the investor. If the investor does not have the significant cash upfront or is not comfortable with that method, Dollar-Cost averaging is the preferable option.

H. Potential Downsides of Dollar-Cost Averaging?

Dollar-cost averaging can be a useful strategy for risk management. However, individuals who choose this investment approach may forego potentially better profits.

Dollar-cost averaging involves keeping your money in cash for a longer length of time, which has lower risk but frequently delivers lower returns than lump sum investing, especially over longer time periods. If the market rises during the period in which you are dollar-cost averaging, you may miss out on possible gains that you could have had if you had invested everything at once. If you use dollar-cost averaging, you may incur additional brokerage costs, which can reduce your returns. You must also be diligent with the money that is resting on the sidelines in order to finally invest it and not erode it with purchases.

I. Why Might Someone Consider Dollar-Cost Averaging?

It would be fantastic if we could buy stocks or other sorts of assets when the market is low and sell when it is high. Unfortunately, attempts to "time the market" frequently backfire, and investors wind themselves buying and selling at inconvenient times.

When equities fall in value, many investors become afraid and sell. When the market recovers, they may miss out on possible gains. On the other hand, as the stock market rises, investors may be tempted to rush in. But they could end up buying just as stocks are about to drop.

Dollar-cost averaging can assist in removing emotion from investment. It obligates you to continue investing the same (or about the same) amount regardless of market swings,



possibly avoiding the temptation to timing the market. And, by diving in gradually rather than all at once, dollar-cost averaging can help you reduce your losses if the market falls.

J. Using Dollar-Cost Averaging Strategy.

Dollar-cost averaging is advantageous because it may lessen investor anxiety, assist in avoiding market timing, and give a predictable, structured strategy to consistently develop your nest egg. If you intend to dollar-cost average while investing, there are a few easy actions to take:

- ✓ Determine how much money you wish to put into the venture/stock. It may be a one-time windfall that you wish to invest, or it could be a predetermined sum that you want to contribute on a monthly basis permanently.
- ✓ Determine how frequently you wish to invest. With broker commissions being lower, it may be daily, weekly, monthly, or any other frequency you like.
- ✓ Choose how many time periods you wish to spread the investment over. Again, it may be a few times or the beginning of a regular pattern.
- ✓ Determine the total amount of money invested at each period. Divide the amount by the number of periods if it is a lump sum. Budget how much you can consistently afford if it is a long-term investing goal.
- ✓ Stick with the plan, no matter what markets do on a particular day or week.

There is no one right way to invest. But if you're an investor looking to increase your net worth but worried you might be tempted to time the market, or you're dedicated to adding a little bit each month regardless of recent stock returns, dollar-cost averaging can be an effective way to build your portfolio.

**This article was previously published in the Ashad 2079 edition of The Pulse.*



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
MLBSL	AUCTION	199,472 (P)	2024/07/01 AD	2024/07/23 AD	Nepal SBI Merchant
			2081/03/17 BS	2081/04/08 BS	
NMBPO	AUCTION	22,727 (P)	2024/07/01 AD	2024/07/07 AD	NMB Capital
			2081/03/17 BS	2081/03/23 BS	
SJLICP	AUCTION	300,000 (P)	2024/06/30 AD	2024/07/07 AD	NIC Asia Capital
			2081/03/16 BS	2081/03/23 BS	
CIT	AUCTION	50,000 (P)	2024/06/25 AD	2024/07/02 AD	NIC Asia Capital
			2081/03/11 BS	2081/03/18 BS	
SWMFPO	AUCTION	61,805 (P)	2024/06/24 AD	2024/07/01 AD	NIC Asia Capital
			2081/03/10 BS	2081/03/17 BS	
NIFRAP	AUCTION	1,000,000 (P)	2024/06/24 AD	2024/07/01 AD	NIC Asia Capital
			2081/03/10 BS	2081/03/17 BS	

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