

CORPORATE DEBENTURE MARKET IN NEPAL

By
Suraj Maharjan
Shanker Dev Campus
T.U. Regd. No. 7-1-31-72-98
Campus Roll No. : 500/060

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University

*In partial fulfillment of the requirement for the Degree of
Master of Business Studies (M.B.S)*

Kathmandu, Nepal
September, 2008

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

Suraj Maharjan

Entitled:

CORPORATE DEBENTURE MARKET IN NEPAL

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

Supervisors

.....
Dr. Geeta Pradhan, Associate Professor

.....
Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Rishi Raj Gautam

VIVA-VOCE SHEET

We have conducted the viva –voce examination of the thesis presented

by

Suraj Maharjan

Entitled:

CORPORATE DEBENTURE MARKET IN NEPAL

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “**CORPORATE DEBENTURE MARKET IN NEPAL**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of Dr. Geeta Pradhan, Associate Professor and Rishi Raj Gautam Lecturer of Shanker Dev Campus.

.....
Suraj Maharjan

Researcher

T.U. Registration No. 7-1-31-72-98

Campus Roll No. : 500/060

ACKNOWLEDGEMENT

It was almost impossible to complete this thesis entitled “Corporate Debenture Market in Nepal” without expert professional guidance and assistance coupled with constant encouragement from many quarters. I would like to express my deepest thanks to my supervisor Dr. Geeta Pradhan and Mr. Rishi Raj Gautam, Shanker Dev campus for providing all sorts of guidelines, valuable comments and suggestions along with an analytical support in order to complete this thesis. Their guidance and help has been a great source of encouragement and inspiration to me.

I would like to offer my gratitude to all honourable teacher as well as staffs of Tribhuvan University and Shanker Dev Campus, all the concerned staffs of Securities Board of Nepal and Nepal Stock Exchange for providing all relevant data and necessary information.

I must also acknowledge to Central Library of TU, Shanker Dev Campus Library, and Administration of Shanker Dev Campus, NRB library for providing necessary books, journals and articles.

I also owe a great deal of gratitude to my friends Mr. Arvind Chitrakar and Mr. Yaroshal Shrestha for their continuous support and assistance in all the ways possible.

Finally, I would like to offer my special thanks to all those who have supported me in completion this thesis work.

Suraj Maharjan

August, 2008

LIST OF TABLES

Table no.	Title of the Table	Page
Table 4.1	Debenture issue out of Total Securities Issue	94
Table 4.2	Position of corporate and government debt in total debt market	99
Table 4.3	Instrument wise securities issue	101
Table 4.4	Sector wise information disclosure by listed companies	105
Table 4.5	Structure of Interest Rate	107
Table 4.6	Interest Rate of Debenture currently floating in Nepalese Market	110
Table 4.7	Features of Nepalese corporate Debentures	112
Table 4.8	Secondary trading of Corporate Debenture	113
Table 4.9	Upcoming Corporate Debenture Issues	115
Table 4.10	Capital Fund to Risk weighted asset ratio of Nepalese commercial Banks	116
Table 4.11	Valuation of Nepalese corporate debentures	118
Table 4.12	Duration of Nepalese Corporate Debentures	120
Table 4.13	Most Preferable Investment Alternative	122
Table 4.14	Investment in corporate debenture	122
Table 4.15	Most invested Corporate Debenture	123
Table 4.16	Most preferred corporate debenture	124
Table 4.17	Most preferred debenture issuing corporate sector	125
Table 4.18	Major factor for debenture market not being popular	126

Table 4.19	Reason for Nepalese Enterprises’ preference towards issuing common stock	126
Table 4.20	Reason for less trading of debt securities in secondary market	127
Table 4.21	Observations on under developed stage of debt securities market	128

ABBREVIATION

AGM:	Annual General Meeting
BOK:	Bank of Kathmandu Limited
CPI:	Consumer Price Index
EBL:	Everest Bank Ltd
FY:	Fiscal Year
HBL:	Himalayan Bank Limited
HPR:	Holding Period Return
INB:	Nepal Investment Bank
KBL:	Kumari Bank Limited
MD:	Macaulay Duration
NEPSE:	Nepal Stock Exchange
NIC:	Nepal Industrial Commerce Bank Limited
NIDC:	Nepal Industrial and Development Corporation
NRB:	Nepal Rastra Bank
NSB:	National Saving Bonds
PVIF:	Present Value of Annuity Factor
PVIFA:	Present Value of Annuity Factor
RTGS:	Real Time Gross Settlement
RWA:	Risk Weighted Assets
SEBO:	Securities Board of Nepal
SEC:	Securities Exchange Center

SMC: Securities Market Center

TPV: Total Present Value

YTM: Yield to Maturity