

The Pulse

Market Growth, Risks and Outlook

Kartik 2081

Inside This Edition

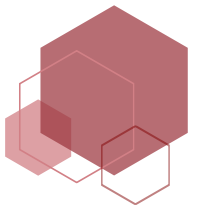
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हिमालयन क्यापिटल लि.



Himalayan Capital





A Subsidiary of Himalayan Bank Limited



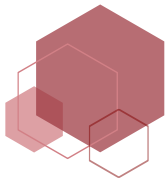
Global Markets Overview

€	1.09 \$ (-2.53%)	S&P 500	5,705.45 (-0.99%)
£	1.29 \$ (-3.87%)	BSE SENSEX	79,389.06 (-5.83%)
₹	84.09* (0.34%)	NIKKEI 225	39,081.25 (3.61%)
¥	152.32* (5.58%)	FTSE 100	8,110.10 (-2.53%)
A\$	0.65 \$ (-5.32%)	DAX	19,077.54 (-1.28%)
C\$	0.72\$ (-2.95%)	CAC 40	7,530.37 (-1.38%)
		HANG SENG	20,317.33 (-3.86%)
		SSE COMPOSITE	3,279.82 (-1.70%)

*Values Per 1 \$

	Gold(\$) Per Oz. 2,738.30 (3.91%)		Bitcoin(\$) 70,215.19 (10.87%)
	Brent Crude(\$) Per Barrell 73.16 (1.78%)		Ethereum(\$) 2,515.18 (-3.38%)

#All Changes are in MoM basis.



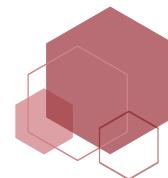
Currency Market Trends

The currency market saw a mix of gains and losses. The Euro, British Pound, Australian Dollar, and Canadian Dollar declined, with the Australian Dollar experiencing the most significant drop of 5.32%. On the other hand, the Japanese Yen appreciated by 5.58%, and the Indian Rupee saw a slight increase of 0.34%. The fluctuations indicate varied economic and geopolitical influences affecting each currency differently.

Most major stock indices experienced declines this month. The S&P 500 fell by 0.99%, the FTSE 100 by 2.53%, and the Hang Seng by 3.86%. The BSE SENSEX had the most significant drop, decreasing by 5.83%. However, Japan's Nikkei 225 saw a positive change, rising by 3.61%, potentially due to favorable economic factors in Japan. Overall, stock markets showed signs of volatility, reflecting investor uncertainty in global markets.

The commodities and cryptocurrency markets displayed mixed results. Bitcoin surged by 10.87%, showing strong growth, while Ethereum decreased by 3.38%. Gold also saw a rise of 3.91%, likely as a safe-haven investment amid economic uncertainty. Brent Crude increased by 1.78%, possibly due to supply concerns or rising demand. These movements suggest that while cryptocurrencies and gold gained, traditional currencies and indices saw more fluctuations.

The data across these three sectors—currencies, stock indices, and commodities/cryptocurrencies—highlights a month of volatility and divergence in market trends. While the Japanese Yen and Nikkei 225 showed positive trends, most global stock indices and several major currencies declined. Commodities like gold and Brent Crude saw gains, with Bitcoin standing out among cryptocurrencies. This variation suggests that investors are navigating uncertain economic conditions, which have led to differing market performances globally.



Macroeconomic Overview



Inflation

3.85% ▲



Deposit Growth

13.77% ▲



Credit Growth

6.56% ▲



Import Growth

1.1% ▲



Export Growth

-5.1% ▼



Remittance Growth

15.21% ▲



FX Reserve Growth

34.63% ▲

* Growth refers to the change between two-month data of FY 80/81 and FY 81/82.

* Credit refers to claim on private sector.

Monthly Trading Statistics



**Average
Turnover**

NPR 5.78 B

-44.14% ▼



**Average
Shares Traded**

13.41 M

-45.89% ▼



**Average
Transactions**

65.35 K

-45.79% ▼

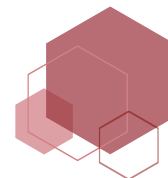


**Average
Scripts Traded**

312

-2.65% ▼

* For the period (October 1, 2024) – (October 30, 2024)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Bhadra -80	Shrawan-81	Bhadra-81	Kartik 9	Kartik 16	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	5.33	2.94	2.96	2.49	2.26	-2.37	0.02	-0.23
Wt.Avg 91 Days TB rate (%)	5.95	2.94	2.89	2.80	2.75	-3.06	-0.05	-0.05
Wt.Avg 364 Days TB rate (%)	6.44	3.04	3.03	3.00	2.98	-3.41	-0.01	-0.02
Wt. Avg Interbank Rate (%)	5.86	2.99	3.00	2.80	3.00	-2.86	0.01	0.20
CapEx (In Billion NPR)	8.16	8.55	14.89	30.54	32.57	6.73	6.34	2.03

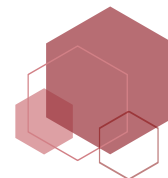
B. BFI Statistics

Description	Value As On					Change		
	Bhadra -80	Shrawan-81	Bhadra-81	Kartik 9	Kartik 16	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	8.06	5.66	5.53	5.53	5.53	-2.53	-0.13	0.00
Wt. Avg Lending Rate (%)	12.23	9.68	9.52	9.52	9.52	-2.71	-0.16	0.00
Base Rate (%)	10.14	7.61	7.49	7.49	7.49	-2.65	-0.12	0.00
CD Ratio (%)	82.53	78.80	78.80	78.27	78.41	-3.73	0.00	0.14
Fixed Deposits/Total Deposits (%)	60.70	57.15	56.35	56.35	56.35	-4.35	-0.80	0.00
Total Liquid Assets/Total Deposits (%)	26.48	25.71	27.00	27.00	27.00	0.52	1.29	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	Kartik 13	500.00	0.00	25	65	7.89	500.00	2.01	2.35	2.26
91 Days	Kartik 13	810.00	0.00	24	56	4.74	810.00	2.46	2.76	2.75
182 Days	Kartik 13	1300.00	0.00	20	46		1300.00	2.90	2.95	2.94
364 Days	Kartik 13	156.00	0.00	14	26	7.42	156.00	2.97	2.98	2.98

*Figures are in Millions NPR

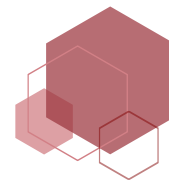


Sectoral Movement

Index	Ashwin 14	Kartik 14	Change
NEPSE	2,508.86	2,677.62	6.73%
Finance Company	2,826.02	3,462.69	22.53%
Hydropower	2,993.28	3,334.88	11.41%
Hotels & Tourism	6,159.94	6,803.87	10.45%
Others	1,916.00	2,060.08	7.52%
Development Bank	4,968.87	5,330.30	7.27%
Life Insurance	12,402.78	13,167.47	6.17%
Commercial Bank	1,444.59	1,522.00	5.36%
Microfinance	4,723.16	4,968.75	5.20%
Trading	3,433.25	3,609.91	5.15%
Investment	100.22	105.19	4.96%
Mutual Fund	20.34	21.31	4.77%
Non Life Insurance	12,667.17	13,264.52	4.72%
Manufacturing & Processing	7,003.83	6,997.92	-0.08%

Major Movers

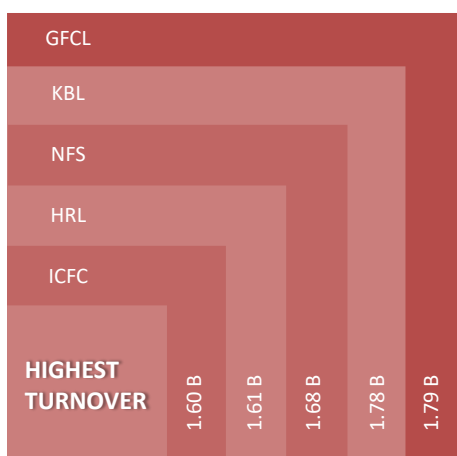
PHCL	68.91%	WNLB	-20.43%
SFCL	45.78%	KSY	-7.46%
KBSH	45.43%	MATRI	-3.79%
JFL	36.51%	JBBLB87	-3.64%
MAKAR	31.40%	GCIL	-3.49%



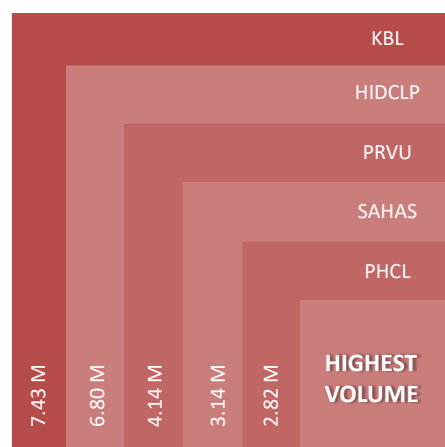
Sectoral Divergence-Turnover

Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	10.34 B	5.78 B	-44.14%
Finance	1.22 B	0.99 B	-18.44%
Commercial Banks	1.24 B	0.91 B	-26.41%
Tradings	0.04 B	0.03 B	-28.11%
Hotels And Tourism	0.24 B	0.14 B	-39.49%
Manufacturing And Processing	0.50 B	0.28 B	-44.10%
Non Life Insurance	0.49 B	0.27 B	-44.33%
Hydro Power	3.03 B	1.67 B	-45.00%
Investment	0.75 B	0.38 B	-48.94%
Others	0.54 B	0.25 B	-54.26%
Life Insurance	0.58 B	0.26 B	-54.77%
Development Banks	0.71 B	0.30 B	-57.60%
Microfinance	0.74 B	0.29 B	-60.76%
Mutual Fund	0.01 B	0.00 B	-65.92%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview

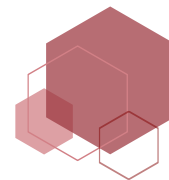


At the end of October 2024, the NEPSE index closed at 2,677.62, gaining 168.76 points (6.73%) over 18 trading days. Monthly turnover averaged NPR 5.61 billion, down from NPR 7.75 billion previously, as investors shifted to margin lending and same-day trades. This initially raised turnover, but recent volumes haven't sustained the rally. Looking ahead, falling interest rates and increased margin lending may boost liquidity and drive the next phase of growth.

Additionally, the seasonal impact of the Tihar festival contributed to lower market activity, as many investors took profits ahead of the holiday. Historically, this has been a consistent trend during the festival season. Looking ahead, the market is expected to see renewed momentum following the festive period, supported by falling interest rates and rise in margin lending from banks, which may attract more liquidity and drive the next leg of growth in the NEPSE index.

The Relative Strength Index (RSI) is currently at 63.01 points which is a neutral zone and the MACD indicator is signaling a bullish trend.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,600 and (S2) 2,500, and (S3) 2,375 while immediate resistance levels are recognized at (R1) 2,780, (R2) 2,860, and (R3) 3,000. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

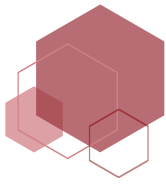


B. Long Term Overview



NEPSE index has recently broken through the psychological barrier of 2200, a level not reached in over two years. This surge is driven by several key factors: a reduction in interest rates, the appointment of investor-favored Finance Minister Mr. Bishnu Prasad Paudel, 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 3200, Trend Based Fibonacci extension levels suggest it could target 3400 and 3690. On the downside, if the market experiences a pullback, long-term support is expected around 2390, followed by 2200, the previous resistance level. These levels will depend on broader economic conditions and market sentiment.



SCRIP ANALYSIS

Unilever Nepal Limited (UNL)

A. About the Company

Unilever Nepal Limited (UNL), established in 1993, is a key player in Nepal's consumer goods market. As a subsidiary of Hindustan Unilever Limited (HUL), it brings the trusted quality and innovation of the global Unilever brand to Nepalese households. Centrally located in Hetauda, Makawanpur district, UNL's factory is strategically positioned to ensure efficient production and distribution across the country. This setup allows UNL to seamlessly meet the diverse needs of consumers nationwide, while its corporate office in New Baneshwor, Kathmandu, supports smooth administrative operations.

The Hetauda facility covers 12.39 acres, with 4.68 acres dedicated to state-of-the-art production lines. Since its inception, the factory has grown from producing home care staples like Wheel and Vim to a diverse product portfolio. Today, UNL's offerings span across beauty, personal care, and home care segments, featuring popular brands such as Clinic Plus, Dove, Lux, and Pepsodent. With a workforce of 274 employees, both permanent and contractual, UNL maintains a strong focus on quality and innovation, adapting to the ever-evolving preferences of Nepalese consumers.

UNL's products are an integral part of everyday life in Nepal, with 8 out of 10 households using them. The company has also embraced digital transformation through the e-BZB App, Shikhar, enabling over 17,000 retailers to access products directly from the manufacturer. This innovation streamlines operations, ensuring consistent product availability and enhancing customer satisfaction.

Behind UNL's success is the global powerhouse Unilever PLC, one of the world's largest consumer goods companies. Founded in 1929 and headquartered in the UK, Unilever's products reach 190 countries and are used by 3.4 billion people daily. In 2023, the company reported a turnover of €59.6 billion, with a significant 58% coming from emerging markets. This global strength supports UNL's robust financial performance, allowing it to deliver consistent dividends to shareholders and reaffirming its commitment to long-term growth and value creation.

Source – UNL's annual report for FY 2080/81

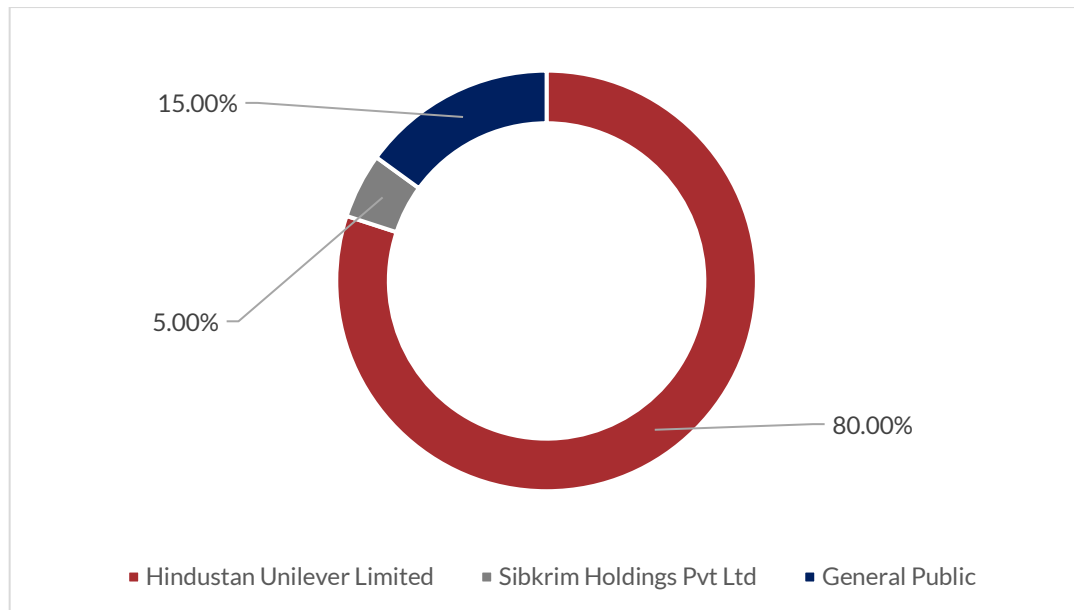
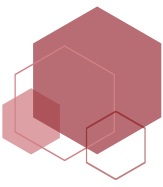


Figure: Shareholding Pattern of UNL

Source – UNL's annual report for FY 2080/81

Comparative Annual Performance Visualizations

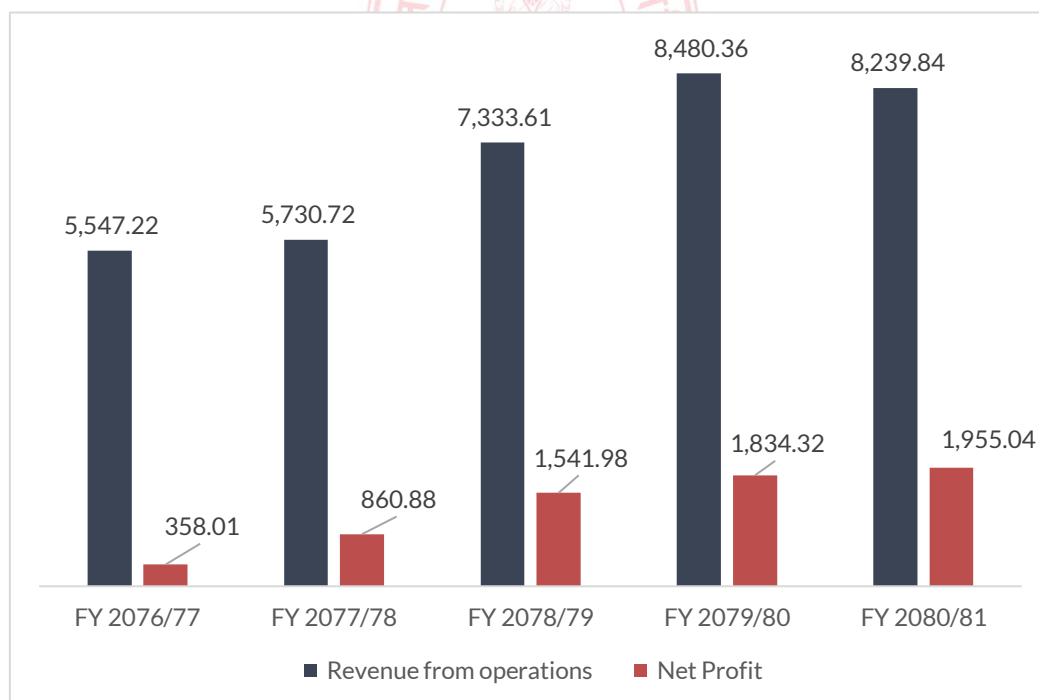


Figure: Annual Comparison of Revenue and Net Profit in millions

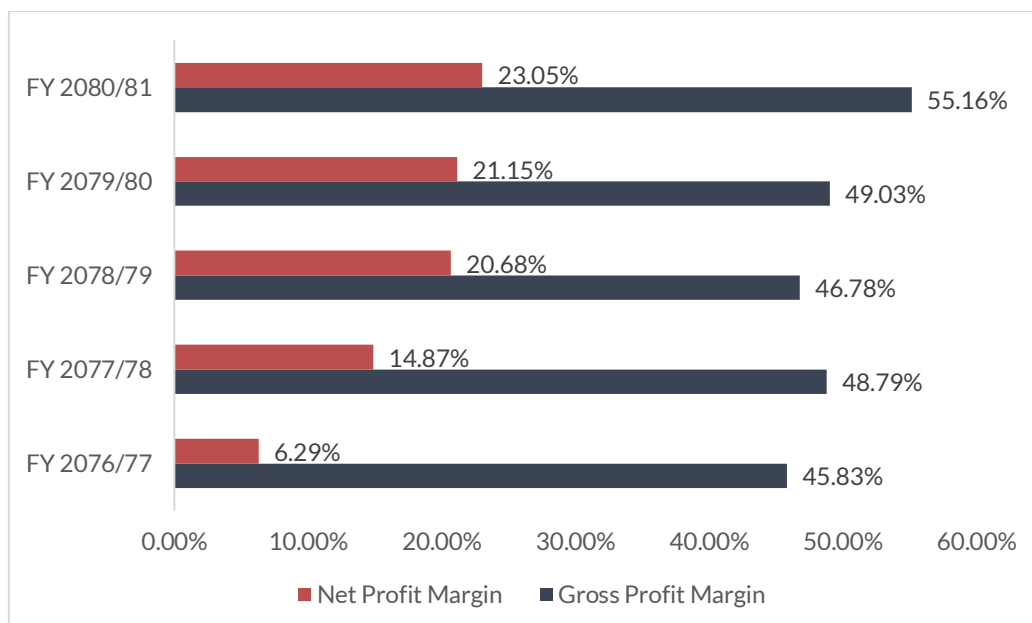
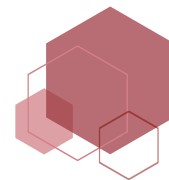


Figure: Annual comparison of Gross Margin and PAT margin Income

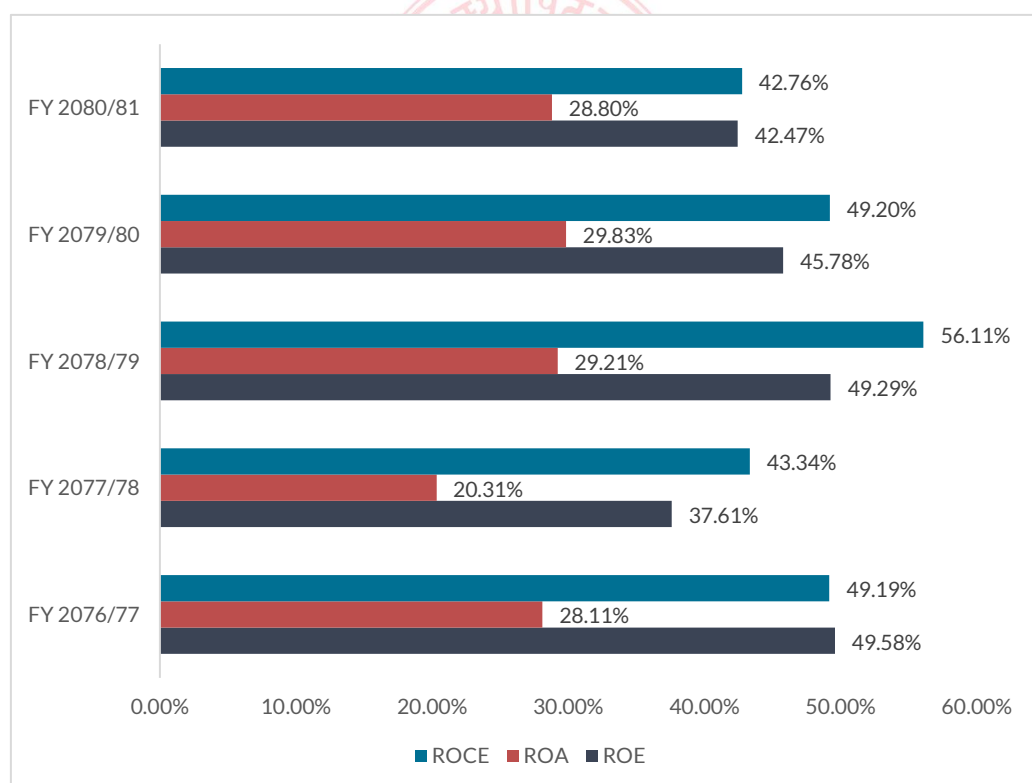


Figure: Comparison of Return on Invested Capital, Return on Asset, and Return on Equity

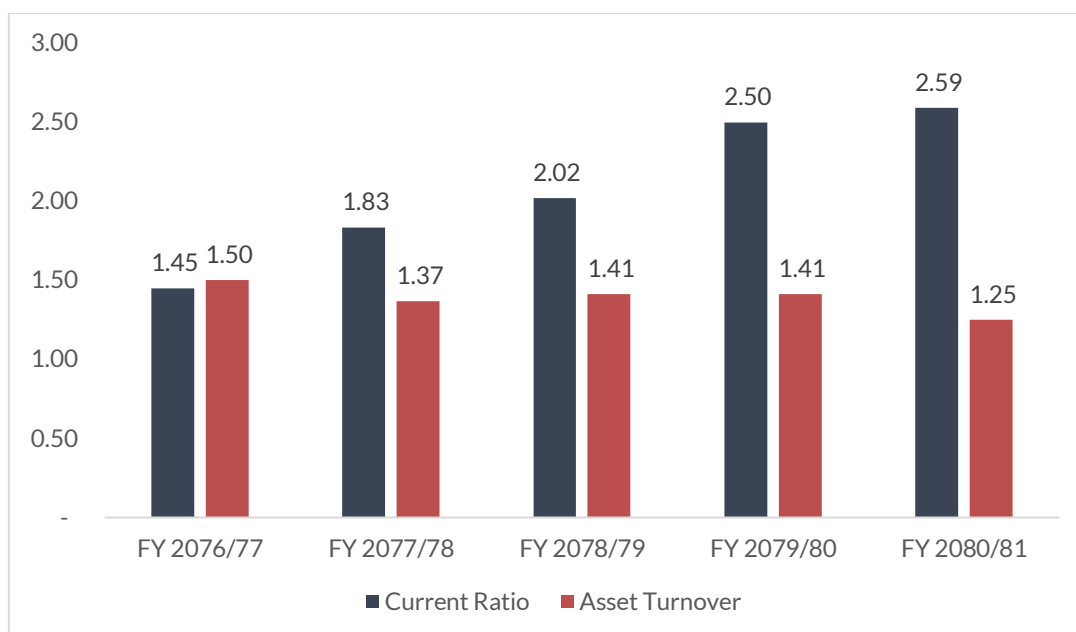
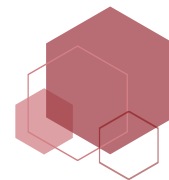
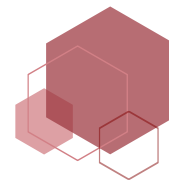


Figure: Comparison of Current Ratio and Asset Turnover



Figure: Comparison of EPS and Book Value Per Share



Dupont Analysis

Particulars	Specifics	2077/78	2078/79	2079/80	2080/81
Tax Burden	Net Profit / Pre-Tax Income	0.82	0.82	0.82	0.82
Asset Turnover	Revenue / Average Total Assets	1.34	1.10	1.21	1.28
Financial Leverage	Average Total Assets / Average Equity	1.85	1.69	1.53	1.47
Interest Burden	Pretax Income / Operating Income	1.00	0.99	0.99	0.99
Operating Margin	Operating Income / Revenue	0.18	0.33	0.30	0.28
Final Return on Equity		37.61%	49.29%	45.78%	42.47%

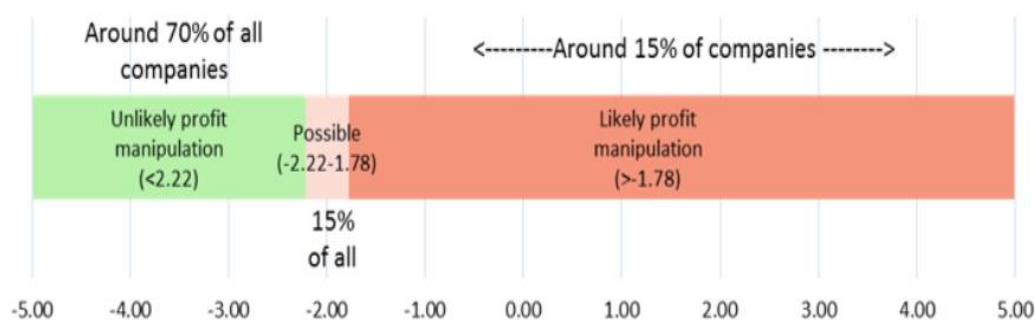
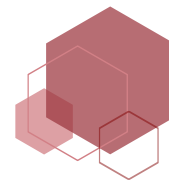
The DuPont analysis provides insights into the factors influencing return on equity (ROE) by breaking it into three main components: profitability, efficiency, and leverage. ROE shows an upward trend for FY 2077/78 to FY 2080/81, peaking at 49.29% in FY 2078/79 before stabilizing around 42-45%.

- Tax Burden:** The tax burden remained constant at 0.82, suggesting that tax rates were stable and didn't significantly affect profitability across the years.
- Asset Turnover:** This ratio declined from 1.34 in FY 2077/78 to 1.28 in FY 2080/81, indicating a slight decrease in the efficiency of asset use for revenue generation.
- Financial Leverage:** Leverage ratios decreased from 1.85 to 1.47, suggesting reduced reliance on debt financing, which could stabilize risk but also slightly reduce ROE.
- Interest Burden and Operating Margin:** The interest burden stayed near 1.00, indicating the minimal impact of interest expenses on operating income. Operating margins improved in FY 2078/79 but then slightly declined, impacting overall profitability.

These factors combined to influence the ROE trend across these years.

Beneish Model

The Beneish M-Score is a financial model that flags potential earnings manipulation by analyzing a company's financial statements. Developed by Professor Messod Beneish, the model uses eight financial ratios that highlight changes in key metrics, like Days Sales in Receivables (DSRI), Gross Margin Index (GMI), and Sales Growth Index (SGI). These ratios are sensitive to unusual financial behavior that may suggest aggressive or suspicious accounting.



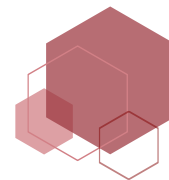
The model is widely used by auditors, analysts, and investors to quickly screen for red flags in financial reporting. However, while helpful, it should ideally be used alongside other tools, as it can sometimes yield false positives, especially in rapidly growing companies where high ratios might be natural.

The formula for this model is as follows:

Beneish M-score Formula = $-4.84 + 0.92 \times DSRI + 0.528 \times GMI + 0.404 \times AQI + 0.892 \times SGI + 0.115 \times DEPI - 0.172 \times SGAI + 4.679 \times TATA - 0.327 \times LVGI$.

Particulars	FY 2080/81
Days Sales in Receivable Index (DSRI)	0.684
Gross Margin Index (GMI)	0.889
Asset Quality Index (AQI)	0.917
Sales Growth Index (SGI)	0.972
Depreciation Index (DEPI)	0.945
SGA Index (SGAI)	1.177
Leverage Index (LVGI)	0.960
Total Accruals to Total Assets (TATA)	-0.096
Beneish Model M Score	-3.362

Unilever Nepal Limited's (UNL) Beneish Model M Score of -3.362 for FY 2080/81 suggests a low risk of earnings manipulation. Key factors reinforce this view: a day sale in Receivables Index of 0.684 reflects efficient receivables management and a Gross Margin Index of 0.889 points to stable profitability. The Asset Quality Index (0.917) and Depreciation Index (0.945) indicate strong asset quality and reasonable depreciation practices. Although the SGA Index is slightly elevated at 1.177, the company maintains conservative financial practices, as shown by the low accrual's ratio (-0.096) and a controlled leverage index (0.960).

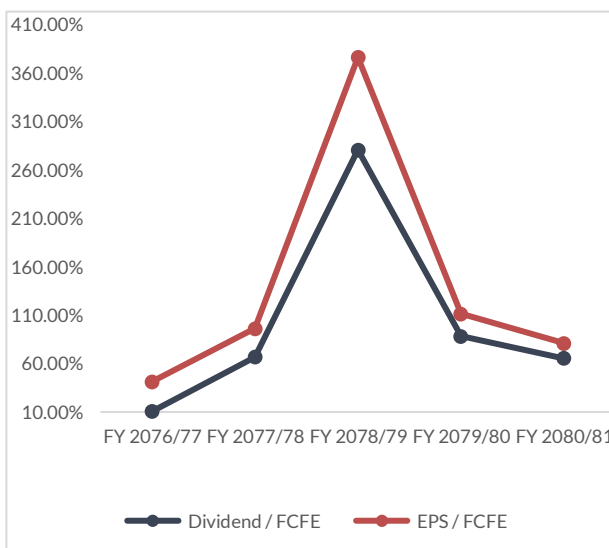
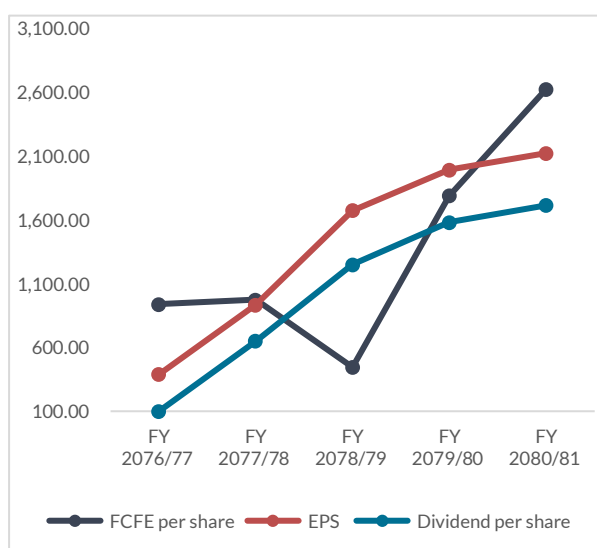


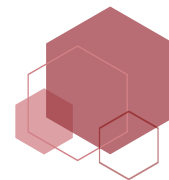
Analysis of the Cash Flow Statement of UNL

Particulars	2076/77	2077/78	2078/79	2079/80	2080/81
Net Cash Flow from Operations in 000'	1,143,714.96	933,142.77	926,476.76	1,873,325.08	2,635,901.94
Acquisitions of PPE in 000'	278,546.59	37,038.08	465,694.88	201,707.66	249,352.21
Acquisitions of intangible assets in 000'	1,004.23	-	328.53	-	-
Sale of PPE in 000'	184.39	-	-	4,713.40	79.88
Decrease in lease liabilities in 000'	-	-	(50,678.39)	(29,071.92)	29,582.38
FCFE in 000'	864,348.52	896,104.69	409,774.97	1,647,258.90	2,416,211.99
Number of shares	920.00	920.00	920.00	920.00	920.00
FCFE per share	939.51	974.03	445.41	1,790.50	2,626.32
EPS	388.84	935.02	1,674.79	1,992.31	2,123.43
Dividend per share	100.00	650.00	1,250.00	1,580.00	1,714.00
Dividend / FCFE	10.64%	66.73%	280.64%	88.24%	65.26%
EPS / FCFE	41.39%	96.00%	376.01%	111.27%	80.85%

Note:

- ✓ **FCFE=Cash Flow from Operations (CFO) – Acquisitions of PPE – Acquisitions of Intangible Assets + Sale of PPE + Decrease in lease liabilities**
- ✓ **PPE stands for Property, Plant, and Equipment**
- ✓ **FCFE stands for Free Cash Flow to Equity which represents the cash available to shareholders after expenses, debt, lease liabilities, and reinvestment.**





Unilever Nepal Limited (UNL) demonstrates strong cash flow growth over the period, with Net Cash Flow from Operations reaching NPR 2,635,901.94 thousand in FY 2080/81, highlighting robust operational efficiency. The lower dividend per share of NPR 100.00 in FY 2076/77 reflects the impact of COVID-19, which likely prompted a cautious approach to cash distribution. Significant capital expenditures, particularly in FY 2078/79 indicate investment in asset acquisition to fulfill the existing demand.

Free Cash Flow to Equity (FCFE) fluctuated but peaked at NPR 2,416,211.99 thousand in FY 2080/81, enhancing shareholder value as FCFE per share rose. Dividend per share increased substantially from FY 2076/77 to FY 2080/81, reaching NPR 1,714.00. The dividend-to-FCFE ratio showed considerable variability, with a high of 280.64% in FY 2078/79 and a more sustainable 65.26% in FY 2080/81. The EPS to FCFE ratio of 80.85% in FY 2080/81 suggests a balanced approach between earnings and cash flows, underscoring UNL's solid financial position.

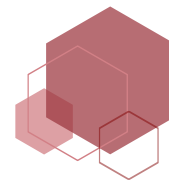
Key Insights from Unilever Nepal Limited's AGM held on 28 October, 2024

Unilever Nepal Limited (UNL) emphasized stability and efficiency at its recent AGM. Given Nepal's challenging manufacturing climate, it has paused new factory expansions but is investing in current operations. It acknowledged requests for more detailed product reporting and noted it adheres to current standards.

UNL improved gross margins through its Symphony program and lower commodity costs. Sticking to core segments like Beauty and Home Care, it plans no diversification. Cash dividends, not bonus shares, remain the focus to prevent dilution and enhance shareholder value. While open to a stock split, UNL awaits SEBON clarity on regulations.

Discounts and offers will continue, supporting market competitiveness as economic conditions evolve.

Our Take: UNL's cautious approach prioritizes core growth, operational efficiency, and shareholder returns, adapting well to Nepal's manufacturing and market conditions.



B. Stock Performance Adjusted for Cash Dividends and Financial Performance



Note – UNL is represented in blue, while NEPSE is highlighted in orange.

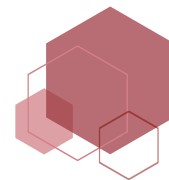
UNL's stock has significantly outperformed the NEPSE index, with a 198.87% gain compared to NEPSE's 138.76%. While NEPSE faced marked volatility, especially in 2021 and 2022, Unilever maintained a steadier upward trajectory, diverging from NEPSE's downtrend around mid-2022—demonstrating strong investor confidence in its stability and resilience. By 2024, both have stabilized, but Unilever's consistent growth makes it an attractive option for investors seeking reliable returns.

Over the past five years, Unilever Nepal's net profit grew from NPR 358 million in FY 2076/77 to NPR 1.95 billion in FY 2080/81, achieving a compound annual growth rate (CAGR) of 52.87%. Meanwhile, its stock price rose at a CAGR of 31.48%, from NPR 16,060.68 per share to NPR 48,000 as of November 7, 2024.

Key Variables used for Valuation:

1. Sustainable Growth Rate for longer period projection to calculate terminal value= 4%
2. Other specifics are as follows:

Specifics	Value	Remarks
Adjusted Beta (β)	0.95	Assumption - The raw daily beta of 1.20 since its listing date will move towards the market beta of 1 over time.
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)	5.48%	The latest Development Bond Rate adjusted for a tax rate of 6.00%



Specifics	Value	Remarks
Cost of Equity (Ke)	8.25%	As per the CAPM Model
Cost of Debt (Kd)	8.92%	As per the average monthly lending rates of commercial banks since February 2014 (adjusted as per tax rate)
Tax Rate	17.00%	As per the annual report
WACC	8.28%	Discount rate for the valuation (based on equity 96.58% and debt 3.42% in its capital structure)

Other assumptions:

- ✓ Revenue growth projections for the company are set at 9.28% for the base case, 11.40% for the best case, and 7.00% for the worst case. These estimates were calculated by adding a 1% premium to the average of the 3- and 5-year CAGRs and the individual 3-year and 5-year CAGRs respectively. This optimistic adjustment reflects the gradual economic recovery and the expectation that the company will phase out the discount schemes implemented in the previous fiscal year.
- ✓ Expense projections are based on historical averages as a percentage of total revenue.

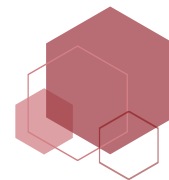
C. Stock Valuation

We have valued UNL 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 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 UNL based on DCF Approach has been computed, which has been tabulated below.

DCF Valuation	Valuation Price (NPR)
Worst Case	30,606.20
Base Case	43,579.57
Bull Case	57,185.48



D. Technical Analysis



Unilever Nepal Limited (UNL) is currently trading in a consolidation phase. Its price hovers near a support level at NPR 47,472, while resistance looms around NPR 50,000 and NPR 51,822.

The Relative Strength Index (RSI) sits at 48.05, indicating a neutral momentum with neither strong buying nor selling pressure, as it remains comfortably between the overbought and oversold zones.

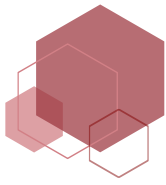
Meanwhile, the Moving Average Convergence Divergence (MACD) shows a bearish bias, with the MACD line below the signal line; however, a shrinking bearish histogram suggests that this downward momentum could be slowing, possibly hinting at a reversal.

Low trading volume supports the view that market interest is currently limited, adding to the consolidation pattern.

For now, the stock appears to be in a wait-and-watch phase. A breakout above NPR 50,000 on high volume could signal a bullish trend, while a breakdown below the NPR 47,472 support level may lead to further downside.

E. Conclusion

Unilever Nepal Limited (UNL) has demonstrated remarkable financial resilience and growth in recent years, reflecting strong market presence, operational efficiency, and robust cash flows. Its strategic location in Hetauda enables efficient distribution across Nepal, with a comprehensive product portfolio that meets the needs of a broad consumer base. This has been complemented by technological innovations like the Shikhar app, which have streamlined retailer supply chains, further strengthening UNL's reach and brand loyalty.



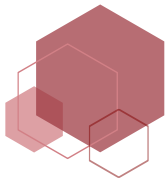
Financially, UNL's stable gross margins, conservative leverage approach, and consistent dividend history underscore its commitment to delivering value to shareholders. Despite some variability in asset turnover and minor declines in operating margin, the company's Dupont analysis shows solid return on equity (ROE) performance, peaking in FY 2078/79 and stabilizing around 42-45% in subsequent years. UNL's Beneish M-Score further confirms its conservative financial practices, with no indications of earnings manipulation.

Notably, UNL has outperformed the NEPSE index over the past five years, underscoring investor confidence and its resilience amid Nepal's economic challenges. Its decision to focus on cash dividends over bonus shares and its potential consideration of a stock split to enhance liquidity highlights a shareholder-focused approach.

F. Recommendation (Our Take on the Script): Buy/Hold

We recommend a Buy/Hold rating for Unilever Nepal Limited. UNL's well-established market position, operational efficiencies, and strategic focus on high-demand segments such as Beauty, Personal, and Home Care provide a solid foundation for continued growth. The company's conservative financial management, combined with its commitment to consistent dividends and operational innovation, suggests strong long-term value for investors seeking stability and growth in the Nepalese FMCG sector. UNL's current valuation appears justified given its consistent revenue growth, impressive CAGR in net profit, and sustainable approach to shareholder returns.

In summary, UNL's valuation and defensive profile provide a balanced investment opportunity with resilience to market fluctuations and a promising outlook for value appreciation over the long term.

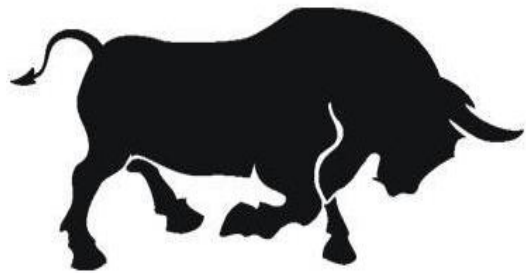


ISSUE OF THE MONTH

Bull Market

A. What is Bull Market?

A bull market, also known as a bull run, is a long, extended period in the market when stock prices are on the rise. There is no single stat or metric that defines when we are in a bull market, but the most common definition is when stock/asset prices increase at least 20% from their most recent low, with signs that they will continue to grow. This is most commonly applied to stock market Indices (NEPSE Index in case of Nepal) which measures overall position and movement of stocks in Nepal Stock Exchange.



A bull market is the reverse of a bear market, which happens when stock prices are falling. Bulls when excited charge rapidly and are known for running at great speeds while bears tend to hibernate and are associated more with defense and thus are used as symbols for markets/assets with similar moods.

B. What happens in Bull Markets?

As the bull markets are a sign of increasing investor confidence, the actions performed by investors in such markets are also indicative of the same which include:

- i. Investors buy more stock: Since stock prices are in an upward trajectory in bull market, investors become convinced they'll keep doing so, so they keep on buying which raises prices even higher, as the supply cannot keep up with demand.
- ii. Companies go on an expansion spree: Owing to consumer buying, companies tend to make more investments due to the confidence shown by investors, this usually means companies hire more workers and paying existing employees more money.
- iii. Consumer Spending Increase: As stock prices keep on going up, so do investor earning which tends to drive people to spend more money as they are confident their assets will generate even higher returns.



- iv. This leads to higher inflation as: More consumer spending increases the money supply which ultimately increase the prices of everything as the value of money decreases.

C. How long do Bull Markets last?

As per standard convention, a bull market is considered over when stocks start a period of steady decline, falling at least 20% from their peak. However, this does not necessarily mean that the market will be declining henceforth. It is just that the bull run of that particular phase of the market is over. This ties into the view of looking at market movements in specific small phases rather than the whole as is the case in trading.

Bull Markets generally tend to end when markets change fundamentally or when the impetus that drove the market forward ends, when prices have risen too high or too fast, or when some other event forces investors to feel pessimistic about the future such as with the past COVID-19 scare that affected both Global and Nepali Markets.

D. Investing in a Bull Market

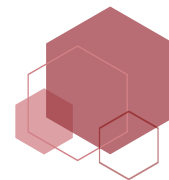
Investing in bull markets is risky but also offers great rewards, the key to investing in the markets is understand how the markets move and recognize entry and exit points. In this regard, a smart investor would invest as follows:

a. Invest in a Diversified Portfolio

It becomes very tempting to invest in a stock that has grown rapidly and looks like it will keep on doing so for some time. However, sometimes stock tends to get overpriced and the momentum they carried can evaporate in an instant. An investor who only buys specific stocks is always at risk of loss if a stock reverses its course. Maintaining a diversified portfolio shields an investor from booking huge losses. This also means the investors can get good returns even if certain sectors grow much better than others.

b. Stick to your Strategy

It is during bull-markets that even weak companies look like they will grow substantially. However, these companies stock price growths are driven purely by investor sentiments rather than their own fundamentals. They can easily turn around and follow a downward trajectory similar to how they had moved up. Relying on market news and speculation and investing on companies is not a very sound strategy. While it may result in profits in the short run, they can become traps for investors that may not understand



all the dynamics of the market. It is better to stick to own strategy on investing in stocks which are fundamentally well and will not fall down a cliff if things go bad quickly.

c. Know your Levels

The interesting thing about the markets is that the nature and mood of a market can only be truly ascertained after the fact or in hindsight. Even the savviest of investors/traders do not manage to get it right every time. It is therefore very difficult to time the markets. It is much simpler to just set your levels and buy and sell according to those benchmarks and not get caught up in the hype as market grow and fall similarly.

However, one thing is for certain, that despite some falls, the markets always move upwards over an extended period of time. Therefore, establishing defined levels for buying and selling and acting accordingly will always yields good returns in the long run.

**This article was previously published in the Ashwin, 2077 edition of The Pulse.*

Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
SMATA	FPO	350,904 (O)	2024/10/28 AD 2081/07/12 BS	2024/11/05 BS 2081/07/20 BS	Muktinath Capital
FMDBLP	AUCTION	28,301 (P)	2024/10/29 AD 2081/07/13 BS	2024/11/12 BS 2081/07/27 BS	Muktinath Capital
FOWADP	AUCTION	34,820 (P)	2024/10/24 AD 2081/07/08 BS	2024/11/27 AD 2081/08/12 BS	Laxmi Sunrise Capital

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