

**Public Response to Initial Public Offering (IPO) in Financial
and Non Financial Sector in Nepal**

A THESIS

Submitted by:
Amrendra Prasad Yadav
Shanker Dev Campus
T.U.Regd. No.:7-2-15-1094-2004
Campus Roll No.: 2769/064

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

In Partial Fulfillment of the Requirements
For
Master's Degree in Business Studies (M.B.S.)
Katmandu, Nepal
September, 2011

RECOMMENDATION

This is to certify that the thesis

Submitted by:
Amrendra Prasad Yadav

Entitled

**Public Response to Initial Public Offering (IPO) In
Financial and Non Financial sector 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.

.....
Joginder Goet
(Thesis supervisor)

.....
Prof.Bisheswarwar Man Shrestha
(Head of Research Department)

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

VIVA-VOICE SHEET

We have conducted the viva-voice examination of the thesis presented

By

Amrendra Prasad Yadav

Entitled

**Public Response to Initial Public Offering (IPO) in
Financial & Non-financial Sector 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 the degree of

Master of Business Studies (MBS)

VIVA-VOICE COMMITTEE

Head of Research Department

Member (Thesis supervisor)

Member(External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “*public Response to Initial Public Offering (IPO) in financial and non Financial sector 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 Degree of Master of Business Studies(MBS)under the supervision of respected **sir Joginder Goet** lecturer of shanker Dev Campus.

.....

Amrendra prasad Yadav

Researcher

T.U. Regd. No. : 7-2-15-1094-2004

Campus Roll No.:2769/064

ACKNOWLEDGEMENT

This Thesis has been prepared to fulfill the partial requirement for the degree of Master of Business Studies (MBS) of Tribhuvan University. For this, I would like to acknowledge the effort of office of the Dean, Faculty of Management, T.U. for offering such a great course in our syllabus to enhance the quality of Management education in the country.

For this little piece of work, I would like to express my heart-felt gratitude to my respected **sir Joginder Goet** lecturer of shanker Dev Campus for his grand support, encouragement and patience up to accomplishment of report.

Similarly, I would like to pour my sincere word of gratification to my friends and staffs of securities Board of Nepal and NEPSE for their co-operation and great support in providing the data.

Last, but not least, I would like to share my deep love and affection to my brother Bhupendra pd. Yadav for their immeasurable support's, love and inspiration in my every walk of life. Moreover I would like to thank to Mr. Raj prakash Yadav who helped me in designing this thesis.

Amrendra Prasad yadav

TABLE OF CONTENT

Recommendation
Viva-voice sheet
Declaration
Acknowledgement
List of tables
List of figures
Abbreviation

CHAPTER-I	ITRODUCTION	Page N.
1.1	Background of the study	1
1.2	Statement of the problems	4
1.3	Objectives of the study	5
1.4	Significance of the study	5
1.5	Limitation of the study	6
1.6	Organization of the study	6
CHAPTER –II	REVIEW OF LITERATURE	
2.1	Conceptual framework	8
2.2	Money market	9
2.3	Capital market	9
2.4	Non-security market	10
2.5	Securities market	10
2.5.1	primary market	11
2.5.2	secondary market	11
2.6	primary market and IPO	12
2.7	common equity/stock offering	12
2.8	preference share	14
2.9	Bond/ Debenture	15
2.10	options	15
2.11	warrant	16
2.12	convertible	17
2.13	IPO Manual	18

2.14 Issuing company	18
2.15 Merchant Banker	18
2.16 Issue manager	19
2.17 Underwriter and underwriting	20
2.18 Bankers to the issue	20
2.19 Collection counters	20
2.20 Security board of Nepal	21
2.21 Nepal stock exchange	21
2.22 Office of register of companies	22
2.23 Nepal Rastra Bank	22
2.24 securities issue procedure in primary market	23
2.25 Issue approval guideline	25
2.26 Bank and financial act 2063	26
2.26.1 provisions regarding in portion of bank and financial institutions and its securities	26
2.26.2 Allotment of share	26
2.26.3 Ban on transfer /mortgage of share and debenture	26
2.26.4 Buy back is approved from NRB	27
2.26.5 Ban on security transaction	27
2.27 Company Act 2063	27
2.27.1 Prospectus to be publish	27
2.27.2 particular to be stated in prospectus	28
2.27.3 other necessary matter	29
2.28 Duty and labiality of the company	30
2.29 Responsibility for particular contained in the prospectus	30
2.30 share certificate	30
2.31 face value of share and applications	30
2.32 Allotment of shares	30
2.33 particulars of shares to be submitted to CRO	31
2.34 Transaction of securities	31
2.35 Registration of book of shareholders and debenture	31
2.36 Review of related studies	31
2.37 Review of international journals	32
2.38 Review of previous research works	34

2.39 Research gap	35
-------------------	----

CHAPTER –III RESEARCH METHODOLOGY

3.1 Introduction	36
3.2 Research design	36
3.3 Population and sample	37
3.4 sources of data	38
3.5 Data presentation and analysis	38
3.6 Tools for analysis	39
3.6.1 Statistical tools	39
3.6.2 Multiple bar diagrams and graph	39
3.6.3 Pie diagram	39
3.6.4 Percentage analysis	39
3.6.5 Simple arithmetic mean	40
3.6.6 T- test	40
3.7 Limitation of the methodology	41

CHAPTER-IV DATA PRESENTATION AND ANALYSIS

4.1 Introduction	42
4.2 Pace of initial public offering	42
4.2.1 Amount of public issue approved	42
4.2.2 Amount of issued approved	45
4.2.3 Sector wise issued approved	47
4.2.4 Sector wise analysis	48
4.2.5 Public issue from finance and non-finance sectors	50
4.2.6 Instrument wise public issue	52
4.2.7 Subscription pattern of securities	55
4.3 Public Response to IPO	57
4.3.1 Public response to commercial bank	57
4.3.2 Public response to development bank	59
4.3.3 Public response to finance companies	62
4.3.4 Public response to insurance companies	65

4.3.5 Public response to non-financial sector	67
4.4 Analysis of primary data	70
4.4.1 sources of information about investment	70
4.4.2 preferred sector of investment	71
4.4.3 past issue of primary issue	72
4.4.4 Investors awareness	73
4.4.5 Investors satisfactions	74
4.4.6 Purpose for investment in IPO	75
4.4.7 Habit to read the prospectus of the company	76
4.4.8 Bases of decision for Investment	77
4.4.9 Sources of fund to invest in IPO	78
4.4.10 Reason for most of companies not like to go for IPO	78
4.4.11 No. of companies securities investment	79
4.4.12 Investor's current investment in specific investment	80
4.4.13 Main cause of over application to IPO	81
4.4.14 Best investment decision	82
4.4.15 Causes that the limited people invest in IPO	83
4.5 Major findings	84

CHAPTER-IV SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary	87
5.2 Conclusions	90
5.3 Recommendation	91

Bibliography

Appendix

LIST OF TABLES

Table	Title	Page No.
Table 2.1:	Name of the issue manager	19
Table 2.2:	Registration fee of issue	24
Table 2.3:	The allotment period of securities	25
Table 3.1:	Population and sample for study	38
Table 4.1:	Issued Amount Approved	43
Table 4.2:	Number of issue approved	45
Table 4.3:	Sector wise issued approved	47
Table 4.4:	Sector wise analysis	49
Table 4.5:	Public issue from finance and non-finance sector	51
Table 4.6:	Instrument wise public issue	53
Table 4.7:	Over and under subscription of securities	56
Table 4.8:	Public issue to commercial Bank	58
Table 4.9:	Public Response to Development Bank	60
Table 4.10:	Public Response to Finance Companies	63
Table 4.11:	Public Response to Insurance Companies	65
Table 4.12:	Public Response to Non-Finance sector	68
Table 4.13:	Sources of Information about investment	70
Table 4.14:	Sector wise preference for Investment	71
Table 4.15:	Past experience of primary issue	72
Table 4.16:	Investor's awareness about performance of companies	73
Table 4.17:	Investor satisfaction on their investment	74
Table 4.18:	Purpose to Invest in Public Offering	75
Table 4.19:	Investor habit to read prospectus	76
Table 4.20:	Bases of decision for investment	77
Table 4.21:	Sources of fund for investment	78
Table 4.22:	Reason for most of the company not like to go for IPO	79
Table 4.23:	Number of company invested	80
Table 4.24:	Instrument wise investment	81
Table 4.25:	Causes of over application for IPO	82
Table 4.26:	Investment alternative sector	

LIST OF FIGURE

Figure	Title	Page No.
Figure 4.1:	Issued amount approved	43
Figure 4.2:	Number of issued approved	46
Figure 4.3:	Sector wise issued approved	48
Figure 4.4:	Sector wise analysis	49
Figure 4.5:	Public issue from finance and non- finance sector	52
Figure 4.6:	Instrument wise (on the basis of no.) public issue approved	54
Figure 4.7:	Instrument wise (on the basis on amount) public issued approved	54
Figure 4.8:	Public response to commercial bank	59
Figure 4.9:	Public response to development bank	61
Figure 4.10:	Public response to finance companies	64
Figure 4.11:	Public response to insurance companies	66
Figure 4.12:	Public response to non- finance sector	69
Figure 4.13:	Sources of information	71
Figure 4.14:	Sector wise preference of investor	72
Figure 4.15:	Past experience of primary issue	73
Figure 4.16:	Investor awareness about performance of companies	74
Figure 4.17:	Investor satisfaction from their investment	74
Figure 4.18:	Purpose to invest in public offering	75
Figure 4.19:	Investor habit to read prospectus	76
Figure 4.20:	Base of decision for investment	77
Figure 4.21:	Sources of fund for investment	78
Figure 4.22:	Reason for most of the company not like to go for IPO	79
Figure 4.23:	Number of company's invested	80
Figure 4.24:	Instrument wise investment	81
Figure 4.25:	Causes of over application	82
Figure 4.26:	Investment alternative sector	83
Figure 4.27:	Causes for limited people involved in IPO	84

ABBREVIATION

ADBL	Agriculture Development Bank Limited
AFC	Annapurna Finance Company
ALIC	Asian Life Insurance Company
BOK	Bank of Kathmandu
CEDB	Clean Energy Development Bank
CEO	Chief Executive Officer
CFL	Crystal Finance Company
CFO	Chief Financial Officer
EBL	Everest Bank Limited
F/Y	Fiscal Year
GBL	Global Bank Limited
HDBL	Himchuli Development Bank Limited
HIC	Himalayan Insurance Company
IPO	Initial Public Offering
LFLC	Lumbini Finance & Leasing Company
NEPSE	Nepal Stock Exchange
NLIC	Nepal Line Insurance Company
NRB	Nepal Rastra Bank
PCBL	Prime commercial Bank Limited
PDBL	Public Development Bank Limited
PLIC	Prime Life Insurance Company
ROC	Register of company
S.N.	Serial Number
SBBL	Sanima Bikash Bank Limited
SBL	Siddarth Bank Limited
SEBON	Security Board of Nepal
T.U.	Tribhuvan University

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Development and expansion of capital market is essential for rapid economic growth of the country. Capital market helps economic development by mobilizing long-term capital needed for productive sector. Capital market is of two types: primary market and secondary market. Primary market indicates the market where new securities are bought and sold for the first time. A market where existing securities are traded is known as secondary market. With the development of financial sector the corporate business organization come front adopting policies and strategies to enable the investor to satisfy their diverse assets preference. This has made it possible to attract the external fund from the public by issuing shares. On the other hand, promoter's equity fund may not be sufficient for its financial requirement whether it is a new company or existing company seeking to expand and modernize. They can get loan from the bank and financial institutions, whether long term or short term but the bank and financial institutions will lend only a certain percentage of the company's equity or assets which may not be sufficient for the company. Also getting loan from bank and financial institution is not easy because there may be lengthy process and legal requirement involved.

Initial Public Offering (IPO) is a part of primary market mechanism. IPO is the process of selling stock to the public at large by a closely held corporation or its principal stockholder. Initial public offering is the first time issuance of securities to the public. The securities offered can be ordinary share, debenture, preference share etc. It provides all the investor an opportunity to acquire a portion of the financial claims. An initial public offering (IPO) occurs when a security is sold to the general public for the first time with the expectation that a liquid market will develop. Public Offering is a security offering where all investor have the opportunity to acquire a portion of the financial claims being sold (Keown and Petty, 2002:471) An IPO can be any debt or equity security.

Most of company starts out by raising equity capital from a small number of investors, with no liquid market existing if these investors wish to sell their stock. If a company prospers and needs additional equity capital, at some point the firm generally finds it desirable to "go public" by selling stock to a large number of diversified investors. Once the stock is publicly

traded, this enhanced liquidity allows the company to raise capital on more favorable terms than if it had to compensate investors for the lack of liquidity associated with a privately held company. Through IPO, the founder simply wants to establish a value and liquidity for the stock (Van Horne, 2002:578). Existing shareholders can sell their share in open market transactions. There are certain ongoing costs associated with the need to supply information on regular basis to investors and regulators for publicly traded firms. Furthermore, there are substantial one-time costs associated with initial public offering that can be categorized as direct & indirect costs. The direct costs include the legal, auditing and underwriting fees. The indirect costs are management time and effort devoted to conducting the offering and the dilution associated with selling share at an offering price that is on average below the price prevailing in market. These direct and indirect costs affects the cost of capital for firms going public. Firms going public, especially young growth firms, face market that is subject to sharp swings in valuations. The facts that the issuing firm is subject to the whims of the market.

In Nepal, the first public issue of ordinary share takes place more than fifty years back with public issue of Biratnagar Jute Mills and Nepal Bank Limited in 1973 AD. But the development of the capital market started in 1976 AD after establishment of Securities Exchange Center Ltd. With the objectives of facilitating and promoting the capital market in Nepal. It was the only capital market institutions which undertook the job of brokering, underwriting and managing public issue, market making for government bonds and financial services. Securities Exchange Center Ltd. dealt in the securities as a broker as well as a regulatory body. The center used to take, buy and sale only on orders from interested investors and conform them if a price and quantity matched. There was no time limit with in which deal took place. It normally takes place one to three weeks, dues to this the general public faced problems while buying or selling securities.

The Securities Exchange Center Ltd. Issued 62 Companies shares. Among these 23 companies were undersubscribed including Harisiddhi Break & Tile Ltd., Banswari Leather and Shoes Factory Ltd., Nepal Awas Bikas Bitta Company Ltd. etc. although the secondary market was non-functional and public were not fully aware of on the working of the capital market, the public response to the new issue of share of selected company like bank and fiancé company were overwhelming.

Security Exchange Center was converted into Nepal Stock Exchange Limited (NEPSE) in 1993, and under its support the brokerage system of secondary market was established. Nepal Stock Exchange Limited is a non-profit organization. It operates under the Security Exchange Act 1983. The basic objectives of NEPSE are to impart free marketability and liquidity to the government bonds and corporate securities. With the establishment of a full-fledged stock exchange, the shares which the public had held for decades, become liquid.

Security Board of Nepal (SEBON), regulator of the Nepalese Securities market, was established on June 7, 1993 as an apex regulator of securities markets in Nepal. It has been regulating the market under the Securities Exchange Act, 2006. It promotes and protects the interest of the investor by regulating the issuance, transfer, sale and exchange of registered securities. It supervises and monitors the activities of the stock exchange and other related transactions of securities business and to provide contribution to the development of the capital market by making securities transactions fair, healthy, efficient and responsible.

This study is based on the dealing process in the primary market. As well as the study concerned with the public offering and public response to IPO in Nepal.

As per the provision of the Company Act, privately held companies cannot issue their shares in public by themselves. The issue must be done through issue managers. Through the company can raise the capital to the extent of its authorized capital, it generally issues stocks as per the need of its company. The amount of share capital of the issued share is called issued capital. The total amount paid by the promoters at the time of establishment or after time-to-time raising of funds by the company is the paid-up capital.

1.2 statement of the problems

There are various types of obstacles existing in IPO. In this respect, there is the tendency of limitation of ownership and control of the enterprises within the close circle. On the other hand, there were no financial or other incentives for the firms to go public. Furthermore, the existing strong barriers of socio-economic infrastructure and historical reasons made the successful flotation difficult.

Dealing in public issue of the primary market securities is subject to the directives and regulatory framework of the concerned governing bodies. Hence, the study is primarily deals with the process of managing the process of the public issue by the issue mangers. Besides, Investment in the primary market instrument has gaining the interest of the general and corporate investors. Most of the public offerings have been successfully made since the investors have considerable concern and willingness for investment in these securities.

There is not any provision to present citizenship at the time of submitting their share application from. So, single investor can apply hundred of applications, showing dummy names. As a result thy can capture large number of share. When single investor captures large number of share, he can influence management and stock price also.

The study is meant to know the perception and perfection of the general investor regarding the investment in the securities through primary market. The focus of the study is on the status of the general investor, the volume and portfolio of their investment and the decisive factor they consider while opting companies for investment. But the study is also highly concentrated on investment in the manufacturing and processing companies. The study aimed at those factors which could be decisive from the investors view whether to invest or not in particular company.

Hence, the study required to find out why there has been such variation in the responses by the public. The causes for this response must be analyzed so that new companies who would like to issue new share can benefit from the conclusion drawn from this research.

1.3 objectives of the study

This study is being to evaluate the public response of the initial public offering or primary issue of share in the context of Nepal.

- To assess the growth of IPO.
- To analyze the pattern of public response to IPO.
- To identify the problem of IPO in the market.
- To identify the performance of the investment banker (issue managers) in the process of IPO.

- To make suggestion and recommendation regarding the IPO or primary securities Market.

1.4 Significance of the study

IPO is one of the crucial factors for general investors and public company. This study might serve to be crucial information for these respective institutions taken as sample for the study in IPO procedure. From this study, investors will have more clear conception over their investment and they will be able to make right choice.

This research will be significant for the following way:

- This study is expected to helpful for the general investor and the organizations that directly and indirectly related in IPO.
- This study will get the knowledge of practical exist in rules and regulation for policy maker and help them to make policy bout IPO.
- This study guided investor to get right decision for investment on right place at right time.
- This study will also be helpful to the students who wants to make research in IPO.
- This study will be significant to analyze the legal provision, possibilities, problems and prospects of IPO in Nepal.
- The prospective offering company may also get significant knowledge form this study.

1.5 Limitation of the study

Although public response might be seen on other types of share, however response in primary share issue is considered and other aspect have been neglected, as they are difficult to measure. Some companies have not disclosed the information despite the legal provisions of obtaining information regarding their financial position.

- The study is mainly based on Kathmandu valley only.
- This study is mostly based on secondary data as well as primary Data.
- Only a few companies are considered for the study.
- The study is not covered recent changes because of limitation of data.
- The information regarding the same questionnaire is different from different sources.

- The study is done from student's from limited resources.
- The non availability of various reference and resources also acts as constraints.

1.6 Organization of the Study

This study has been organized into five chapters, each devoted to some aspect of the study of subscriptions of securities in Initial Public Offering (IPO) followed by financial and non-financial institutions in Nepal.

The study have been organize in to five chapters are as follows.

Chapter- I Introduction

This chapter has introduced the major issue related to the Initial Public Offering (IPO) in Nepal, general background, statement of the problems, objectives, significance, limitations of the study and the plan of the work.

Chapter- II Literature Review

This chapter has given a brief review of literature related to this study. It will include a discussion on the conceptual framework and review of major studies. It will give as overview of the related literature don in the past related to this study.

Chapter -III Research Methodology

This chapter has described the different methodologies employed in this study. Sources of data will be mentioned and described in this chapter.

Chapter- IV Presentation and Analysis of Data

This chapter has personated and analyze of the data obtained during the study. Different tools and techniques of date analysis will be undertaken for the purpose to analysis of data.

Chapter- V Summary, Conclusion and Recommendations

This chapter has included the summary, conclusion and recommendations of the study. The findings will be included in this chapter along with the suggestions and their recommendations.

CHAPTER – II

REVIEW OF LITERATURE

This chapter is devoted to the conceptual framework and review of past studies on the initial public offering. Review of literature means that the study of relevant topic in the related field of research or reviewing related research studies and findings such that all past studies, their conclusion and deficiencies may be known and further research can be done. In cause of research review of existing literature would help to check the chances of duplication in present study. This one can find what studies have been conducted and what remains to go with.

2.1 Conceptual framework

A market is the means by which product and services are brought and sold directly or thought and agent. A market should provide accurate information on the price and volume of past transactions and current supply and demand.

A financial market can be defined as a mechanism brings together buyers and sellers of financial assets in order to facilitate trading. Alternatively, financial market is a place where securities are bought and sold, the facilities and people engaged in such transactions, the demand for and availability of securities to be traded and the willingness of buyers and sellers to reach agreement on sales. Financial Market plays as an active market where capital resources are transferred from savers to users, where savers let user to use their saving in expectation of multiplied returns from users in specified time period. Financial market consists of money market and capital market. Transactions in short term debt instruments or marketable securities takes place in the money market where long term securities (bonds and stocks) are traded in the capital market (Gitman, 2001:30).

2.2 Money Market

Money market comprises of shot-term Loans, Certificates of Deposit, Treasury-Bills, Banker Acceptances, Commercial paper and Promissory Notes for short-term financial needs and practices in both primary and secondary market. Money market deals with short term

instruments. Money market exist in other to bring together buyers and seller of securities meaning their mechanism is created to facilitate the exchange of financial assets (Sharpe, Alexander & Belly, 2002:9).

Money market brings together the supplier and the demander of short-term liquid fund. It is the type of market, which is meant for a short-term and for highly liquid debt securities. Money market typically involves financial assets that have a life span of one year or less. Money market instruments include short-term marketable, liquid and low risk securities. Money market instrument, sometimes are also called cash equivalent or just cash.

2.3 Capital Market

Capital market is the market where long term lending and borrowing takes place. The capital market is defined as a place where finance is raised by companies by companies for meeting their requirement of funds for new projects, modernization, expansion programs, long-term working needs and for various other purpose. Companies and the Government can raise funds for long-term investment via the capital market, which includes stock market, bond market and the primary market. The capital market mobilizes savings of individuals as investment in share, debentures, units of mutual funds and other like financial instruments which are ultimately deployed for productive purpose in various sectors of the economy.

Capital market refers to the links between lenders and borrowers of funds, arranging of funds-transfer process to seek each other's benefit. The capital market serves as link between suppliers and demanders of long-term funds maturities with more than one year to make transactions. It has wide term embracing the buyers and sellers of securities and all those agencies and institutions which assists the sale and resale of corporate Securities. The primary function of the capital is to allocate resources optimally due to this; it is one with the lowest possible prices for transactions services.

The capital market also comprises two segments the new issue of market that is known as the primary market and the secondary market where already issues securities are traded. For the purpose of this manual, only primary market would be dealt in detail. Capital market consists of non-securities and securities market.

2.4 Non Security Market

In non-security market, the transaction or the exchange of the funds takes place between user and supplier without issuing securities. The fund is raised as long term in the market. The non-security market includes the financial transactions between the lending institutions such as development bank, business houses, banks or individual too. The contract between parties of capital exchange has less liquidity due to restriction of liquidation of these loans in secondary market.

2.5 Security Market

A security market can be defined as a place for bringing together buyers and sellers of financial assets in order to facilitate the sale and resale of transferable securities. Securities markets major function is to provide line between saving and investment there by facilitating the creation of new wealth. Although, securities are concerned in few locations, they refer more to mechanism, rather than to place, designed to facilitate the exchange of securities by bringing buyers and seller of securities together. Securities, such as equities, short and long term debt instruments, derivatives etc are the products that are traded in the markets institutions such as investment bankers and security firms, securities issuing institutions such as government and corporate bodies and the participants of the securities markets. Securities market is classified in to two types. The market at where the transactions of the securities issued for the first time take place is called primary market. Secondary market is the market for the existing securities where second hand securities are bought and sold in the market.

2.5.1 Primary Market

The term “primary Market” is used to denote the market for original sale of securities by issuer to the public. The primary market is the place where corporations and Government issue new securities at first time to generate the money for real investment. All the securities, whether it is for short term or long term are initially issued in the primary market. This is the only market in which the company or government bodies are involved in the transaction and receives direct benefits from issue that is the company actually receives the proceeds from the sale of securities (Bhattra,2005:7)

The primary market itself can be subdivided into seasoned and unseasoned issues. A seasoned new issue refers to the offering of an additional amount of already existing securities, whereas an unseasoned new issue involves the initial offering of a security to the public.

In the primary market the principal sources of funds are the domestic savings of individuals and businesses, other sources include foreign investors and the Government. The ultimate sources of funds are those sectors with a surplus of current incomes over expenditures (savings) and these funds flow to ultimate users, economic users, to finance a surplus of expenditure over their current incomes.

2.5.2 Secondary Market

Secondary market involves the purchase and sale of securities which are already issued to the general public and traded in the stock exchange. The secondary market is created by brokers, dealers and market makers. Brokers bring buyers and sellers together with themselves actually buying or selling, dealers set the price at which they are ready to buy and sell (Bid and Ask Price respectively). Brokers and dealers come together to form an organized market or stock exchange (Gitman, 1992:457). The Nepal Stock Exchange (NEPSE), New York Stock Exchange (NYSE) and Bombay Stock Exchange (BSE) are examples of organized stock exchanges (secondary markets).

The secondary market is a very important element of the securities market. The existence of an organized market can provide this level of confidence to holders of securities so that they can purchase securities in the primary market and readily convert these securities to cash whenever they wish to do so. The benefit of the secondary market is that it increases investment opportunities. Persons who may not have been able to acquire securities in the primary market have been able to acquire securities in the secondary market.

2.6 Primary Market and Initial Public Offering

The primary market itself can be subdivided into seasoned and unseasoned issues. A seasoned issue refers to the offering of an additional amount of already existing securities, whereas an unseasoned new issue involves the initial offering of securities to the public. These unseasoned new issues are often referred to as Initial Public Offerings (IPO).

When a company wants to raise funds from the public, it issues securities at first time and announce the public to exercise the offering and this announcement for the public raise funds is called Initial Public Offering. It is the raising of long term funds for Government or corporation from a fund sufficient public group in the primary market. The most important aspect of public offerings is its role as the single most effective means by which government and corporate entities can obtain long-term (debt or equity) on a permanent basis. Public issue mean, raising of capital directly form the public. Issue of equity obviously creates a value of company and no doubt it is the major sources of capital.

Thus Initial Public Offering involves rising of funds for government or corporations from the public through the only issuance of various securities in the primary market and is often the only major source of obtaining large sum of fixed, long term fund.

2.7 Common Equity/Stock Offering

Common equity represent the ownership position in a company. The holder of common stocks called shareholders or stockholders are the legal owner of the company. They are entitled for dividends for the capital contributed by shareholders by purchasing common shares. The capital is represented by common stock is called share capital. Equities convey ownership of the corporation and are basically valued in line with expected future earnings. To date they have been relatively little affected by financial innovation (Gutam & Thapa, 2006:17)

Many companies have only one class of stock, often called common stock or ordinary shares. This class of stock carries residual ownership of the company, entitling the holder to unlimited interest in the earnings and assets of company after limited claims are paid dividends paid on stocks are usually unstable because they tend to vary with earnings and also less than earnings. The market price of common stock is often subject to wide fluctuations, because it depends largely upon investors expectations of future earnings.

Following are the most significant feature of equity shares.

1.Risk

Equity shareholders run the risk of receiving nothing if earnings are insufficient to cover all obligations (Srivastava, 1995:337).

2. Control

Every equity shareholders has the right to vote on every resolution placed before the company and his voting right on a pool is in proportion to this share of paid-up capital of the company (Srivastava, 1995:338).

3. Rights

The equity shareholders have the right of voting to transfer shares in the proceeds upon the liquidation of company, share in the profits when distributed as dividends etc.

4. Pre-emptive Right

The company is under legal compulsion to offer new issues to the equity stockholders before placing them in the market for subscription. Such a right of equity stockholders to purchase newly issued stock is termed as 'preemptive right' or 'Right offering'.

5. Maturity

There is no stated maturity at which capital must be returned to the equity shareholders. So, equity shares provided permanent capital to the company.

2.8 Preference Shares

Preferred stock is a fixed income security and it is also the alternative sources of long term funds for the company. Preferred stock is similar to bonds in same respect and to common stocks in other ways preferred stock represents equity of a corporation but it has different from common stock because it has preferences over common stock in payment of dividends and in the assets of the corporation in the event of liquidation (Ross, Jaffe and Westerfield, 1993:402).

The preferred stock, though not a popular with investors as bonds and common stock, offers unique features that make it attractive under certain circumstances. First, it is hybrid security because it has characteristics of two types of securities: debt and common stock. Second, it is essentially a fixed income security. Preferred stock investors typically receive fixed dividends (Cheney & Moses, 1992:4.4-405).

Preferred stock has as number of features, major features includes:

- It has priority of claim over common stockholders with regards to income. They are paid dividend at a fixed rate specified in the agreement.
- Preferred stockholder claims on assets are superior to equity stockholder during the time of liquidation of company.
- Normally preferred stockholder do not have direct right to participate in the management through voting from directors and other matters.
- Unlike common stockholder, preferred stock always has a par value.
- At their option preferred stockholders may be allowed (If mentioned in the corporation's charter) to switch over to equity stock.
- A call provision gives the issuing corporation the right to call in the preferred stock for redemption.
- Today, however most new preferred stock has a sinking fund and thus an effective maturity date.

2.9 Bonds/Debenture

Debenture as a debt security is the alternative sources of long-term fund for the company and given different in different countries. In the United Kingdom, Nepal, India the term 'Debenture' is popular, but in the US the term 'Bond' is common (Srivastava, 1995:342). A debenture is an unsecured corporate debt, whereas a bond is secured by a mortgage on the corporate property. A debenture is an acknowledgment of a debt under the sale of a company and containing a contract for the repayment of the principal sum at a specified date and for the payment of interest at a fixed rate percentage (Srivastava, 1995:343). A bond is a type of fixed-income security by a borrowing entity in which the amount to be paid to the investor is specified in the investment contract or indenture. Debentures have some important features such as interest rate, maturity date, redemption, indenture, security, converted ability, yield and claims on assets & incomes (Pandey, 1994:820).

In short, debenture is a formal evidence of debt and termed as the securities of a company. Certain distinguishing features of debentures are as follows:

- The debenture or bond has fixed maturity date. That means, the principal amount of bond must be repaid at the time of maturity.
- Debenture holder has priority on claim to income over preferred stockholder and common stockholder.

- Bondholders also have priority over stockholder in respect of their claims on assets.
- Debenture holder do not have controlling power through the vote for the election of directors but indirectly influence managerial decision through protective covenants in indenture.

2.10 Options

An option is probably the most popular derivatives security in the world of investment. It is a contract between two people wherein one person grants the other person the right, but not obligation, to buy or sell a specified assets at a pre-determined price on or before a set expiration date. It is derivative security because it derives its value from an underlying security (Security for which the option has been written) such as a stock, a bond etc. In the securities industry, options are marketable securities and can be bought and sold in the stock exchange. So the option owner has the right to sell the option and any other investors can invest on it. An option buyer pays an option writher a premium for granting the option. After options have been created, they can be tradedat determined premiums (or Prices) that fluctuate continuously (Gautam & Thapa, 20063: 7-1). Option is not in exercise up to now in Nepal.

The option is divided into two types i.e. Put and Call option to sell certain share at predetermined price within or a certain later date called put option where as an option to buy creation share at a predetermined price with in or on certain future date is called call option(Bhattraai, 2009:291).

Option has certain features which are given below.

1. Exercising Date:- The fixed price stated in the option contract at which the underlying asset may be purchased or sold is the exercise price. It is also called strike price and denoted by 'E'

2. Expiration Date:- The option has a certain maturity period. The option expires after its maturity period and the maturity date is the expiration date.

3. Exercising an option:- The act of buying or selling the underlying asset through an option contract is called exercising an option.

2.11 Warrants

A warrant is a long-term option that gives the holder the right to purchase a stated number of shares of the company stock at a specified price within a stipulated period of time. Generally, warrants are distributed with debt and preferred stock and they are used to induce investors to buy long-term debt and preferred stock with a lower coupon rate than would otherwise be required. Warrants are long-term call options that have value because holders can buy the firm's common stock at the exercise price regardless of how high the market price increases. Warrants are usually used by growing firms as sweeteners to reduce the cost of funds. Warrants may be detachable or non-detachable. Detachable warrants can be sold or purchased without selling or purchasing the security to which it is attached so that after the warrants have been exercised, the bond remains outstanding and total capital increases. Warrants are not in exercise in Nepal till date.

2.12 Convertible

Convertible are bonds or preferred stock that can be exchanged for a stated number of common shares at the option of the holder within a stipulated period of time. A bond can be converted into preferred stock or common stock while the preferred stock can be converted into common stock only. Conversion features increase the marketability of the security. Unlike the exercise of warrants, the debt and preferred stock is simply replaced by common stock but does not provide additional capital (Gautam & Thapa, 2006:6-4).

At first time in Nepal, the convertible preferred stock is issued by Everest Bank Limited some time ago but convertible bonds are not in practice till date.

Convertible securities may have the following features.

1 Conversion Ratio:- It is the ratio at which a convertible security can be exchanged for a common share. It explains the number of shares into which a convertible can be converted.

2. Conversion Price :- It is the price per share that is effectively paid after the conversion of the convertible into common shares. It is determined by dividing the par value of convertibles by the conversion ratio.

3. Conversion value:- Conversion value is of the convertible measured in term of the market price of the common stock into which it can be converted. Conversion value can be found simply by multiplying the conversion ratio by current market price of the firm's common stock.

2.13 Initial Public Offering(IPO) Manual

Initial public offering(IPO) manual is the details procedure of handling initial public offering of the companies seeking 'Go Public' for the first time. This manual outlines all the activities and steps that to be observed by all issuing companies and issue manager in respect to initial public offering(IPO). This manual has been prepared with a view to present, descriptive and step-by-step action sequences in the Initial Public Offering, relevant to all the companies share to the general public. But, it is subject to periodic amendments and supplements.

The public Offering is not an easy task. There are many organization involves during this period. They are:

2.14 Issuing Company

Issuing company is the company that raising funds as the from of Debenture, preference share, Equity share etc, form the general public through the process of public offering as per requirement of business activities. The company seeking for public offering could be a new company or new company set by the existing company or by existing listed company. As per company Act, only public companies are liable to go for public offering but not for private companies on it. NRB has made mandatory that financial institutions must go for common stock public offering within specified time of operation commencement.

2.15 Merchant Bankers

Merchant bankers are the financial intermediary that specializes in selling new security issues and advising firms with regard to major financial transaction (Gitman, 2003:316). The role of merchant bankers is to help create and expand securities underwriting and advising corporations and managing investment portfolio for the needing groups. They charge service charge to their for intermediary and advisory role. The role of merchant banking in managing

the public offering comes under the heading of securities underwriting. For the working of merchant banking function in Nepal, Nepal Rastra Bank has set forth the working guidelines.

2.16 Issue Manager

Issue manager is an institution who is solely responsible to manage initial public offering. Financial institutions with the merchant banking operations, manage the overall issue process of any public company termed as issue manager. Issue managers are institutions holding license from Nepal Stock Exchange to manage public offering issue (Securities Exchange Act, 2063). Issue manager work as manager to the issue and underwriting or public issue of securities (SEBON, 2006 September 22). Issue managers receive issue commission from issuing company for their services through the negotiation. NEPSE has authorized 16 companies to serve as issue manager given below.

Table: 2.1
Name of Issue Manager in Nepal

S.N.	Name of Issue Manager
1	National Finance Co. Ltd.
2	Ace Development Bank Ltd.
3	NIDC Capital Market Ltd.
4	NMB Bank Ltd.
5	Nepal Share Market & Finance Ltd.
6	United Finance Ltd.
7	Citizen Investment Trust
8	Nepal Finance Company Ltd.
9	Elite Capital Ltd.
10	Nepal Housing & Merchant Banking & Finance Ltd.
11	Bivor Bikas Bank Ltd.
12	DCBL Bank Ltd.
13	Nepal Srilanka Merchant Banking & Finance Ltd.
14	Grow more Merchant Banker Ltd.
15	Civil Capital Markets Ltd.
16	Investment Management Merchant Banker Ltd.

Source Annual report of SEBON

2.17 Underwriter and Underwriting

The underwriters are investing-banking firms that act as financial midwives to a new issue (Brearley and Others, 2004:370). In general, there are group of underwriters who handle an IPO. Among such group of underwriters one act as a lead underwriter and rest as selling group. The underwriters enable the issuing company to determine the range of price at which the securities are to be offered along with the numbers of shares to be sold. Underwriters sell the issued shares to the retail as well as institutional investors. These underwriters either work on best effort basis or underwriter the entire issue. In the best effort basis, the underwriter does not guarantee that the entire issue of company will be sold but it will just put forth its best effort to sell the issue.

Underwriting is an agreement between the issuing company and a financial institution like bank, merchant banker, broker or other person, providing for their taking up the shares or debentures to the extent specified in the agreement between them, if it is not subscribed by the public. The underwriting agreements ensure that the public issued is fully subscribed. The commission paid to the underwriters as consideration for the underwriting arrangement is known as underwriting commission.

2.18 Bankers to the Issue.

Banker to the issue are normally commercial banks and their main responsibility is to provide custodian service to the issuing company. They may or may not receive applications from the investors, issue acknowledgments for the same and enter application detail in application schedules. They may also be involved in the process of realizing the proceeds of issue through cheques /drafts and release final certificates to the issue manager for the number of applications and amount collected.

2.19 Collection Centers

These are the authorized institution to collect application from the investors issue acknowledgment for the same proceed of issue through cheques/drafts. They also issue final certificates to the issue manager for the number of applications and amount collected. They are provided collection charges for their services, which are usually determined through negotiation and are base on number of applications handled and amount collected. Banks, finance companies or brokerage house mostly performs such roles.

2.20 Security Board of Nepal (SEBON)

Securities Board of Nepal was established in June 7, 1993 under the provision of securities Exchange Act, 1983 (first amendment) and is now functioning as an apex regulator of securities market. Since its establishment, SEBON has been concentrating its effort on improving the legal and statutory frameworks which are the bases for the healthy development of the capital market (Bhattra, 2006: 38). As per securities Act, 2006, the major objectives of SEBON are to regulate issue and trading of securities and market intermediaries, promote market development and investor right (SEBON 2006 Sept. 22)

2.21 Nepal Stock Exchange Limited (NEPSE)

Nepal stock exchange (NEPSE) is a non-profit organization and sole institutions to facilitate secondary market transactions established under securities exchange Act, 1983. It commenced its regular operations on January 13, 1994 and had adopted Open-Cry system in past but now adopted computer system for transaction of securities.

The history of securities markets began with the flotation of share by Biratnagar jute Mills and Nepal Bank Ltd. in 1937. Under the Industrial Policy Market Center was established in 1974 which is converted into securities exchange center (SEC) with the objectives of facilitating and promoting the growth of capital market (Adhikari 2004, 75). Later when securities exchange Act was regulated in 1983, it started to operate under this act. Under a programmed initiated to reform capital market, securities exchange center (SEC) converted in to Nepal Stock Exchange (NEPSE). The basic objectives of NEPSE is to import free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through market intermediaries, such as brokers and market makers. Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation and its member is the share holder of NEPSE. Member of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and corporate securities.

2.22 Office of the Registrar of Companies (ROC)

Registrar of Companies (ROC) is the governing body for any institution registered under company Act. In its governing role, it observes and regulates any company going into Public examining whether the process of 'going public' is in accordance with the rules and regulation set forth by the existing company Act or not.

As per the company ordinance 2062, before publishing prospectus, one copy of the prospectus needs to be submitted to ROC. In this process, ROC approves the prospectus to be published. While approving the prospectus,

ROC makes sure that important information is not missed out and unnecessary information is not mentioned. Upon satisfactory changes ROC grants approval approval to issuing company to issue the prospectus. Apart from approving the prospectus to be published by the issuing company before going into public, ROC does not play other major role.

2.23 Nepal Rastra Bank(NRB)

Nepal Rastra Bank is the central banking authority in Nepal. It is the governing authority in setting guidelines to all the bank and financial institution regarding its area of operation. But, in the case of public offerings, its involvement is very minimal. Its role in the issue process is only to grant bank and financial institutions approval to be involved with different role in the issue process. If the issuing companies are financial institutions then they need to obtain approval from Nepal Rastra Bank as well, prior issuing their shares to public. Also for different fund based activities of merchant banking, approval needs to be taken from Nepal Rastra Bank.

2.24 Securities Issue Procedure in Primary Market (Legal Rules, Regulations)

The securities issue in Nepal should have to make by abiding the securities Transaction Act 1983, Issue management guideline, 1997 securities registration and issue approval guideline 2000. according to the provision mentioned in this legal framework, the procedure of securities issue in Nepal is as follows:

1. The issuing company should have to selected the issue manager or underwriter to manager or underwrite the issue.
2. After the selection of the issue manager, the issue manager should have to prepare the prospectus of the issuing company as per the format designed by the company registration office and ministry of commerce and industry.

3. After the preparation of the prospectus, the issue manager should have to send the prospectus to the issuing company for getting for getting an approval from the Board of Director (BOD).
4. After the approval from the BOD of issuing company, the prospectus should have to be sent to the company registrar for the approval. The registrar of Company (ROC) will send a company of prospectus to the SEBON, Nepal Rastra Bank(NRB) and Insurance Board in case of insurance for the review of the prospectus.
5. The SEBON, Nepal Rastra Bank (NRB) and Insurance Board will send the prospectus after the review.
6. The ROC will again make a correction to the prospectus with reference to the feedback received from the SEBON, Nepal Rastra Bank (NRB) and Insurance Board.
7. The ROC will send the corrected prospectus to the issue manager and the issue manager again sends the corrected prospectus back to the issuing company for the approval.
8. After the approval of issuing company the prospectus should have to send to the ROC for the approval.
9. After the approval of prospectus from ROC, the issue manager should have to register the securities in the SEBON for issue after paying certain fee.

Table: 2.2
Registration fee on Issue

Amount of issue	Commission
Up to Rs. 50,00,000	0.25%
Rs. 50,00,000 to Rs.100,00,000	0.2%
Above Rs. 100,00,000	0.15%

10. The SEBON will provide the approval for issue after the discussion of BOD of SEBON.
11. The issue manager should have to issue the securities within the two months of receiving the approval.

12. The issue manager should have to prepare the share issue announcement on the basis of the approved prospectus by ROC.
13. The announcement should have to publish in the National daily newspaper.
14. The issue of securities should have to open within a maximum of 15 days and minimum of 7 days of the announcement of the public issue.
15. The share should have to be issue for minimum of 5 days if the share is issued from minimum of 10 collection counters that will cover all 5 development region. If the above provision is not possible, the share should have to open for 7 days.
16. If the targeted amount is not collected within 7 days the company can extend the issue for next 30 days. After that if company thinks to open issue further, the company can extend for another 15 days after getting an approval from SEBON.
17. The issue manager should have to close the sale of share by providing per notice.
18. This issue manager collects the funds from the collection counter day by day.
19. The company has to allot the share according to the allotment guidelines of SEBON.

Table: 2.3

The Allotment period of Securities

Number of Securities	Time Period (in days)
UP to 15,000	45
15,000 to 60,000	60
60,000 to 100,000	70
Above 100,000	90

Sources: SEBON

20. The distribution of share certificate should have to commence within the 45 days to the allotment after completing the allotment of 50% of share. The Company also has to list the securities in the stock exchange within this period. Similarly, if the company has to refund it has to be made within this period.

2.25 Issue Approval Guidelines

According to the securities Transaction Act, 2063 the company willing to issue the securities should have to register the securities registration and issue guidelines, 2000 has Provide various clutches for making the issuance more systematic, ease and procedural. The main provision of these guidelines are

1. The company, which has operated for at least a year, is only allowed for the public issue.
2. The company can sell the share in premium price.
3. The prospectus of the issuing company should have to be prepared by the professionals and they will be liable for the prospectus.
4. The companies relate with tourism, trade, transport, and manufacturing should have to underwrite their securities form the recognize institutions for the issue.
5. The promoters are only allowed to sell his securities only after the 3 years of the publication of prospectus and operation of the company.

2.26 Bank and Financial Institution Act 2063

2.26.1 Provisions Regarding Incorporation of Bank & Financial Institution (BFI) and its Securities.

Any person desirous to promote Bank and Financial Institutions(BFI) should incorporate public limited company and apply for NRB approval under section 4 together with MOA, AOA, feasibility study report, promoter's CV, promoter's agreement, if any, promoter's tax clearance certificate and other documents as prescribed by NRB.

NRB is to provide approval within 120 days and may reject if,

1. Already registered similar name.
2. Name/activity against the public interest, religion and tribes.
3. Objective against the law.
4. Technically not Viable.
5. NRB is of the view that the transaction will not be healthy and competitive.
6. MOA and AOA not agreed to subscribe at least 1 pc share.
7. Has not complied with other matters prescribed by NRB.

2.26.2 Allotment of Shares

Minimum 30 percent for public of which maximum 5 percent for employee

- Joint venture banks as prescribed by NRB.
- Call money percent at the time of issue.

2.26.3 Ban on Transfer/ Mortgage of Share and Debentures

1. A promoter can not transfer his shares up to 5 years of commencement of banking business.
2. After 5 years as per the term and conditions approved by NRB.
3. In case of BFI already in operation up to 5 years from the date of public issue.
4. BFI should not buy back its own share or disburse any loan on against guarantee of own share (section 10). However, can buy back own shares if following conditions are met.

2.26.4 Buy back is approved from NRB

1. Shares are fully paid up and listed with SEBON.
2. Authorized by AOA and special resolution has been passed in this regard
3. Debt equity ratio is not more than 2:1 after buy back.
4. Buy back should not exceed 20 percent of paid up capital and GR.

2.26.5 Ban on Security Transaction

The following persons can not buy, mortgage, transact in their own name or in the name of their family of firm/ company controlled by them:

Director/CEO/Auditor/CS.

1. person engaged directly on management/accounting.
2. prohibition shall continue up to 1 year from the date of vacation from their position.

2.27 Company Act 2063

The provision made under this act is especially relevant to the securities markets are provisions regarding the issuance and publication of the prospectus, which is necessary for public issue of security. As per the provision, the details of the content of the Prospectus are prescribed and the prospectus are to be approved by company's Register's office. Other legal provisions regarding the prospectus in the company ordinance are as follows:

2.27.1 Prospectus to be published

Every public company shall have to publish its prospectus before issuing its securities.

1. Prior to publishing the prospectus pursuant to sub-section(1), the directors shall have to submit a copy thereof duly signed by them to the office. In case of any important matter has

been omitted in such prospectus or if contains unnecessary matter, the CRO may cause such prospectus to be amended or altered as required, and grant approval for its application.

2. The matter that the office has approved the prospectus shall be clearly mentioned while publishing such prospectus.

2.27.2 Particulars to be stated in prospectus

The following particulars shall have to be set out in the prospectus:

The objective of the company and other main particulars set forth in the Memorandum and Articles can be obtained.

Minimum number of shares required to be subscribed to become the director and the salaries or directors of the company.

Description of cash received or to be received as remuneration or reward by the promoters of directors of the company.

1. Provision on bonus shares.
2. Provisions, if any, regarding reservation of share for any shareholders, employee or other person.
3. Identification of Directions.
4. If the shares are to be sold publicly by adding premium, reasons for and justification of the addition premium.
5. Provisions on the representation of the shareholders subscribing the shares to be sold publicly in the Board of Directors.
6. The minimum number of shares required to be subscribed and the amount of advance required to be furnished along with the application.
7. While issuing the debentures, reasons therefore and the number of the paid upon debentures and the total amount of outstanding loans have raised the loan.
8. Assets purchased from the proceeds of the sale of share, the name of the seller of such assets and arrangement if any made for the exchange of shares or debentures instead of cash.
9. Brokerage on share and debentures.
10. Estimates of expenditures required for the business of the company and that of its income for at least the next three years.
11. Possible financial risk involved in the business to be carried on by the company.

12. Financial arrangement of the company and net worth remaining after the shifting of all liabilities.
13. Names and address of auditors and if an audit report is available, description of such a report.
14. Particular as to whether any fund of a promoter or a Director is involved in the assets purchased or intended to be purchased by the company and whether any promoter or Director is involved in any other firm or partnership or company.
15. The time when the notice of allotment of the shares is to be published
16. Details of preliminary expenses in the incorporation of the company, in case of a new company and the real picture of the latest balance sheet in regard to a company already operation.
17. Breakage payable to any trust for being a trustee in regard to securities exchange.
18. The balance sheet and profit and loss account of the company.
19. Details of the underwriting of shares, if any and commission for underwriting shares.
20. Names and address of organization carrying on security exchange.
21. Name of shareholders having subscribed the shares in excess of five percent of the issued capital.
22. Privileges and restrictions of the preferential shareholders.

2.27.3 Other Necessary Matters

1. The format of the prospectus shall be as pre-scribed.
2. If the published prospectus contains a false statement made deliberately or with a mollified intention the Directors shall personally be liable to pay compensation to any person for any real loss or damage, if any, he has sustained by purchasing securities on the faith of the prospectus.
3. Provided that a promoter who resigns before the decision made by the company to publish such prospectus or who after having come to know about any false statement contained therein publishes a notice to that effect for the information of the general public prior to the sale or allotment of securities or who proves that he was ignorant of the false hood of statement set forth in the prospectus shall not be liable to such compensation.

2.28 Duties and Liabilities of the Company

It shall be the duty and liability of any company to abide by the matters set forth in the prospectus.

2.29 Responsibility for Particulars Contained in the Prospectus

The Directors signing the prospectus shall be held responsible for the matters contained in the prospectus.

2.30 Share Certificate

A share certificate in the prescribed format shall be issued to every shareholder in respect of each purchased by him within 3 months of the allotment of the shares and it shall bear the company signature of at least any two among any directors or administrative chief of the company or company secretary in the case of the public company. While issuing the share certificate in respect of any share held jointly by two or more persons, it may be issued by any one of them by mentioning their names therein.

2.31 Face Value of Share and Application

The face value of share of the company shall be of hundred rupee per share. In inviting application by a public company for the subscription of its shares, no amount exceeding 50 percent of the face value of each shall be demanded with the application.

2.32 Allotment of Shares

1. Shares shall be so allocated within a maximum period of three months of the date of invitation made by a public company to the general public for the subscription of the shares that all the applicants may get shares to the extent possible and a notice to that effect shall there upon be sent to the shareholders in the format as prescribed.
2. If the company submits an application explaining the reason for non-allotment of shares within the time limit set forth in the sub – section (1) owing to the reason mentioned in the provision to sub-section within seven days after the expiry of that time limit. The CRO shall extend the limit up to three months for the allotment of shares.
3. If the allotment of share cannot be made even within the time limit set forth in sub-section(1)or (2). The amount received after the expiry of such time limit as well as an

interest thereon as prescribed up to the day of the refund of such amount shall be refunded.

2.33 Particulars of Shares to be submitted to CRO.

Particulars of numbers of share allotted shares, the total value thereof, the names and address of shareholders and the amount paid for as well as the amount due on each share and where the shares of the company have been sold or distributed in any manner other than in cash. The duly issued copy of the agreement made in that connection shall be forwarded to the CRO within 30 days of allotment of shares.

2.34 Transaction in Securities

While issuing the securities by a company to the general public, it shall deal with the securities only through an organization recognized to do security transaction including all such act as the sale, allotment and recovery of the sum of such securities.

2.35 Registration Book of Shareholders and Debenture Holders

Each company shall have to establish a registration book of shareholders or debenture holders in the format as prescribed and maintain it at registered office of the company.

2.36 Review of Related Studies

This section of the study draws excerpts from international articles, Nepalese journal article along with Masters Degree Thesis. International journal have been accessed through the different website and newspapers. Similarly, Nepalese journal and Masters Degree thesis have been accessed from Library of Shanker Dev Campus, Tribhuvan University Central Library and SEBON Library.

2.37 Review of International Journals

Large number of research work has been carried out elucidating different aspects of IPO's throughout the globe. However, only those works which were accessible and considered relevant to this study have been included and excerpted below:

Derrien(2008) study on "*Initial Public Offering(IPO) pricing in hot market condition: who leaves money on the table*" The researcher has assumed that Millers (1977) model holds for

Initial Public Offering(IPO) and developed a model of Initial Public Offering(IPO)pricing in favorable market conditions. The model relies on the assumption that aftermarket price support is costly for the underwriter. The prediction of the model was tested using a sample of 62 Initial Public Offering(IPO) completed on the French Stock Exchange between 2003 and 2008. A sample of latest French offering with a fraction of the share reserved for individual investor supported the predictions of the model. It mainly analyzed the impact of favorable investor sentiment on the pricing initial return and long-term performance of Initial Public Offering(IPO) stocks.

It concluded that if noise traders bullish, they are ready to buy Initial Public Offering(IPO) shares at high prices. In this framework, Initial Public Offering (IPO) prices reflect the private information noise trader sentiment known at the time offering. Initial Public Offering(IPO) is being over priced in the positive initial returns. Hence, the companies going public in hot markets are not upset about leaving money on the table as they know that their shares are overpriced at the time of offering.

Goergen (2009) study on “*The strategy of Going Public: How UK firms choose their listing contracts*”. It studied carried two objectives, the first objectives was to derive potential factor that may influence the choice of Initial Public Offering (IPO) listing contract from the few theoretical papers and empirical studies in the field. The second objectives is to set how well those factors explain the choice of the listing contract for the case of UK Initial Public Offering(IPO). The study has focused on 240 flotation which were listed on the official list of London Stock Exchange during the period of 2005 to 2009. They used a binomial profit model to measure the impact of the variables on the contract choice. It is also found strong evidence that sponsor and creditor screening signals the quality of the Initial Public Offering(IPO) firm. Hence, firms which use highly reputable sponsor and those with high debt to assets ratio usually, choose public offer contracts. They also found that firm makes small issues find it cheaper to use placing contracts. Finally, they concluded that in general the decision to choose a placing rather than an offer or vice versa is taken by the firm within the framework of rational behavior.

Goergen & Others (2008), carried out a study on. “*The strategy of Going Public: How UK Firms Choose Their Listing Contracts.*” The study carried two objectives: The first objectives is to drive potential factors that may influence the choice of IPO listing contract from the few

theoretical papers and empirical studies in the fields. The second object was to test how well those factors explain the choice of the listing contract for the case of UK IPO's. The study focused on 240 flotations, which were listing on the official list of London Stock Exchange (LSE). They used a binomial profit model to measure the impact of the variables on the contract choice. As the study proposed that three types of factors essentially influence the choice of contract ex-ante uncertainty, certification and the visibility/exposure of the issue, they found that the higher the firms choose a placing contract. They also found strong evidence that the sponsor and creditors screening signals the quality of the IPO firm. Hence, firms which use highly reputable sponsors and those with high debt to assets ratios usually, choose public offer contracts. They also found that firms that make small issues find it cheaper to use placing contracts. Finally, they concluded that in general the decision to choose a placing rather than an offer or vice-versa is taken by the firm within the framework of rational behavior.

Baru & Fawcett(2009), performed a study on, "*Initial Public Offering; An analysis of Theory and practice.*" The study intended to extend the IPO literature by analyzing unique data from surveys of chief financial officers(CFO's) to compare CFO perspective to prevailing academic theory. Specifically, they examined the following seven issues, motivations for going public timing of the IPO's underwriter selection under-pricing, signaling IPO process issues and the decision to stay private. In this regard, they surveyed three sub samples of firms, namely those that successfully completed and IPO, those that began the process but chose to withdraw the issue and those that are large enough to go public, but have not attempted an IPO. They surveyed 330 CFO's and their survey process followed Dill Man's(1978) total design method, which is a standard for conducting academic surveys. Their finding are summarized as the most important motivation for going public is to create public share for use in future acquisitions. Insiders are opportunistic especially at VC-backed firms. They seek to go public at a time that portends a high stock price. The underwriter selection process is driven by a very small set of selection criteria namely underwriter reputation and IPO process expertise. CFO attributes most under pricing to market uncertainty and the need to reward investors for taking the risk of IPO. The most important positive signal is past historical earnings, this may promote window dressing. CFO's strongly prefer firm commitment underwriting. Companies remain private to preserve decision-making control ownership.

2.38 Review of previous Research works.

Prior this, quite a few research has been carried out by various scholars covering different aspect of capital market. Yet there is dearth of research study in the area of IPO. However, few research studies that are considered relevant and accessible during study period have been excerpted below:

Adhikari (2008), has conducted a research on “*An Analysis of Determinants of IPO under pricing of IPO’s in the context of Nepal*”. Beside the study also examined the trends of public offering market and process of going to public in Nepal. For propose of study data of the periods of 4 years from 2004/2005 to 2008/09 is used.

The researcher concluded that under-pricing does not occur among Nepalese firms. The researcher also added that the result is not consistent with theory and different finding of empirical studies conducted in different countries. IPO’s market in Nepal does not enjoy any right to set the price of their issue. The price setting process is totally controlled by the regulatory body. Because of this reasons, Nepalese merchant banker could not play any role to influence the offer price of IPO’s.

Bhattarai (2009), has performed a study on, “*Public Response to Initial Public Offering in Nepal,*” with the basic objective of assessing public response to the initial public offering. However, the study also focused on the dealing process and pace of the IPO. The study has used both primary and secondary data. Primary data collected through direct questionnaires provided to the general investor while secondary data were collected from various publications of SEBON, NEPSE and other institutions. The study concluded that most of the general investor in Nepal do not have significant information regarding the primary market but still they are very much interested to invest money in the primary market. It also found that almost each sector was getting good response from public. Specially, financial institutions and insurance companies were becoming more preferable for public than the other non-financial sectors.

2.39 Research Gap

Even though numerous studies have been carried out in different part of the world covering different aspect of securities market, stock trading mechanism and stock pricing behaviors etc. including public response in primary issue of different securities. But there is still lack of

research in the field of Initial Public Offering to the stock investment few studies have analyzed existing stat of IPO's in Nepal. However, none of the studies has been able to portray the complete picture of IPO's and their practices in Nepal. This study tries to understand the pace of initial public offering, investor response, procedures, rules, regulations and provisions as well as public awareness about it. This study will be helpful to public companies(new and existing), issue manager, underwriter, investor, government organizations, general public, researcher and other parties related to IPO(primary issue of different securities).

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research method but also the methodology. When we talk about the research methodology, we not only talk about the research methods but also consider the logic behind the methods we use in the context of our research study and explain why we are using a particular method or technique and explain, why we are not using others so that research results are capable of being evaluated either by researcher himself or by others. The study of research methodology gives the student the necessary training in gathering materials and arranging them, particularly in field work required and techniques for collection of data appropriate to particular problems, in the use of statistics, questionnaires and recoding evidence, sorting it out and interpreting it.

The researcher for gaining the knowledge about method of goal achievement, when we desired is known as research methodology. Research methodology is the way to solve systematically about the research problem.

This chapter incorporates research design, sources of data and study limitation.

3.2 Research Design

The research design is the conceptual structure with in which research is conducted. It constitutes the blue print for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data. Research design is needed because it facilitates the smooth sailing of the various research operations, there by making research as efficient as possible yielding maximal information with minimal expenditure of effort time and money. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research question and to control variance (Kerlinger, 1980:275). The plan is overall scheme or program of the research. A research design expresses both the structure of the research design problem and plan of investigation used to obtain evidence or relations of the problems.

To conduct this study there are two type of approach has been adoptee, descriptive and analytical. Descriptive approach has been utilized mainly for conceptualization of problem. Analytical approach is used to find out the result employing financial as well as statistical tools. So, the present study emphasis on descriptive and analytical research.

3.3 Population and Sample

Number of companies listed in Nepal stock exchange (NEPSE) by the end of FY 2009/10 has reached 209 and these companies are divided into eight sectors which include commercial bank, development banks, finance companies, trading companies, Insurance company, Manufacturing, hotels and others (SEBON, Annual Report 2009/10). However, the study is focused on only those companies which have gone for IPO during the period of FY 1993/94 to 2009/10. To find out the public response to the initial public offering, this study has divided in to two sector as financial institutions and insurance sector and non financial sector. Due to unavailability of reliable data this study has completed upon the base of selected sample from each sector. The sample have selected at random from each sector.

Table: 3.1
Population and sample for study

S.N.	Institutions	population	Sample Size
Financial Institutions and Insurance Sectors			
1	Commercial Banks	24	10
2	Development Banks	60	15
3	Finance Companies	72	20
4	Insurance Companies	21	10
Total(A)		177	55
Non Financial Sectors			
1	Manufacturing	18	8
2	Trading Companies	4	2
3	Hotels	4	2
4	Others	6	3
Total (B)		32	15
Grand Total(A+B)		209	70

3.4 Sources of Data

The present study is based on primary as well as secondary data as per the objectives and requirement of the study. For the characteristic of the study, the secondary data is collected from Nepal's leading Issue Managers NMB, CIT and NIDC Capital Markets. Similarly, the other sources of secondary data have been acquired from different libraries and journal as well as annual report and website of SEBON/NEPSE. The primary data have been collected through structured interview and asked to the related staffs of SEBON and other general public who are investing their money in primary issue.

3.5 Data Presentation and Analysis

for the sake of effectiveness the data collected from various sources have presented in the form of table, chat and bar graph as per the need of the study. The result obtained from the analysis has been clearly interpreted so as to depict the exact finding of the study. Analysis is the careful study of available facts so that one can understand and draw conclusion form them on the basis of established principles and sound logic. The empirical result have been extracted in this study by using annual data of listed companies from 2000/01 to 2009/10.

3.6 Tools for Analysis

To attain above mention objective on the basis of primary data collected from questionnaires and informal discussion with investors. The statistical tools are used as required by the study.

3.6.1 Statistical Tools

The appropriate statistical tools are used where ever required to extract the result from the data collected. The different tools are as follows.

3.6.2 Multiple Bar-Diagrams and Graphs

Diagrams and graphs help to shows the general trend of the rations in respect to the time periods of the analysis year. Out of various types of diagrams one of the most important from of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristic of the same set of data have to be presented and compared.

3.6.3 Pie-diagram

A pie-diagram is a widely used aid that is generally used for diagrammatic presentation of the values differing widely in magnitude. In this method all the given data are converted in to 360 degree as the angle of a circle is 360 degree and all components of the data are presented in terms of angles that total 360 degree for one set of data.

3.6.4 Percentage Analysis

The percentage analysis is done to compare two or more data for general information. It is used to find out the portion of sample in favor of different choices.

3.6.5 Simple Arithmetic Mean

Simple arithmetic mean indicates the measure of the middle of the data set and denoted by μ or \bar{x} . In other words it is just the sum of all the observations divided by the number of observations. During analysis, Mean or Average has been used by synonymous to equal weighted mean.

It is calculated by:

$$\text{Mean} = \frac{\text{Sum of total values}}{\text{Number of values}}, \bar{X} = \frac{\sum x}{N}$$

3.6.6 T-Test

Deal with the small sample for testing of hypothesis concerning population means different between to population means and observed sample correlation coefficient etc. T-test based on exact sample test is used. The T-test for different between to means is used to test whether two independent samples have been drawn from to normal population having the same means and equal population variance or there is significant different between population means from which the sample of drawn.

The following formula is uses to test an observed sample correlation coefficient:

$$\text{Similarly, } S_p^2 = \frac{1}{n_1 + n_2 - 2} \left\{ \sum X_1^2 - \frac{(\sum X_1)^2}{n_1} + \sum X_2^2 - \frac{(\sum X_2)^2}{n_2} \right\}$$

Where, \bar{X}_1 = Mean of first Sample

\bar{X}_2 = Mean of second Sample

S_p^2 = an unbiased estimate of the common variance and its value is computed

n_1 = Number of first sample

n_2 = Number of second sample

3.7 Limitation of the Methodology

Availability of data is a major concern. NEPSE is the sole authority to release data needed for analysis in this study but has not been able to provide them all. So, the major portion of analysis especially stock price information has been based on daily newspapers and subsequently bounded to be influenced by their quality of presentation. The unavailability of data has also forced to limit the time frame of study into FY 2000/01 to FY 2009/10. The study has used stratified random sampling and descriptive and analytical research design, hence there is subjected to their inherent biases.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The data presentation and analysis is the important part of the study because all the information and ideas will be analyzed and presented in this chapter. The forwarded study is the study of the investor's response to Initial Public Offering in Nepal as the component of investment. The basic objectives of this study have been already mentioned in the first chapter. The initial public offering aspects have discussed in the review of literature. In the research methodology necessary analytical tools and techniques have been employed for the accomplishment of prescribed objectives. In this chapter efforts have been made to process the obtained data analyzed and interpret them. The available data are presented in table and graph and they are analyzed with the help of statistical, mathematical and financial tools and finally interpreted on the basis of which facts are explored.

4.2 Pace of Initial Public Offering

The securities Act, 2007 has incorporated a provision that requires the public companies to register the securities to be issued with the SEBON. In this fiscal year(2009/10), SEBON registered Rs. 3144.7m worth of securities of 37 companies comparing 2 commercial Banks, 23 Development Banks, 9 Finance Companies, and 3 Insurance companies and approved their prospectus for Initial Public Issue (IPO).

4.2.1 Amount of Public Issues Approved

As per the provision of securities exchange Act, 2007 and regulation and guidelines made there under the company must get issue approval from SEBON prior to make their offer to public. From the FY 1993/94 to 2009/10 has approved 385 issues securities (ordinary share, preference share right share and debenture) amounting to Rs. 50212.10m.

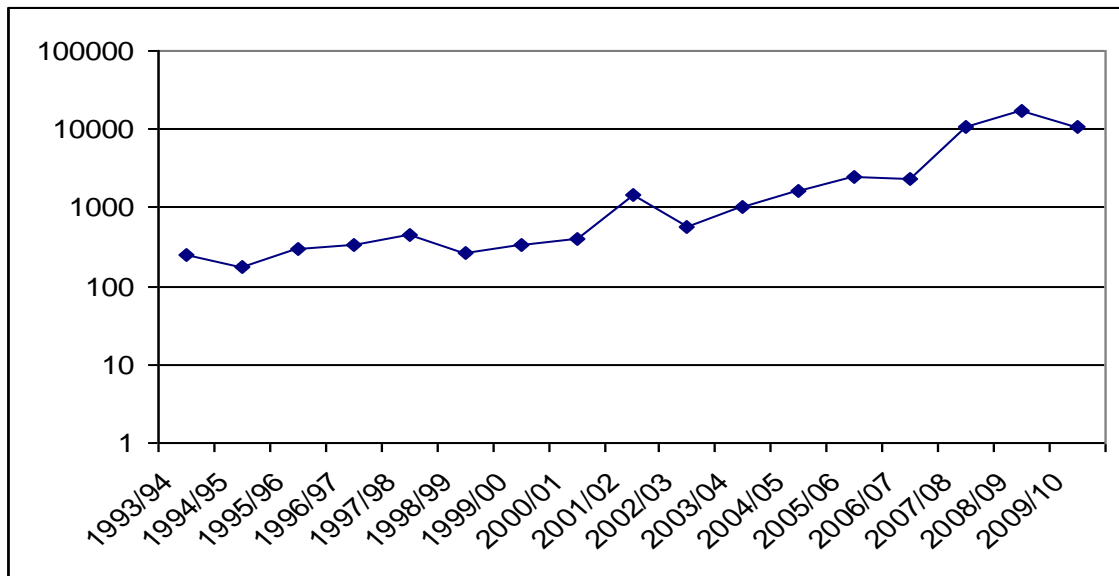
The situation of issue approved in different year is presented below

Table: 4.1
Issued Amount Approved

Year	Amount of Approved (Rs. In million)	% of Issue Approved
1993/94	244.40	0.49
1994/95	173.96	0.35
1995/96	293.74	0.58
1996/97	332.20	0.66
1997/98	462.36	0.92
1998/99	258	0.51
1999/00	326.86	0.65
2000/01	410.49	0.82
2001/02	1,441.33	2.87
2002/03	556.54	1.11
2003/04	1,027.50	2.05
2004/05	1,626.82	3.24
2005/06	2,443.28	4.87
2006/07	2,295.50	4.57
2007/08	10,668.20	21.25
2008/09	16,828.51	33.51
2009/10	10,822.41	21.55
Total	50,212.10	100

Source: SEBON Annual Report 2009/10

Figure: 4.1
Issued Amount Approved



The above table shows that the amount of issue approved by SEBON vary during the period. from the fiscal year 1993/94 approved amount is 244.40m to fiscal year 2000/01 there is normal fluctuation in approved amount in fiscal year 410.49m. from the fiscal year 2001/02 it

has increased but there is fluctuation in fiscal year 2002/03 after that from the fiscal year 2003/04 the approved amount is in increasing trend. The highest amount of issue approved is Rs. 16,828.51m(33.51%) in the fiscal year 2008/2009 but in the fiscal year 2009/10 it is has decreased up to Rs.10,822.41m followed by Rs. 10,668.2m(21.25%) of the fiscal year 2007/08, the movement of increasing trend from the fiscal year 2003/04. and from the fiscal year 2007/08 the SEBON has approved large issue amount but the reason of decreased in fiscal year 2009/10 are domestic political imbalance, unhealthy investment and competition among Bank & Financial Institution and International Economic crisis and others.

4.2.2 Amount of Issued Approved

The number of issue approved during the period of 1993/94 to 2009/10 varies differently which presented below.

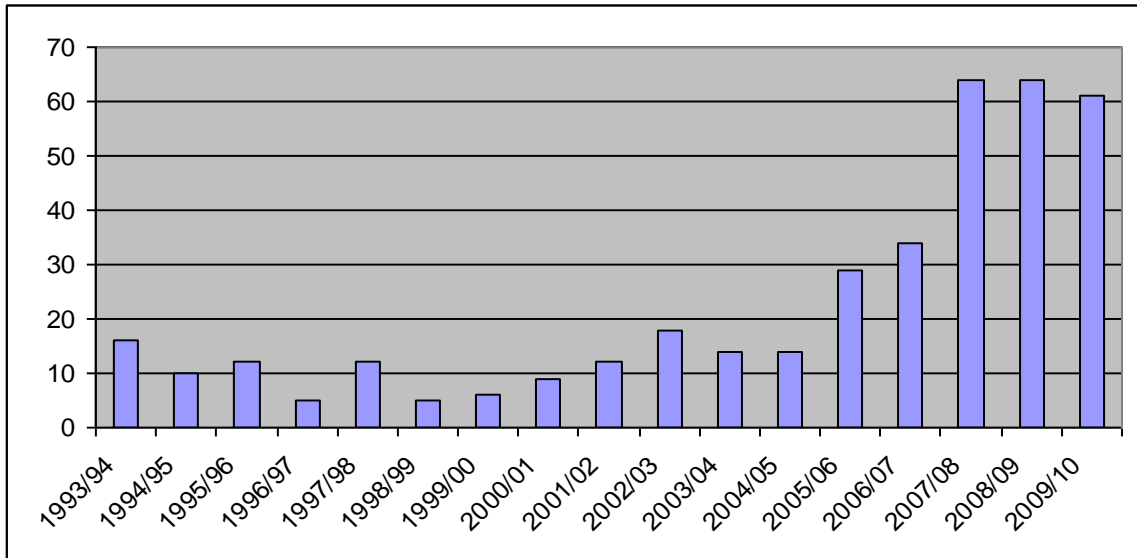
Table: 4.2
Number of Issue Approved

Year	No. of Issued Approved	Issue Approved (Rs. in Million)	Average Size (Rs.in Million)	% of Issue Approved
1993/94	16	244.4	15.28	4.16
1994/95	10	173.96	17.40	2.60
1995/96	12	293.74	24.48	3.17
1996/97	5	332.2	66.44	1.30
1997/98	12	462.36	38.53	3.17
1998/99	5	258	51.60	1.30
1999/00	6	326.86	54.48	1.56
2000/01	9	410.49	45.61	2.34
2001/02	12	1441.33	120.11	3.17
2002/03	18	556.54	30.92	4.68
2003/04	14	1027.5	73.39	3.64
2004/05	14	1626.82	116.20	3.64
2005/06	29	2443.28	84.25	7.53
2006/07	34	2295.5	67.51	8.83
2007/08	64	10,668.2	166.69	16.62
2008/09	64	16,828.51	262.95	16.62
2009/10	61	10,822.41	177.42	15.84

Total	385	50,212.10	130.42	100.00
-------	-----	-----------	--------	--------

Source: SEBON Annual Report 2009/10

Figure: 4.2
Number of issued Approved



Likewise, the amount of public issue approved, the number of issues approved in a fiscal year also had not shown any consistent trend over the study period. Total number of issue approved by SEBON during the period of FY 1993/94 to 2009/10 is 385. during the entire study period the lowest number of issue approved in a year are 5 (1.30 %) on two fiscal year, 1996/97 and 1998/99 where the second lowest number of issue approved in fiscal year 2000/01 is 6 (1.56%). The highest number of issue approved are 64(16.62%) on fiscal year 2007/08 and 2008/09. the second highest number of issue approved is 61(15.84%) in FY 2009/10 over the study period.

It is shown that the number of issue approved during the study period has not consistent. In the first year 1993/94 the number of issue approved is 16 but in second and third fiscal year 1994/95 & 1995/96 it has decrease to 10 & 12 respectively which is followed to only 5 in fiscal year 1996/97 there is no to much variation between the FY 1999/00 to FY 2004/05. but at the last four years number of issued approved has increased speedily.

4.2.3 Sector wise Issue Approved

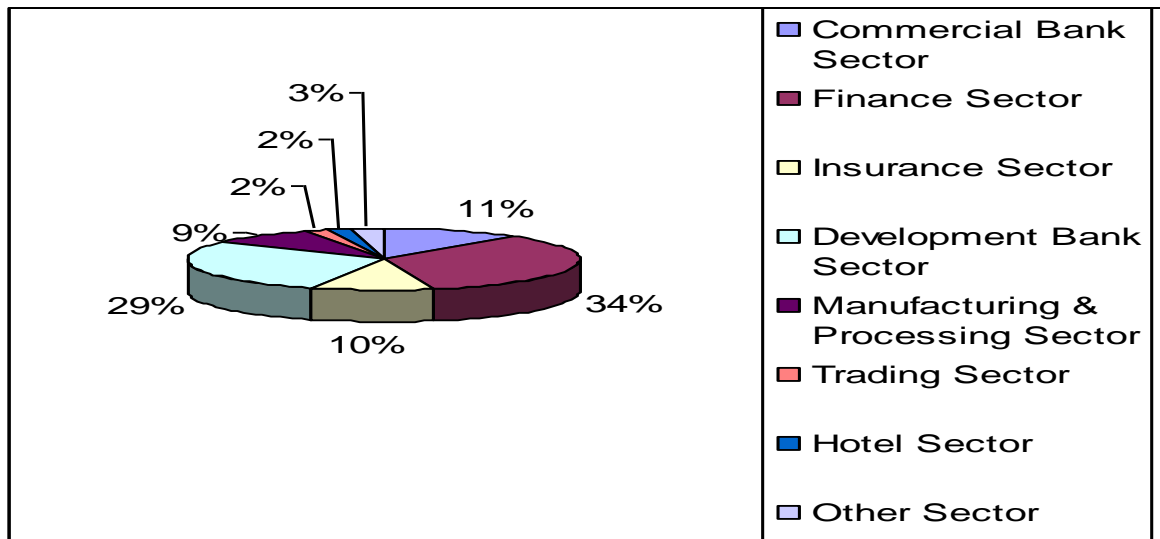
SEBON approved different types of securities of different sectors for public issue since FY1993/94 to FY 2009/10. the total amount of issued approved is Rs.50,212.41m during this period. The most intriguing aspect of this approved amount is the contribution from financial sector that includes commercial banks, Development Banks, Finance Companies and insurance companies then the non-financial sector(Manufacturing and processing, trading, hotels and others companies) revealed at table 4.3

Table: 4.3
Sector wise Issued Approved

Sector	No.of Issued Approved	Sample
Commercial Bank Sector	24	9
Finance Sector	72	9
Insurance Sector	21	7
Development Bank Sector	60	9
Manufacturing & Processing Sector	18	6
Trading Sector	4	1
Hotel Sector	4	1
Other Sector	6	1
Total	385	43

Above data are also presented in to the figure: 4.3 which is shown below

Figure: 4.3
Sector wise issue Approved



The above table shows that SEBON accepted the various sector's issued for public. The highest issue approved by SEBON is 72(34%) issue of Finance Sector and it is followed by 60 issue(29%) of Development Bank Sector, 24(11%) Issues of Commercial Bank Sector, 21(10%) issued of Manufacturing & processing Sector during study period (FY 1993/94 to FY 2009/10). Similarly, the least issue approved during are 4(2%) issues of trading sector and hotel sector and 6(3%) issue by others sector.

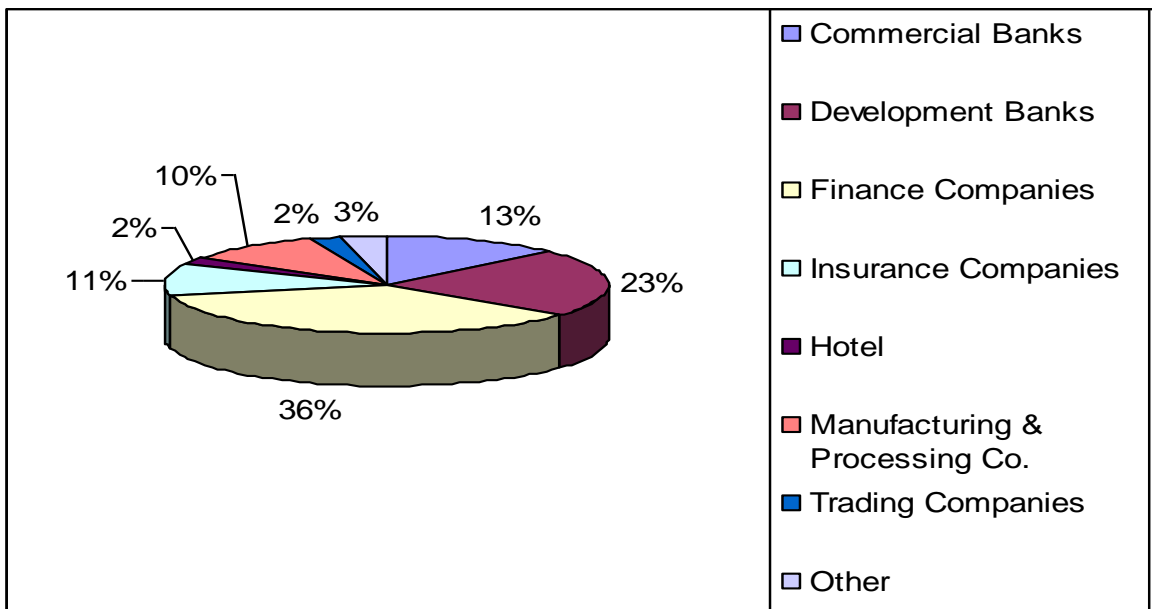
4.2.4 Sector wise Analysis

In the fiscal year 2009/10, with the listing of 18 new companies, the total number of listed companies reached to be 177 but with the merge of National Finance Ltd. And Narayani Ltd. To be Narayani National Finance Ltd. Total number of listed companies remained to be 176 while it was 159 in the fiscal year 2008/09 the detail of listed companies in the fiscal year 2009/10 is presented below.

Table: 4.4
Sector wise Analysis

s.n	Sector	No. of Public Issue	Paid of Value	Percent
1	Commercial Banks	23	32,900.64	41
2	Development Banks	40	10,027.14	13
3	Finance Companies	62	11,466.39	14
4	Insurance Companies	19	2,432.94	3
5	Hotel	4	1,580.71	1.5
6	Manufacturing & Processing Co.	18	2,539.74	3
7	Trading Companies	4	82.18	0.5
8	Other	6	18,326.98	23
	Total	176	79,356.73	100

Figure: 4.4
Sector wise Analysis



As shown in above table out of 176 listed companies, 144 companies belong to financial sector. From paid-up value perspective commercial banks occupies 41%(23), development bank have 13% (40), finance companies account for 14% (62) and insurance companies have 3%(19). The financial sector have 72% on total. On the other hand manufacturing and

processing sector, trading, hotel and others are 32 companies of total have 28% in non financial sector manufacturing& processing Co. have occupy 3% (18), hotel and trading companies have 2%(8) and other sector have 23% (6).

4.2.5 Public Issues From Finance and Non-Finance Sector.

Listed companies can be divided in to finance sector and Non-Finance sector companies. Finance sector mainly includes companies from commercial banks, development banks, Finance companies and insurance while non-finance sector companies include the companies from manufacturing and processing companies, trading companies, hotels and other.

Table: 4.5 reveals the public issue from finance and non-finance sector during the study period.

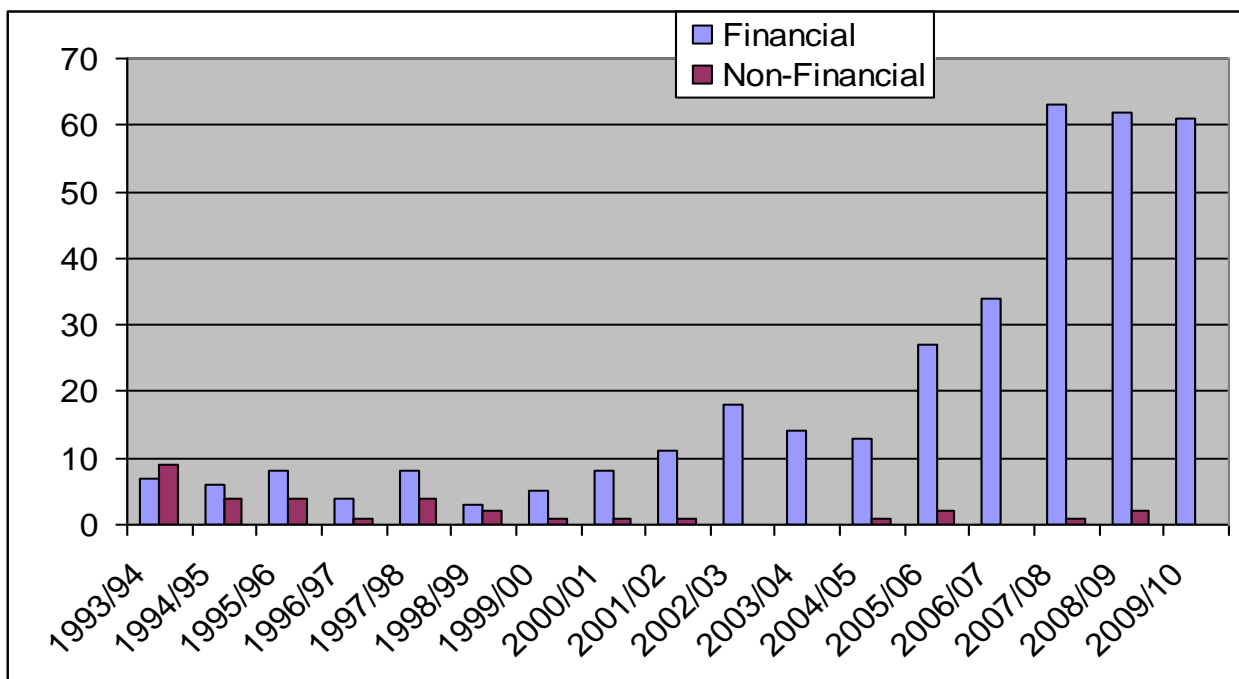
Table: 4.5
Public Issue from Finance and Non-Finance Sector

(Amount in million)

Sector	Financial		Non-Financial		Total		
	Year	No. of Issue	Amount	No.of Issue	Amount	No.of Issue	Amount
	1993/94	7	109.7	9	137.7	16	244.6
	1994/95	6	120	4	53.96	10	173.96
	1995/96	8	95.14	4	198.6	12	293.74
	1996/97	4	107	1	225.2	5	332.2
	1997/98	8	312.45	4	149.91	12	462.4
	1998/99	3	58	2	200	5	258
	1999/00	5	237.26	1	89.6	6	326.86
	2000/01	8	260.49	1	150	9	410.49
	2001/02	11	1267.87	1	173.46	12	1441.33
	2002/03	18	556.54	0	0	18	556.54
	2003/04	14	1027.5	0	0	14	1027.5
	2004/05	13	1486.82	1	140	14	1626.82
	2005/06	27	1759.42	2	683.86	27	2443.28
	2006/07	34	2295.50	0	0	34	2295.5
	2007/08	63	9168.20	1	1500	64	10668.2

2008/09	62	16082.07	2	746.44	64	16828.51
2009/10	61	10822.41	0	0	61	10822.41
Total	352	45,766.61	33	4445.70	385	50212.10

Figure: 4.5
Public Issue from Finance and Non-Finance Sector



From Table 4.5 revealed that total of 385 public issue has made from finance and non-finance financial sector during the study period. Out of this, total of 352 (91%) offers came from financial sector where rest 33(9%) from non-financial sector. During the study period total of Rs .50,212.10m issued to public. Out of it Rs. 45,766.61m(91%) came from financial sector. Similarly, contribution form non-financial sector is Rs.4445.7m which is 9% of total.

The figure clearly shows that the financial sector is dominant force of Nepalese IPO market and often calls the shot in the field. This might be the reason why government has promulgated an array of rules and regulations bring in more transparency and disciplines into the sector.

4.2.6 Instrument wise public Issues

Likewise many other emerging markets Nepalese market also provides limited variety of investment instrument which mainly includes common stock, preferences shares, right shares, debenture and few issues from collective investment scheme like mutual fund but in this study the collective investment schemes are not included. Over a period of time Nepalese stock market has been relying on few financial instruments such as common stock and right shares, which can not be considered good sign regarding overall development of Nepalese stock market.

Table: 4.6
Instrument wise public Issues

(Amount in million)

year	Ord. Share		Pref. Share		Right Share		Debenture		Total	
	No.of Issue	Amt.	Noof Issue	Amt.	No.of Issue	Amt.	No.of Issue	Amt.	No.of Issue	Amt
1993/94	14	227.9	2	16.5	-	-	-	-	16	244.40
1994/95	10	173.96	-	-	-	-	-	-	10	173.96
1995/96	10	224.74	-	-	2	69	-	-	12	293.74
1996/97	2	57	-	-	3	275.2	-	-	5	332.20
1997/98	8	119.4	-	-	3	249.96	1	93	12	462.36
1998/99	3	148	1	80	1	30	-	-	5	258
1999/00	3	202.26	-	-	3	124.6	-	-	6	326.86
2000/01	7	278.7	-	-	2	131.79	-	-	9	410.49
2001/02	5	319.46	1	140	5	621.87	1	360	12	1441.33
2002/03	14	394.3	-	-	4	162.24	-	-	18	556.54
2003/04	10	657.5	-	-	3	70	1	300	14	1027.50
2004/05	7	377.48	-	-	6	949.34	1	300	14	1626.82
2005/06	14	579.83	-	-	11	1013.45	4	850	29	2443.28
2006/07	15	380.30	1	400	17	1265.3	1	250	34	2295.50
2007/08	16	924.80	-	-	43	6793.4	5	2950	64	10668.20
2008/09	12	1816.32	-	-	50	14262.19	2	750	64	16828.51
2009/10	29	2541.37	-	-	32	8281.04	-	-	61	10822.41
Total	179	9423.32	5	636.5	185	34299.28	16	5853	385	50212.10

%	46.50	18.78	1.30	1.27	48.10	68.31	4.16	11.66		
---	-------	-------	------	------	-------	-------	------	-------	--	--

Source: SEBON Annual Report 2009/10

Figure: 4.6

Instrument wise (On the basis of No. of Issue) Public Issue Approved

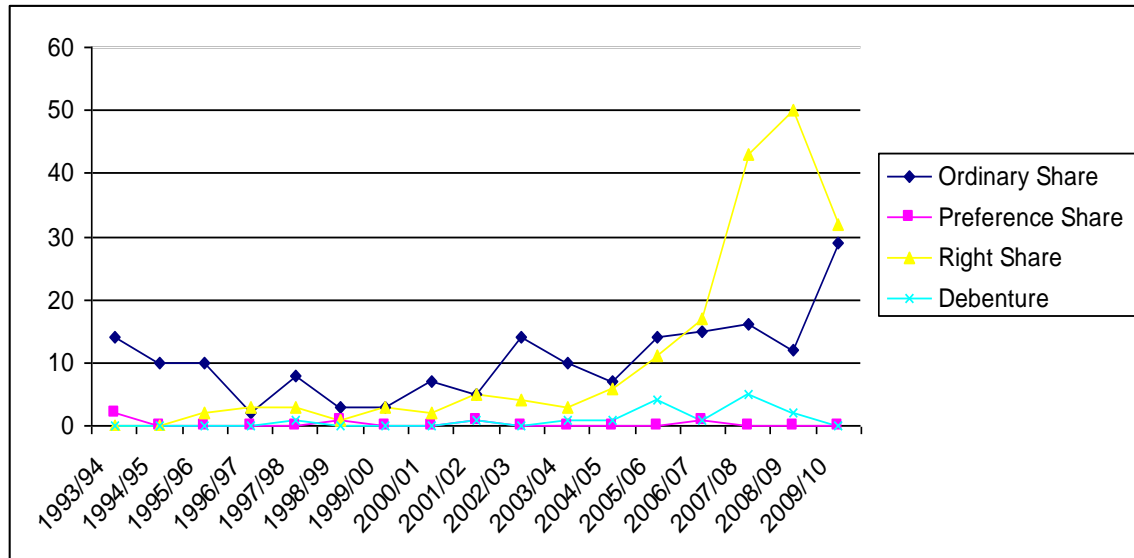
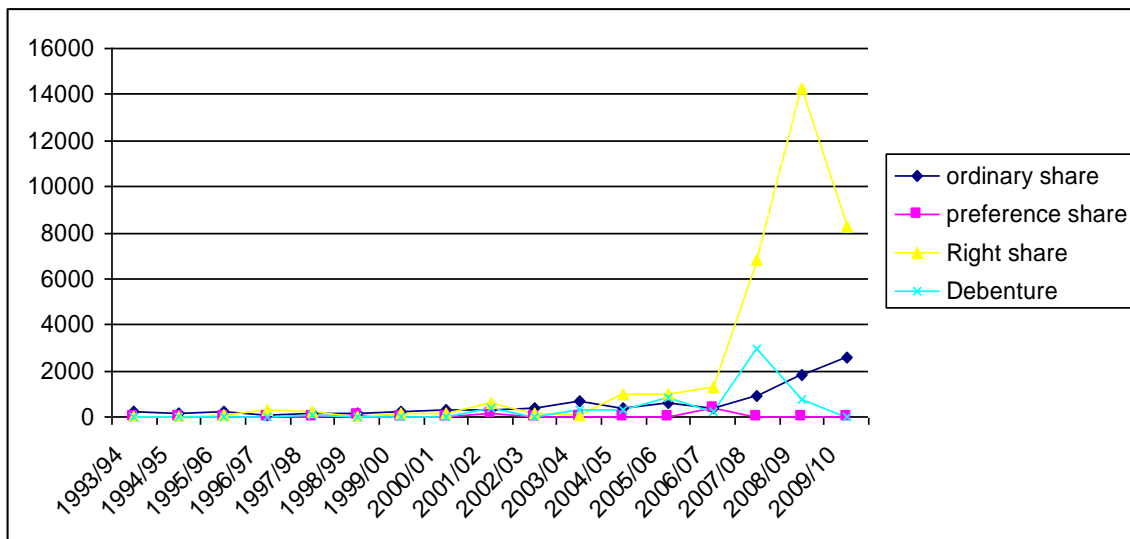


Figure: 4.7

Instrument wise (On the basis of Total Amount) Public Issue Approve



As shown in Table 4.7, out of 385 offers during the sample period, 179 issue are ordinary shares, which is 46.50% of the total issue offered during the period. Similarly, 185 issue are right shares, which is 48.10% of total issue. Also debenture is 4.16%. Hence from number of issue offered perspective, right share is the most preferred instrument for issuing company, followed by ordinary share debenture and preference share respectively.

From issue amount perspective right share emerge as most used financial instrument with 68.31% of total issued amount. Second most used instrument is ordinary share occupying 18.78% of total amount followed by debenture 11.66% and preferred stock 1.27% respectively.

The most striking aspect of the analysis has been the fact that preference share issued only 5 times and debenture 16 times during the entire study period which covered 17 fiscal years. This clearly shows that Nepalese stock market is overly dependent on few financial instruments likely ordinary share and right share. This over dependency, on one hand limits the boundary of investment opportunities to the public and on the other hand, limits the overall development prospect of Nepalese stock market. At the same time this may also justify the selection of ordinary share as subject of this study.

4.2.7 Subscription (Over and Under) Pattern of Securities.

When a company offers its issues to public, the demand received from public is bound to vary. When demanded number of securities is higher than the offered number of securities, it is called over-subscription and when the demanded number of securities is lower than the number of securities offered, it is called under-subscription. Similarly when the offered number of securities and demanded number of securities are equal it is case of full subscription.

As revealed from Table: 4.8, total of 385 different companies issued different securities(Only Ordinary Shares, Right Share, Preference Share and Debenture) to the public during the study period of FY 1993/94 to FY 2009/10.

Table: 4.7
Over and Under Subscription of Securities

Fiscal year	Total no. of Issue	Over Subscription		Under Subscription		Fully Subscribed		Unknown	
		No	%	No	%	No	%	No	%
1993/94	16	15	93.75	-	-	-	-	1	6.25
1994/95	10	7	70	1	10	2	20	-	-
1995/96	12	5	41.67	6	50	-	-	1	8.33
1996/97	5	2	40	1	20	-	-	2	40
1997/98	12	5	41.67	5	41.67	1	8.33	1	8.33
1998/99	5	3	60	1	20	-	-	1	20
1999/00	6	4	66.66	1	16.67	1	16.67	-	-
2000/01	9	8	88.89	1	11.11	-	-	-	-
2001/02	12	5	41.67	4	16.67	2	16.67	1	8.33
2002/03	18	14	77.78	3	14.29	-	-	1	5.33
2003/04	14	12	85.71	2	50	-	-	-	-
2004/05	14	6	42.86	7	34.48	1	7.14	-	-
2005/06	29	17	58.62	10	41.18	2	6.9	-	-
2006/07	34	16	47.06	14	41.18	3	8.82	1	2.94
2007/08	64	19	29.69	32	50	3	4.69	10	15.63
2008/09	64	10	15.63	-	-	-	-	54	84.38
2009/10	61	25	40.98	-	-	-	-	36	59.02
Total	385	173	44.94	88	27.16	15	4.63	109	28.31

Sources: Annual Report of SEBON 2009/10

Hence, from the above table total of 385 issues, 173 issues representing 44.68% of total issues are oversubscription, 88 issues 27.16 % are under subscribed and 15 issues 4.63% are fully subscribed where the unknown about subscription pattern are 109 issues representing 28.31% of total no. of issue. On instrument wise basis, the ordinary share is oversubscribed most of the time in comparison to other securities where in case of fully subscribed, right share and debenture capture about 2/3 part of the total number but right share subscribed most of time. That fact may hint out why most of the companies prefer common share to raise capital from general public rather than other securities.

4.3 Public Response to Initial Public Offering

Nepal Stock Exchange Limited has divided the total listed companies into eight sectors. They are Commercial Banks, Finance Companies, Development Banks, Insurance Companies, Manufacturing & Processing Companies, Trading Companies, Hotels and Others. Investors have to decide in which sector they want to made investment. As per objectives, this study only concerned with the investors priority and response for the IPO so whole study are divided into Financial sector(Commercial Bank, Development Bank, Finance Companies and Insurance Companies) and Non-Financial Sector (Manufacturing & processing companies, Hotels, Trading companies and others).

4.3.1 Public Response to Commercial Bank

23 Commercial banks has issued their public in FY 2009/10. NABIL Bank Limited (Nepal Arab Bank Limited) is the first commercial bank and last time Agriculture Development Bank has issued share to the public. Analyze the public response to commercial banks, nine commercial banks (Nepal SBI Bank Ltd., Everest Bank Ltd., Nepal Industrial & Commercial Bank Ltd. Or NIC Bank Ltd., Bank of Kathmandu Ltd., Laxmi Bank Ltd.,Siddhartha Bank Ltd., Global Bank Ltd, Prime Commercial Bank Ltd. And Agriculture Development Bank) are chosen as samples which are shown in the following Table.

The Table 4.8 shows the information of 9 different commercial banks with number of shares issued, number of applications applied by general public to the company and Subscription Times which shows the public response to these companies.

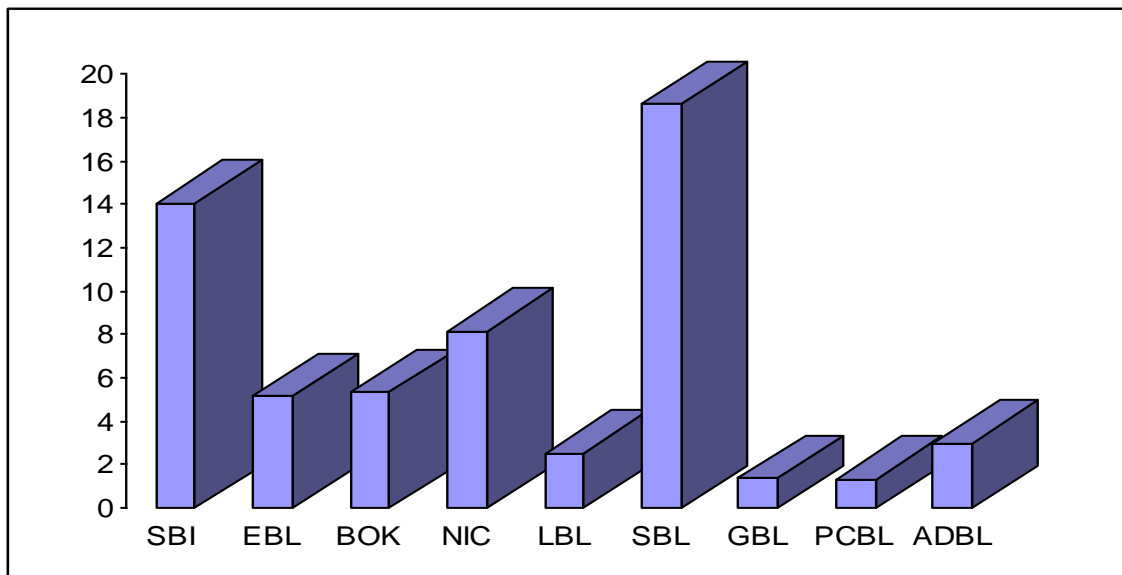
Table: 4.8

Public Response to Commercial Banks

S.N.	Name of Commercial Banks	Issued Years	No of Share Issued	Shares Applied	Subscription Times	Result
1	Nepal SBI Bank	1993	360,000	50,58,000	14.05	Over subscription
2	Everest Bank Ltd.	1995	360,000	18,50,400	5.14	Over subscription
3	Bank of	1996	450,000	24,12,000	5.36	Over

	Katmandu					Subscription
4	NIC Bank Ltd	1999	17,50,000	1,42,80,000	8.16	Over Subscription
5	Laxmi Bank Ltd.	2003	19,25,000	48,31,750	2.51	Over Subscription
6	Siddhartha Bank Ltd.	2005	15,00,000	27,97,5000	18.65	Over Subscription
7	Global Bank Ltd.	2007	30,00,000	40,50,000	1.35	Over Subscription
8	Prime commercial Bank Ltd.	2009	30,00,000	39,00,000	1.30	Over Subscribed
9	Agriculture Dev. Bank Ltd.	2010	96,00,000	28,51,2000	2.97	Over subscription

Figure: 4.8
Public Response to Commercial Banks



The above table shows that out of 9 sampled commercial banks, the IPO of Siddhartha Bank Ltd.(Ordinary Share) gets the highest demand with subscription times of 18.65. It means investors gave high response to this company. Similarly, Nepal SBI Bank had issued 360,000 units of ordinary share but investor applied for 50,58,000 units and subscription was 14.05 times more than issue size. That means investors gave more response to this bank also. It was

followed by NIC Bank Ltd., Bank of Kathmandu Ltd., Everest Bank Ltd. , Agriculture Development Bank Ltd. And Laxmi Bank Ltd. That the subscription times were 8.16, 5.36,5.14 , 2.97 & 2.51 shows the public response was in decreasing order in each bank respectively.

In the above table, it is shown that among 9 banks, every banks has oversubscribed which indicates that IPO of this sector were highly appreciated and demanded by general public. Investor give high priority and response to the public issues of commercial banks.

4.3.2 Public Response to Development Bank

40 Development Banks has issued their public and some other are in the process of issue of securities to public and get the approval for issue of the Ordinary Share at the end of FY 2009/10. Nepal Development Bank Limited (liquidated) was the first Development Bank and last time Bishwa Bikash Bank Ltd issue share to the public.

To analyze the public response to Development Banks, 9 Development Banks, Clean energy Development Bank Ltd.(CEDBL), Chhimek Development Bank Ltd (CDBL), Diprosc Development Bank Ltd.(DDBL), Siddhartha Development Bnak Ltd.(SDBL) Sanima Bikash Bank Ltd.(SBBL), Himchuli Development Bank Ltd(HDBL) Public Development Bank Ltd(PDBL), Vibor Development Bank Ltd.(VDBL) and Bishwa Bikash Bank Ltd.(BBBL) are chosen as sample which are shown in the following Table.

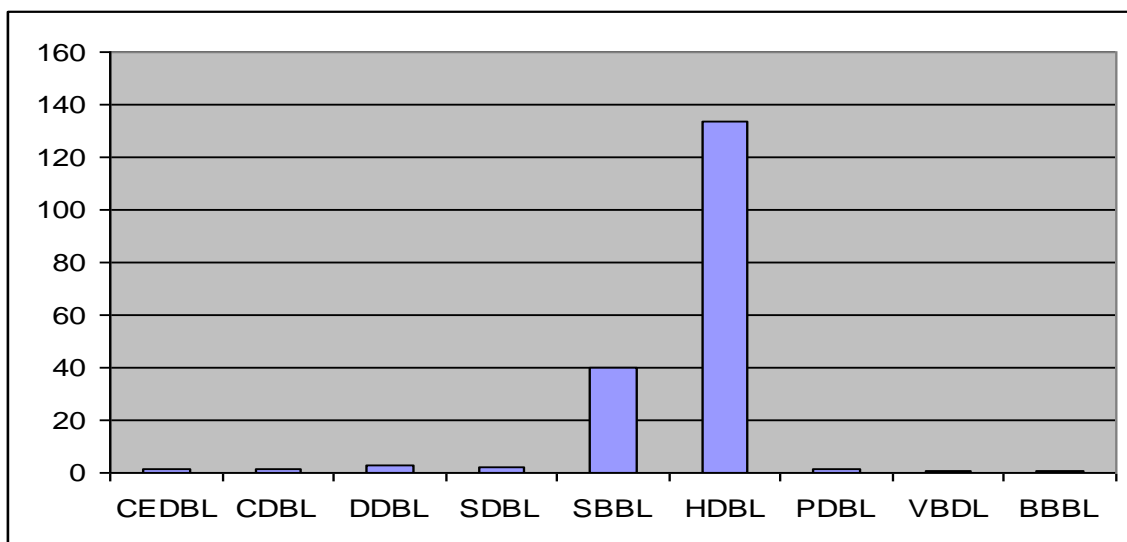
Table: 4.9
Public Response to Development Banks

S.N.	Name of Development Bank	Issued Year	No.of Share Issued	Shares Applied	Subscription Time	Result
1	Clean Energy Development bank	2008	960,000	13,05,600	1.36	Over Subscription
2	Chhimek Development Bank	2004	30,000	41,700	1.39	Over Subscription
3	Deprosc Development Bank	2005	34,800	90,132	2.59	Over Subscription
4	Siddhartha Development Bank	2006	200,000	444,000	2.22	Over Subscription
5	Sanima Bikash Bank	2006	960,000	38,69,7600	40.31	Over

						Subscription
6	Himchuli Development Bank	2007	120,000	1,60,34,400	133.62	Over subscription
7	Public Development Bank	2009	600,000	769,560	1.29	Over Subscription
8	Vibor Bikash Bank	2009	26,52,000	28,42,414	1.07	Over Subscription
9	Bishwa Bikash Bank	2010	936,000	10,01,520	1.07	Over subscription

Figure: 4.9

Public Response to Development Banks



From the above table 4.10 out of 9 Development Banks, the IPO of Himchuli Development Bank Ltd.(ordinary share) gets the highest demand and subscription was 133.62 times more than issued sized which set a new records in the history of primary issue in Nepal. That means investors gave high response to this company them the other company(not only Development Banking Sector but also all of the companies to go public for IPO up to now in Nepal). Similarly, Sanima Development Bank had issued 960,000 units of ordinary share but investor applied for 38,69,7600 units and subscription was 40.31 times more than issue size. That shows the response of the investors to this bank was also very high. It was followed by Clean Energy Development Bank Ltd.,Chhimek Development Bank Ltd, Diprosc Development Bank Ltd, Siddhartha Development Bank ,public Development Bank,Vibor

Bikash Bank and Bishwa Bikash Bank Ltd. subscription were 1.36,1.39, 2.52, 2.22,1.29,1.07 and 1.07 times shows the public response was very low (but over subscribed) each bank respectively. That means investors gave less response to these bank than the other.

From the table, it is shown that among nine Development Bank two had very high public response and rest had low public response but not under subscribed all of the above company.

4.3.3 Public Response to Finance Companies

Finance Companies are the major attraction of the investor to purchase the shares. There are 62 Finance Companies has issued their public and some other are in the process of issue of securities to public and get the approval for issue of the Ordinary Share at the end of FY 2009/10. IPO from finance companies received good response form general public leading to oversubscription of the issues during the study period.

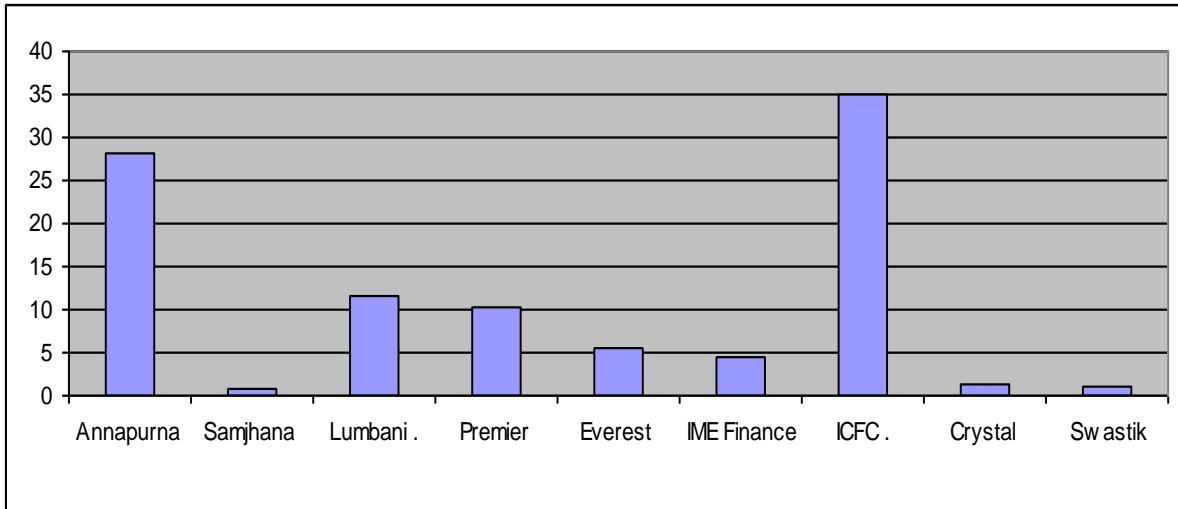
To simply the study of public response to finance companies 9 finance companies Annapurna Finance Co, Samjhna Finance Co., Lumbani Finance & Leasing Co., Premier Finance Co., Everest Finance Co, IME Financial Institution Ltd and ICFC Financial Institution Co Ltd ,Cristal Finance Co. Ltd., Swastik Merchant Finance Co. Ltd. are chosen as samples which are shown in the following table:

Table: 4.10**Public Response to Finance Companies**

S.N.	Name of Finance Company	Issued Years	No.ofShares Issued	Shares Applied	Subscription Time	Result
1	Annapurna Finance Co.	1994	20,000	560,800	28.04	Over Subscription
2	Samjhana Finance Co.	1996	112,000	99,602	0.89	Under Subscription
3	Lumbani Fin.& Leasing C.	2000	240,000	27,74,400	11.56	Over Subscription
4	Premier Finance Co.	2003	80,000	820,000	10.26	Over Subscription
5	Everest Finance Co.	2005	80,000	432,000	5.40	Over Subscription
6	IME Finance Institution	2006	175,000	801,500	4.58	Over Subscription
7	ICFC Finance Institution.	2007	244,000	85,54,640	35.06	Over Subscription
8	Crystal Finance Ltd.	2009	210,000	275,100	1.31	Over Subscription
9	Swastik Merchant Finance Co. Ltd.	2010	300,000	327,000	1.09	Over Subscription

Figure: 4.10

Public Response to Finance Companies



From the above table out of 9 Sample Finance Companies, the IPO of ICFC Financial Institution Ltd get the highest demand and subscription is 35.06 times more than issued sized that means investor have highest response to this company then the other. Similarly, Annapurna Finance Co. has issued 20,000 units of ordinary share but investor applied for 560,800 units and subscription is 28.04 times more than issue size. This marked that the response of the company is also very high. But Lumbani Finance & Leasing Co., Premier Finance Co, Everest Finance Co and IMF Financial Institution have received medium response form the public with subscription of 11.56 times, 10.26 times, 5.40 times and 4.58 times in each companies respectively. In case of Samjhana Finance Co. the public response is just opposite. It had issued 112,000 units share but demand was only 99,602 (Subscription is only 0.89 times)and result is under subscribed. That means investors gave less response to this company than the other.

It is shown that among 9 Finance, 8 had oversubscribed and 1 had undersubscribed which indicate that IPO of the sector were highly appreciated and demanded by general public. Finance Companies are also getting successful to attract investors.

4.3.4 Public Response to Insurance Companies

Insurance companies are also part of finance institution and play major role in the development of economy and security market. Insurance company is divided into life and

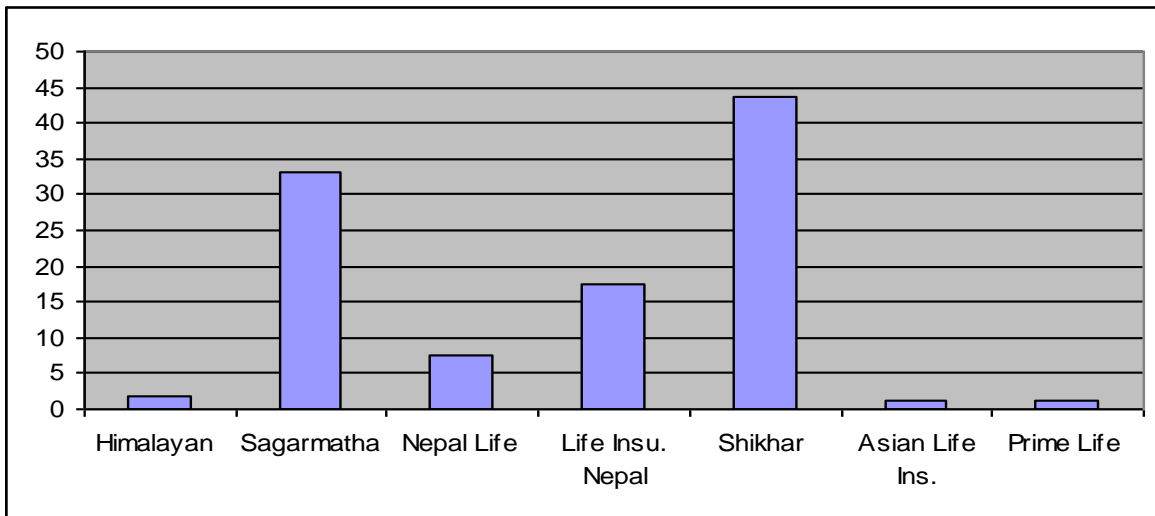
non-life company. There are 19 insurance companies have issued their public and some other are in the process of issue of securities to public at the end of FY 2009/10. Himalayan General Insurance Limited is the first Insurance Company and last time Siddhartha Insurance Company Limited issue share to the public.

To analyze the public response to insurance companies, 5 Insurance Company (3 from non life and 2 from life Insurance Company), Himalayan General Insurance Company Ltd(HGIL), Sagarmatha General Insurance Company Ltd(SGIL), Nepal Life Insurance Company Ltd(NLIC), Life Insurance Corporation(Nepal) Ltd. (LICN) and Shikhar Insurance Company Ltd(SICL) are chosen as samples which are shown in the table.

Table: 4.11
Public Response to Insurance Companies

S.N.	Name of Insurance Company	Issued Years	No. of Shares Issued	Shares Applied	Subscription Time	Result
1	Himalayan Insurance Co.	1993	120,000	225,600	1.88	Over subscribed
2	Sagarmatha Insurance Co.	2000	102,000	33,88,440	33.22	Over subscribed
3	Nepal Life Insurance Co.	2002	500,000	37,80,000	7.56	Over subscribed
4	Life Insurance Corp. Nepal	2002	500,000	87,15,000	17.43	Over subscribed
5	Shikhar Insurance Co.	2006	250,000	1,09,40,000	43.76	Over subscribed
6	Asian Life Insurance Co. Ltd.	2009	10,80,000	12,42,000	1.15	Over Subscribed
7	Prime Life Insurance Co. Ltd.	2010	10,80,000	11,88,000	1.10	Over Subscribed

Figure: 4.11
Public Response to Insurance Companies



The above table shows that out of 7 sampled insurance companies, the IPO of Shikhar Insurance Co. gets the highest demand and subscription 43.76 times more than issued size that means investor gave high response to this company then the other. Similarly, Sagarmatha Insurance Co. has issued 102,000 units of ordinary share but investor applied for 33,88,440 units and subscription is 33.22 times more than issue size. This marked that the response of the company is also very high. But Himalayan Insurance Co., Asian Life Insurance Co. & Prime Life Insurance Co. have received low response with subscription of only 1.88, 1.15 & 1.10 times respectively.

In case of life insurance companies, two companies have got high public response. Life Insurance Corporation Nepal had issued 500,000 units share but demand is 87,15,000 (Subscription is 17.43 times) and result was over subscribed. That means investor have good response to this company also. Similarly, Nepal Life Insurance Co. has issued 500,000 units of ordinary share but investor applied for 37,80,000 units and subscription is 7.56 times more than issue size. Hence public response to this company is also high.

It is shown that among 7 sampled insurance companies, all had oversubscribed but out of these companies 2 had very high, 2 had medium and 3 has low public response. This shows those investors are more interested to purchase the share of insurance companies (both life

and non life). Investors give high priority and response to the public issue of insurance companies.

4.3.5 Public Response to Non-Financial Sector

The Non-Financial sector also play major role in the development of economy and security market. This sector include that types of companies which are not directly involved to collect the money from public and invest it into different sector as a loan but provided necessary goods and services for the public. In this study, Non-Financial sector is divided into Manufacturing & Processing Companies, Trading companies, Hotels and Others companies. This sector does not perform well in the capital market in comparison to financial sector. Some of these companies are not able to make profit from long time where some of them were already gone to dissolve and liquidation like Nepal Battery Company Ltd., Nepal med Ltd etc. there are 32 companies had issued their public and some other are in the process of issue of securities to public form this sector at the end of FY 2009/10.

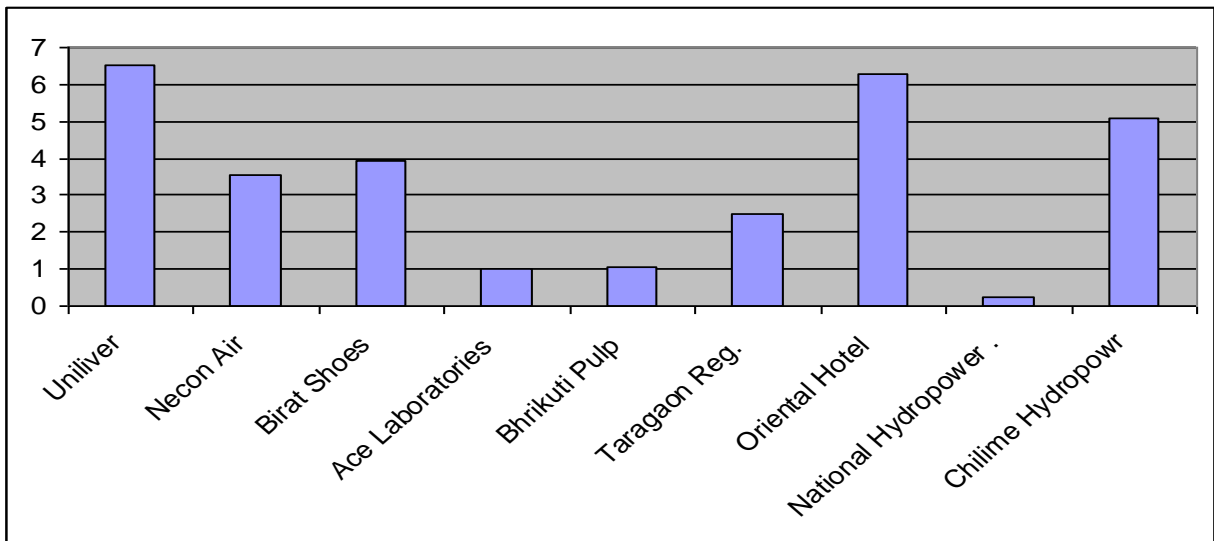
Table: 4.12

Public Response to non-finance Sector

S.N.	Name of Company	Issued Years	No. of Shares	Shares Applied	Subscription Time	Result
1	Uniliver Liver Ltd.	1994	138,000	908,040	6.54	Over subscription
2	Necon Air Limited	1994	165,000	589,050	3.57	Over Subscription
3	Birat Shoes Ltd.	1994	50,000	197,000	3.94	Over Subscription
4	Ace Laboratories Ltd	1994	122,600	122,000	1	Full Subscription
5	Bhrikuti Pulp & Paper Ltd.	1996	10,50,000	11,02,500	1.05	Over Subscription
6	Taragaon Reg. Hotel Ltd.	1999	12,00,000	29,64,000	2.47	Over Subscription
7	Oriental Hotel Ltd.	2000	15,00,000	94,35,000	6.29	Over Subscription

8	National Hydropower Co.	2004	14,00,000	308,000	0.22	Under Subscription
9	Chilime Hydropower Co.	2005	23,74,100	12,107,910	5.10	Over Subscription

Figure: 4.12
Public Response to Non-Finance Sectors



To analyze the above table the public response to Non-Financial companies, 9 Company (4 from manufacturing & processing companies, 2 from hotels and 3 from other companies) are chosen as samples which are shown in the above table that shows the public response to the Non-Financial sector companies with issued and applied number of shares as well as subscription times. out of 9 sampled companies, the IPO of Uniliver Liver Ltd. is the highest demand and subscription is 6.54 times more than issued size that means investors give high response to this company then the other. Similarly, Oriental Hotel Ltd. has issued 15,00,000 units of ordinary share but investor applied for 94,35,000 units and subscription is 6.29 times more than issue size. This marked that the response of the company is also very high.

The National Hydropower Co. received very low response from the public with subscription of 0.22 times only and result is under subscribed. Chilime Hydropower Co. had issued 23,74,100 units share but demand was 12,10,4112(Subscription is 5.10 times) and result is over subscribed. That means investors give good response to this company also and it is

followed by Birat Shoes Ltd, Necon Air Limited, Taragaon Reg. Hotel Ltd and Bhrikuti pulp & Paper Ltd that the subscription times are 3.94, 3.57, 2.47 and 1.05 shows the public response is in decreasing order in each company respectively. In case of Ace Laboratories Nepal Ltd, the number of share issued and applied equal result full-subscription. That means public response to this company was medium.

In the above table, it is shows that among 9 different non-financial companies 4 have high, another 2 have medium and rest 3 have low public response. This shows those investors are not much interested to purchase the share of non-financial sectors.

4.4 Analysis of Primary Data

Along with secondary data, primary data are taken to justify the study on the topic. Questionnaires method is implemented for this purpose. In questionnaires method, number of questions are put up by means of copies of questionnaire. Categorically, the questions raise through this means are three types, namely, Yes/No questions, Multiple Choice questions and open end questions. The questionnaires are distributed to find out the first hand information from the investors of stock market. The investor has mixed feeling on the primary market and their response have analyzed as follows:

4.4.1 Source of Idea/ Information about Investment

Regarding the Idea/Information about investment to make investment into primary issue of securities 60% of the respondents reply that they known through media, 10% through brokerage firm 23% get information through friends and relatives and rest 7% know through other sources like issue manager, issuing company and market.

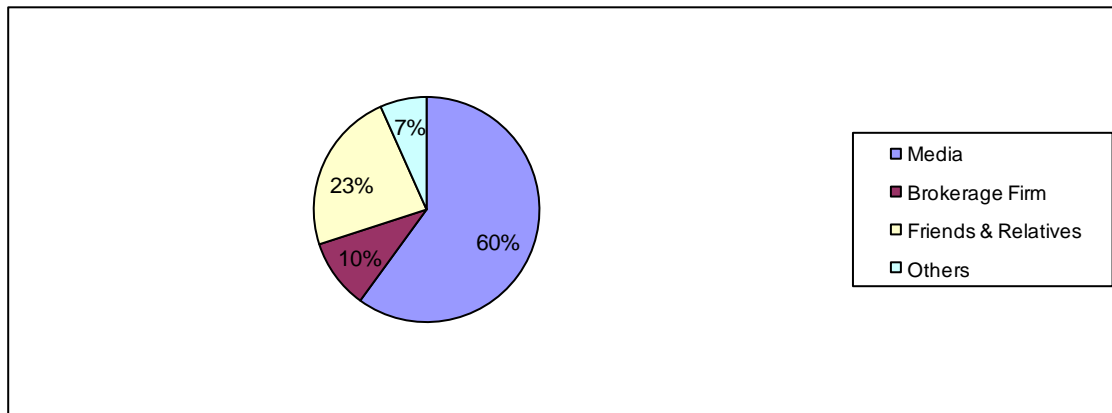
Table: 4.13
Sources of Information about Investment

Research Variable	No. of Respondents	% of Investors
Media	18	60
Brokerage Firm	3	10
Friends & Relatives	7	23
Others	2	7
Total	30	100

Source: Field Survey

Figure: 4.13

Sources of Information/Idea



4.4.2 Preferred Sector of Investment

In the question regarding their preferred sector of investment 47 % of investor are interested in commercial banking sector, 13% were interested in Insurance Companies, 30% in Finance/ Development Bank, 7% in manufacturing & processing companies and remaining 3% in other companies. From the table 4.15, it is clear that most of the investor, i.e. 47% are attracted by commercial banking industry performance.

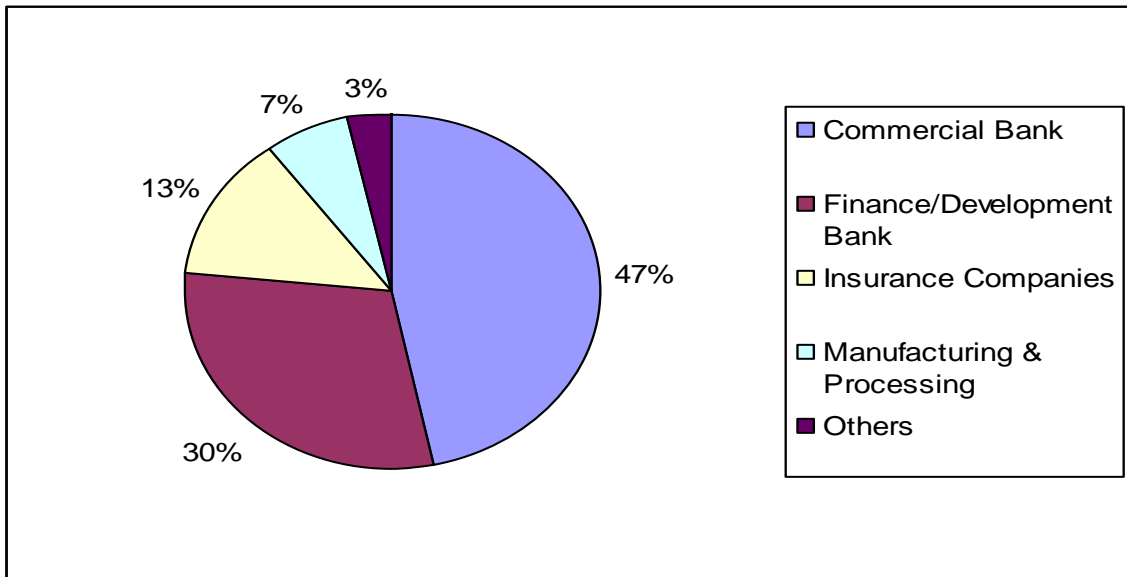
Table: 4.14

Sector-wise Preferences for Investment

S.N.	Research Variable	No. of Respondents	% of Investors
A	Commercial Bank	14	47
B	Finance/Development Bank	9	30
C	Insurance Companies	4	13
D	Manufacturing & Processing	2	7
E	Others	1	3
Total		120	100

Figure: 4.14

Sector-wise Preference of Investor



4.4.3 Past Experience of Primary Issue

This objectives of this question was to find out the investor past experience of investment in primary issue or primary market of them. With respect to the evaluation of experience, 63% investors have the past experience of primary market where rest of respondent has no past experience of primary issue. This is the good sign for the development of primary market that new investor are trying to invest their money in the primary issue IPO.

Table: 4.15

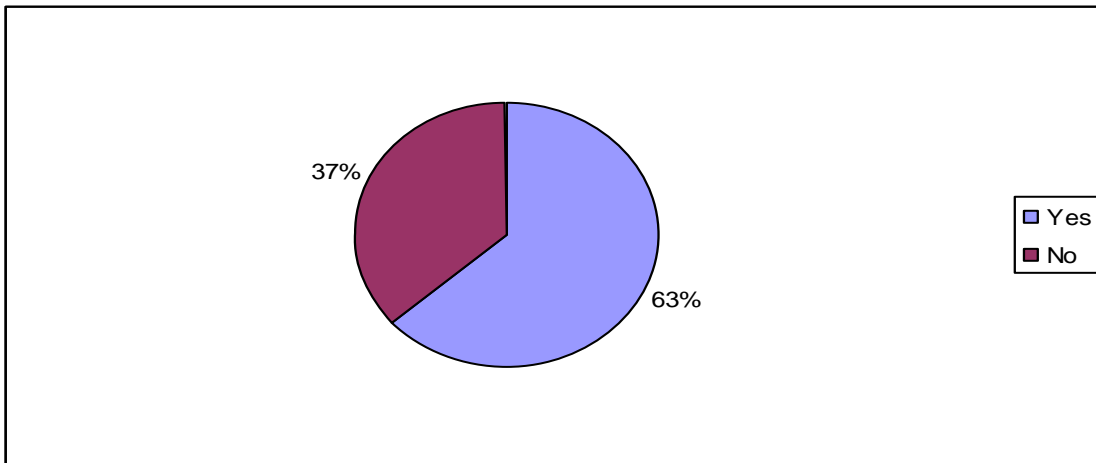
Past Experience of Primary Issue (IPO)

S.N.	Research Variable	No. of Respondents	% of Investors
A	Yes	19	63
B	No	11	37
Total		30	100

Source: Field survey

Figure: 4.15

Past Experience of Primary Issue



4.4.4 Investors' Awareness

When investor were asked whether they were not aware about the financial performances of companies, 40% replied that they are moderately known about the financial performance of the companies they have interested or planned to invest upon. 27% replied that they are not at all knowledgeable, 10% were very much known and rest 23% has little knowledge regarding their companies performance.

Table: 4.16

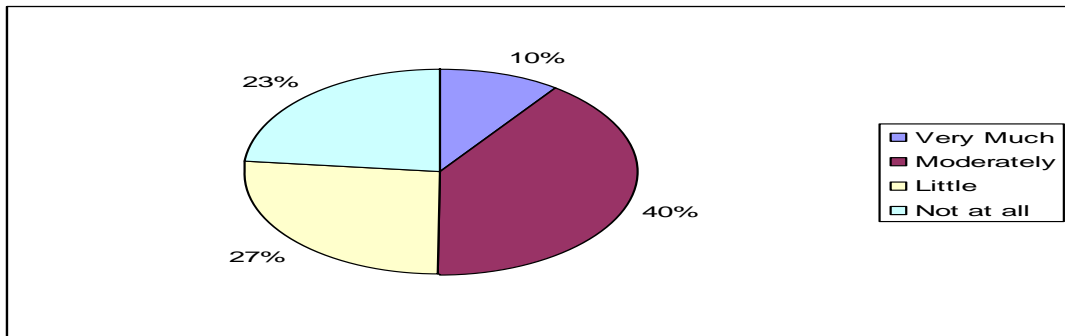
Investors Awareness about Performance of Companies

S.N.	Research Variable	No. of Respondents	% of Investors
A	Very Much	3	10
B	Moderately	12	40
C	Little	8	27
D	Not at all	7	23
	Total	30	100

Source: Field Survey

Figure: 4.16

Investor Awareness about Performance of Companies



4.4.5 Investors' Satisfaction

Regarding the satisfaction of the investors, 55% replied that they are not satisfied. Only 42% of the respondents are satisfied. Remaining 20% said that they are unknown about the fact. The table 4.18 gives the fact regarding investor's satisfaction:

Table: 4.17

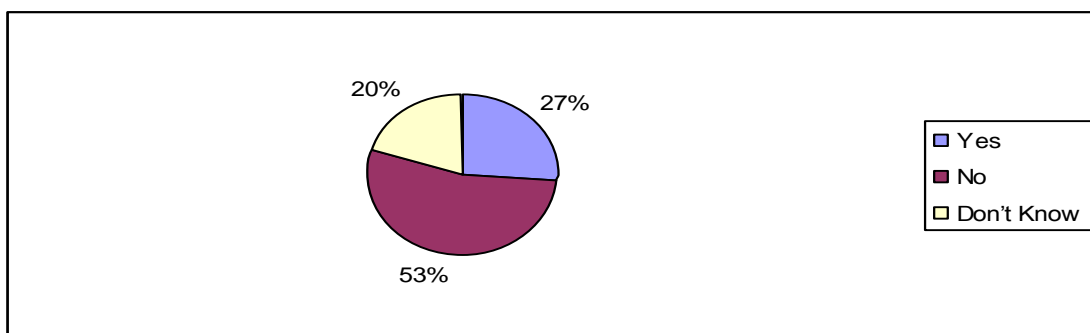
Investors Satisfaction on Their Investment

S.N.	Research Variable	No. of Respondents	% of Investors
A	Yes	8	27
B	No	16	53
C	Don't Know	6	20
	Total	30	100

Source: Field survey

Figure: 4.17

Investors Satisfaction form Their Investment



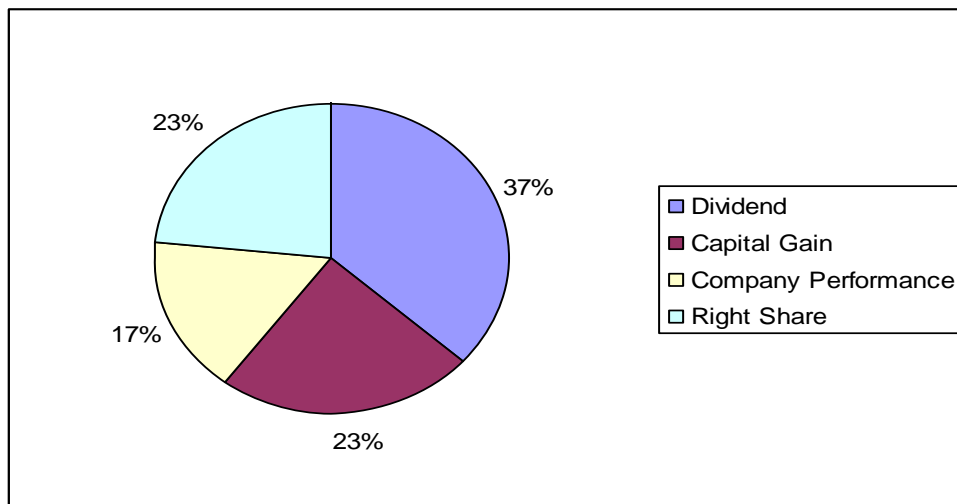
4.4.6 Purpose for Investment in IPO

Investor were asked for their purpose or impressed to invest their money in public offering that if they were interested with dividend, capital gain, company performance, right share 37% said that they are more interested in dividend income 23% replied in favor of capital gain 17% in favor of company performance and the purpose of 23% investor was to invest in right share . The following table describes their reasons behind owning the hares.

Table: 4.18
Purpose to Invest in Public Offering

S.N.	Research Variable	No. of Respondent	% of Investors
A	Dividend	11	37
B	Capital Gain	7	23
C	Company Performance	5	17
D	Right Share	7	23
Total		30	100

Figure: 4.18
Purpose for Investment in IPO



4.4.7 Habit if investor to read the prospects of the Company

Habit they were asked whether they read the prospects before investment in primary issue or not 60% were read the prospects before they made investment remaining 40% replied that they have no idea regarding this (does not considered what is written in the prospects).

Table: 4.19

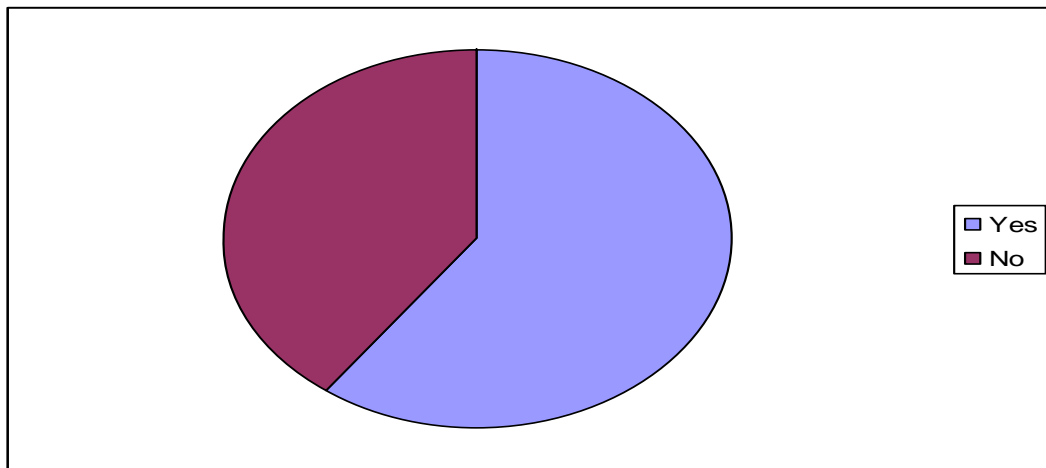
Investors Habit to Read the Prospects of the Company

S.N.	Research Variable	No. of Respondents	% of Investors
A	Yes	18	60
B	No	12	40
Total		30	100

Source: Field Survey

Figure: 4.19

Investor Habit to Read the Prospects



4.4.8 Bases of Decision for Investment

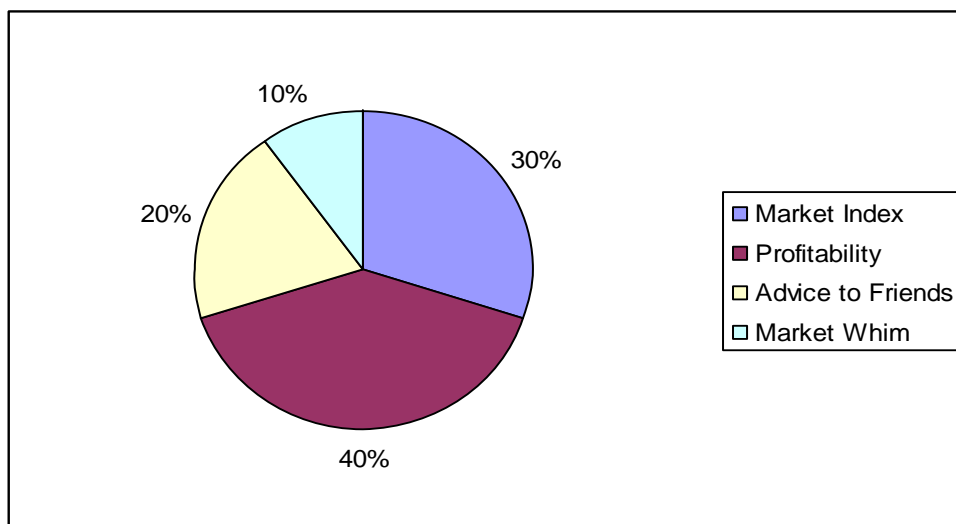
Regarding the investment decision making procedures 30% of the respondents replied that they made decision on the basis of market index 40% replied that they made decision on the basis of company's profitability 20% made on the basis of friends option and remaining 10% said that they made decision on the basis of market whim.

Table: 4.20
Bases of Decision for Investment

S.N.	Research Variable	No. of Respondents	% of Investors
A	Market Index	9	30
B	Profitability	12	40
C	Advice to Friends	6	20
D	Market Whim	3	10
Total		30	100

Source: Field Survey

Figure: 4.20
Bases of Decision for Investment



4.4.9 Sources of Funds to Invest in IPO

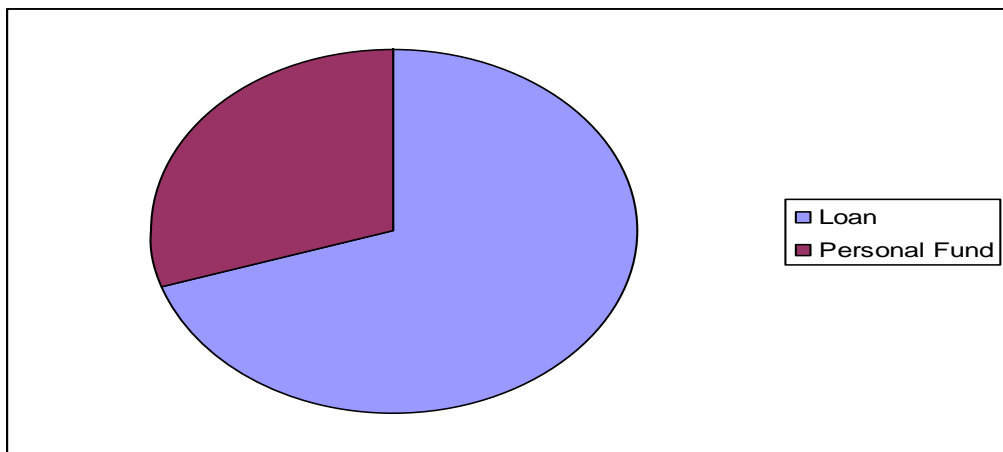
When investment were asked for their sources of invest in public offering is personal fund or loan/credit most of them, 70% used the fund from loan that collection from bank, financial institutions and relatives but 30% people used their own personal funds for investment.

Table: 4.21
Sources of Fund for Investment

S.N.	Research Variable	No. of Respondents	% of Investors
A	Loan	21	70
B	Personal Fund	9	30
Total		30	100

Source: Field Survey

Figure: 4.21
Sources of Fund for Investment



4.4.10 Reason for most of the Company not likes to go for IPO

To understand the view of the investor regarding the reason that the most of company not like to go for IPO, 40% of respondent thinking that due to sharing of profit to the public, 20% think that the management becomes complex after public issue. The companies do not like to carry the obligation form public share holders is the thinking that of another owners are 17% respondent, where 13% investor thinking is the company have already enough money for investment so why they needs to issue shares and rest of 10% thinks the other reasons rather than the specified reasons above.

Table: 4.22

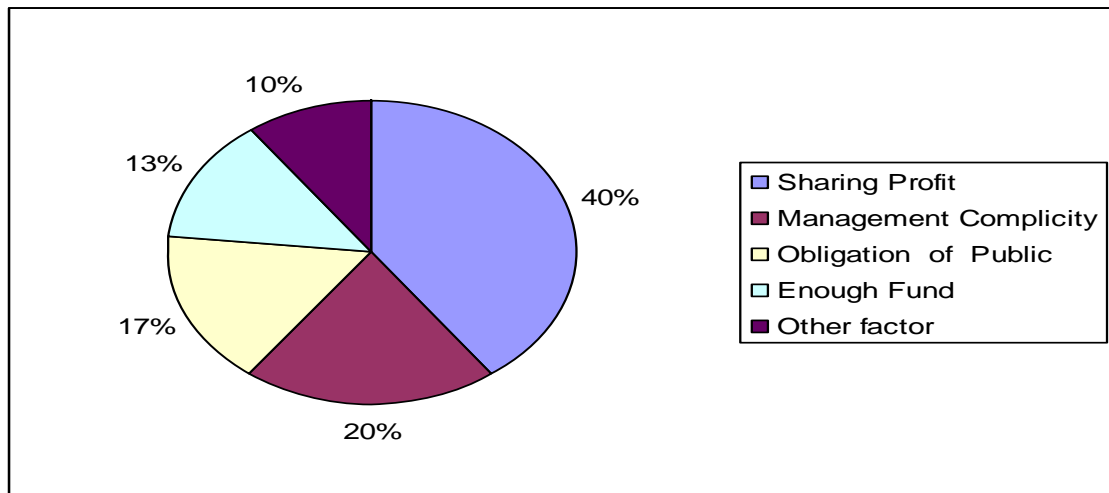
Reason for most of the Company not like to go for IPO

S.N	Research Variable	No. of Respondents	% of investors
A	Sharing Profit	12	40
B	Management Complicity	6	20
C	Obligation of Public	5	17
D	Enough Fund	4	13
E	Other factor	3	10
Total		30	100

Source: Field Survey

Figure: 4.22

Reason for most firms not like for IPO



4.4.11 Number of Company's Securities Investment

Regarding the respondent current investment condition, the majority of the respondents have investment their money into purchasing the securities more than one company. In this survey 53% of the respondents have invested 2-5 companies. Similarly, 27% would like to invest in single company, 17% likes to investment 5-10 company and rest of 3% investor are hole time share trader (big investor) they would like to invest their money in more than 10 companies.

Table: 4.23

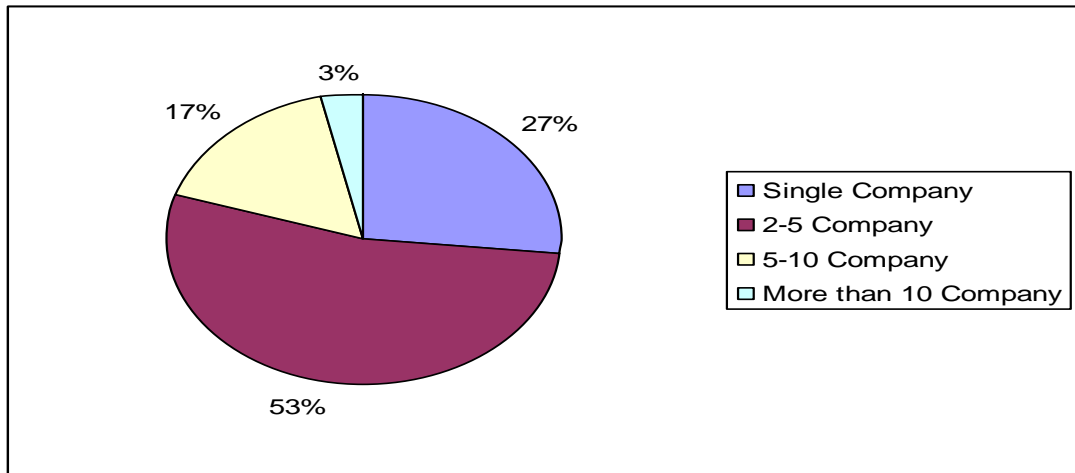
Number of Company's Invested

S.N.	Research Variable	No. of Respondents	% of Investors
A	Single Company	8	27
B	2-5 Company	16	53
C	5-10 Company	5	17
D	More than 10 Company	1	3
	Total	30	100

Source: Field Survey

Figure: 4.23

Number of Company's Invested



4.4.12 Investor's Current Investment in Specific Instrument

The question was asked to the investor about their current investment in specific instrument i.e. common stock, Debenture/Bonds, Preferred Stock and other. The objectives of this question was to find the financial instrument in which the investor has actually invested now in this connection, 80% respondent refers that the common stock is their existing invested financial instrument, out of the total 30 investor taken for sample. A little parts of the respondents were in favor of Debenture/Bonds 10%, Preferred Stock 7% and other 3% have invested their money in other financial instrument except stated above.

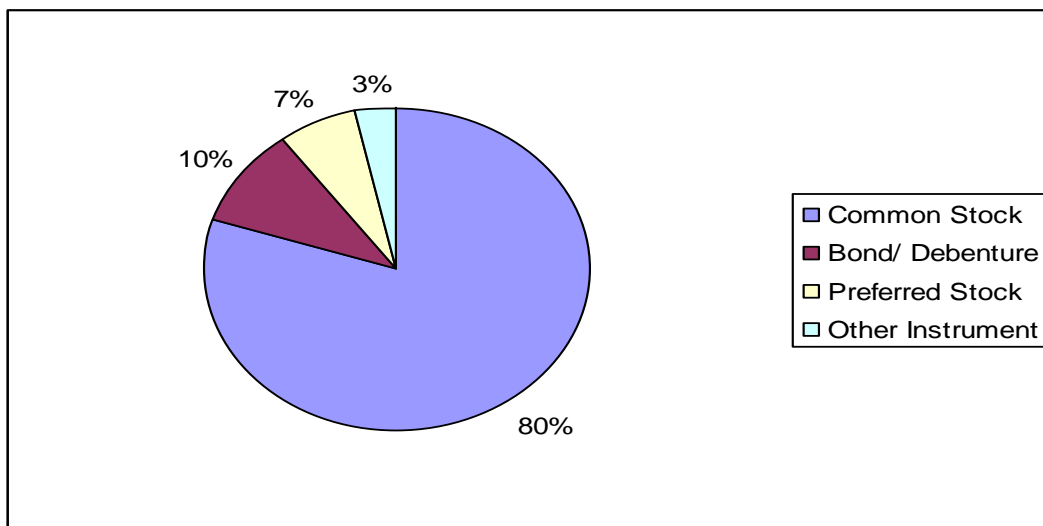
Table: 4.24

Instrument-wise Investment

S.N.	Research Variable	No. of Respondents	% of investors
A	Common Stock	24	80
B	Bond/ Debenture	3	10
C	Preferred Stock	2	7
D	Other Instrument	1	3
Total		30	100

Figure: 4.24

Instrument-wise Investment



4.4.13 Main Cause of Over Application in IPO

This question was asked to the investor about their view in the above application pattern of primary issue of share. In other word what is the reason that demand of securities in public issue is very high then the issued securities. Out of total, 30% respondent have stated they are lack of investment opportunity in other sector, 37% respondents view is high dividend distribution where 20% investor said the main reason of over application is low bank interest rate and the remaining 13% respondent stated other different reason then above.

Table: 4.25

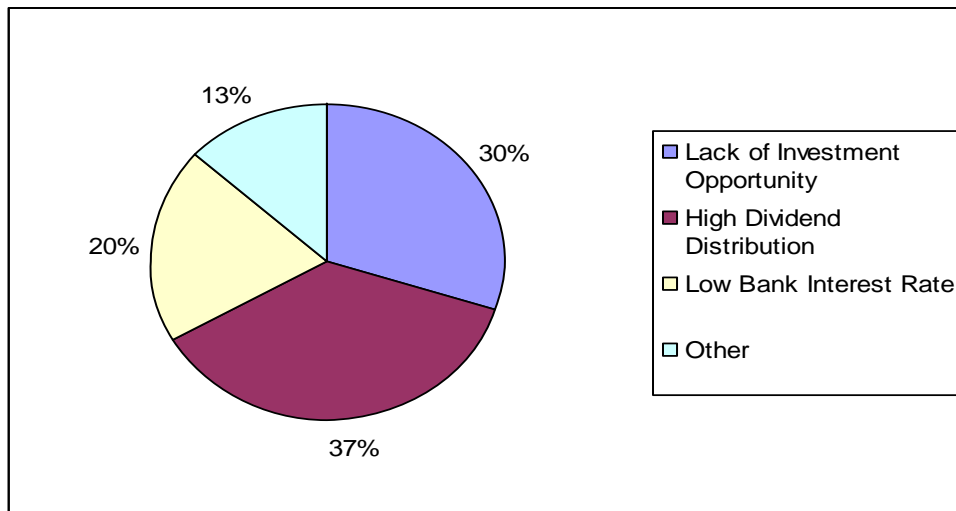
Cause of Over Application

S.N.	Research Variable	No. of Respondents	% of Investor
A	Lack of Investment Opportunity	9	30
B	High Dividend Distribution	11	37
C	Low Bank Interest Rate	6	20
D	Other	4	13
Total		30	100

Source: Field Survey

Figure: 4.25

Cause of Over Application



4.4.14 Best Investment Decision(Alternative)

The question was asked to the investor thinking about the best sector for investment i.e. own business, securities, Bank balance and others. In this connection, 40% respondent refers that the own business is best for investment, out of the total 30 investor taken for sample 30% of the respondents were in favor of securities, Bank balance 20% and other 10% have invested their money in other sector except stated above.

Table: 4.26

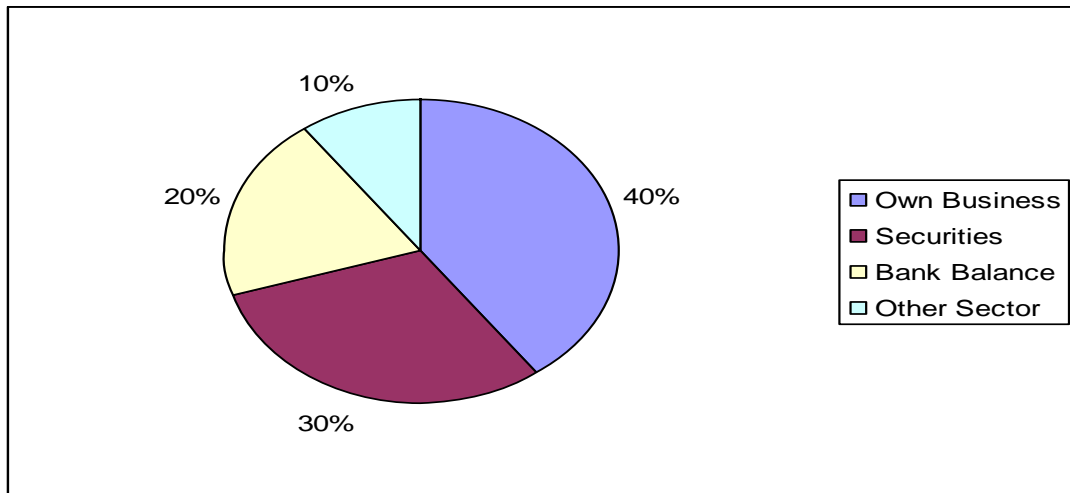
Investment Alternative Sector

S.N.	Research Variable	No. of Respondents	% of Investors
A	Own Business	12	40
B	Securities	9	30
C	Bank Balance	6	20
D	Other Sector	3	10
Total		30	100

Source: Field Survey

Figure: 4.26

Investment Alternative Sectors



4.4.15 Causes that the Limited People Invested in IPO

The objective of the question was to find out the view of people about the reason of only a few people investing in primary issue. 43% people think that the main reason is lack of money where 30% people's view is less of knowledge about primary market. 27% peoples are towards the lack of information about IPO and remaining 10% are in favor to other reason than stated above.

Table: 4.27

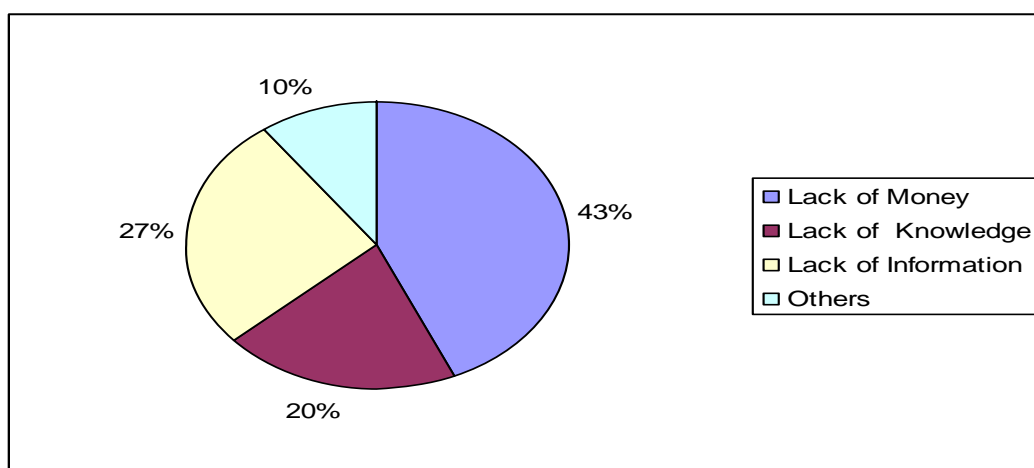
Causes for Limited People Involved in IPO

S.N.	Research Variable	No. of Respondents	% of Investors
A	Lack of Money	13	43
B	Lack of Knowledge	6	30
C	Lack of Information	8	27
D	Others	3	10
Total		30	100

Source: Field Survey

Figure: 4.27

Causes for Limited People Involved in IPO



4.5 Major Finding

The study is set out to analyze different aspects of IPO's in Nepal. The data, which is obtained through primary and secondary sources, are analyzed using different tools and models which resulted in following findings.

- The trend of IPO of Nepalese companies are increasing. This indicates that the new companies are interested to collect the surplus amount form the public for the proper investment. In the FY 2007/08 and 2008/09, 64 companies issue has approved that is the highest number of issue approved in single year & FY 1996/97 and FY 1998/99 the lowest number of issue approved by SEBON that is only 5.

- The amount of issued approved has increased from Rs. 344.4m in FY 1993/94 to Rs. 50,212.10m in FY 2009/10. During the same period the number, the number of issued approved increased from 16 in FY 1993/94 to 61 in FY 2009/10.
- Among eight sector the financial sector that includes commercial bank, finance company, development bank and insurance companies has accounting for 91.43% (352) Issued Approved of total issued amount Rs. 45,766.61m while non-finance sector that comprise manufacturing and processing, trading companies, hotels and others has accounting for 8.57% (33)issued approved of total issued amount Rs. 4445.7m. where from the study we find that investors response are towards the financial sector then the non financial sector.
- Similarly, as far as instrument-wise offer is concerned, out of 385 issued approved 185(48.10%) offers have been right shares, followed by ordinary shares 179(46.50%), debentures 16(4.16%) and preference shares 5 (1.30%) offers respectively and from the amount perspective, right shares has accounting 68.31% of total amount, followed by ordinary shares 18.78% , debenture 11.66% and preference shares 1.27% respectively.
- During the study period 385 companies have offered different types of securities through IPO to public. Out of which offers form 173 companies 44.94% of total offers have received oversubscription. Similarly 88 companies 27.16% issued have received under-subscription, only 15 companies 4.63% have received fully subscribed where there was unknown about subscription pattern of 109 company 28.31%.
- The primary Analysis shows that the primary issue of securities is in increasing trends. This increasing trend of primary issue indicates the importance of Merchant Bankers and Merchant Banking of securities market.
- Analysis of institution and instrument-wise public issue reveals that most of the issuing companies are banks and the issuing companies prefers to issue ordinary shares most of the times.
- According to the most of the respondents, the rules and regulations about the security market development in the above mentioned acts are insufficient.
- The view of most of respondent that the main cause of over application in IPO is due to lack of investment opportunity and dividend distribution where as limited

number of people involved in IPO is due the lack of money, information and knowledge.

- Most of the respondents said the main cause of firm not go for public is distribution of profit and management complicity.
- According to most of respondents, the reason behind more public issue of share of bank and finance companies is due to the regulatory position that has made compulsory for banks and finance companies to go for public, lack of opportunity for investment and increase their value of their investment.
- Studying the view of the respondents regarding the body that has to play the key role in the securities market development, more than half respondents said that all bodies like NRB, SEBON, NEPSE and other related body has to play key roles for development of security market activities.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter embodies three parts of the study: Summary, Conclusion and Recommendations. The first part goes over with summarization of the whole study, the second part depicts the conclusion and the final part present recommendation in the light of its findings.

5.1 summary

Money or Capital in financial vocabulary is one of the most important requirement for any business entity. Business entities need capital at various stages of their performance. Some may need it to establish their business while other way needs it to diversify their activities and achieve their ambitious growth plan. Generally there exist two markets from where business entities secure capital viz: money market and capital market. Money market avails long term funds with term suiting the needs of business entities. Primary market is the market for new and unseasoned securities whereas secondary market is the market for existing and seasoned securities.

Initial Public Offering (IPO) is the key mechanism of primary market. IPO is the first time issuance of securities to the public. Securities being offered can be debt or equity offering. Various components of capital market play important roles in practice and procedure of IPO. Investment Bankers or Underwriters are one among them. Investment bankers are individuals or institutions who provide an arrangement of functions to ensure that business entities are able to meet their objective of issuing securities through IPO. Moreover, they ensure that during IPO, all the steps and process are followed in agreement to existing rules and guidelines.

As far as practice in Nepal are concerned basically there exist two institutions which guide and influence IPO process. They are Security Board of Nepal (SEBON) and Nepal Stock Exchange (NEPSE). SEBON is the regulatory body which looks after all the securities market transaction including IPO. According to SEBON, 324 companies have got issue approval for public issue. Likewise, NEPSE is the sole stock exchange of Nepal which provides liquidity and marketability to the securities being offered. By the end of FY 2009/10 159 companies have been listed in NEPSE.

Before going to the public, the company must be approved from SEBON. After getting approval, issuing company must give its information to the NEPSE and Company Registers Office. Issuing company is free to choose one or more than one issue manager/s for the process of issuing the securities. Bankers to the issue also involved during this period. Issue manager must be publishing a public notice in the national daily newspapers to offer public for investment seven days before the application forms distribute date. Issue manager has to publish and distributed the prospectus also which make easy to the public to decide whether to invest their money or not. The application period must not more than one month. If issue managers think the required applications have collected, they can close anytime after one week to receive application. If over application is received, the distribution of share should be decided through allotment procedure. For this purpose additional 45 to 90 days can be taken. After allotment within next 15 days the issue manager has to refund the money of those public whose application has not been accepted. Within 30 days of refund period the certificates has to be distributed.

Even though the foundation of systematic capital market development was laid in 1976 A.D. with the establishment of security exchange center(SECC), Nepalese capital market after more than two decades is still in its infant stage. The securities being offered and its practices are still traditional and limited. Moreover, there is dearth of research work covering different aspects of capital market in Nepal. In this context, this study has been carried out with the objectives of unraveling various aspects of IPO's, their practices in Nepal and public response on it.

Conceptual review of the study has covered concept of financial market, IPO as a mechanism of primary market, process of IPO, different aspect of IPO which shed light on how IPO is being practiced in Nepal. Similarly, review of related studies has covered the research works carried out along with few dissertations relating to subject matter. Research works carried were in the form of journal-articles which was mainly retrieved from online sources and newspaper. The dissertations shed light on capital market issues and existing state of securities issue in Nepal to certain extent which are accessed from Library of Shanker Dev Campus, SEBON and TU central library kirtipur.

For the purpose of meeting the objectives of the study, it has used descriptive and analytical research design and stratified random sampling. As per sampling frame of 22% (approximately), 35 companies representing 8 different sectors: commercial banks, Development Bank, Finance Companies, Insurance Companies, Manufacturing & Processing companies, Trading companies, Hotels and other listed in NEPSE, have been selected. As the study is based on primary as well as

secondary data have been retrieved from questionnaires to investor, annual report to SEBON, NEPSE, NRB directives, Various Acts & Regulations and News paper.

The analysis of amount of issue being offered and number of issues being offered have revealed that Nepalese IPO sector have grown during the study period. Similarly, sector-wise analysis of public issue revealed that financial sectors IPO has been dominating Nepalese IPO market and instrument-wise analysis of offered have identified ordinary shares as the most preferred instrument. The analysis also revealed that most of the issue offered during the study period were oversubscribed. Last few year's experience shows that there are limited non financial available in the country that satisfied the investors.

The primary source of data shows that the major sources of information of public offering is media. Majority investors are seemed to be new in the market. These days' people are getting aware to primary market to choose the right sector for investment and invest their money in more then one companies. The investors think that those companies who are performing well in the market will to better in the future and read prospects of the company before investing money. Majority of investors invest money in the primary market by lending form others and they think that the companies do not like to go to public because of reality of sharing profit with others. People think that due to the lack of knowledge, limited number of people invests in primary market and the present environment is not suitable for investment.

The study has found that public response in security market is high due to lack of opportunities for investment and attracted towards shares to increase their value of investment. They are getting aware of stock market and realized the importance of the investment in shares.

5.2 conclusions

From the above, we find that the capital market of Nepal is still in developing stage. Most of the investor in primary market is involved from Katmandu valley due to the only one stock exchange located in here and do not have sufficient information regarding the investment but they are still interested to invest money in the primary market so the most of the securities are issued in over subscription. This is good sigh to the expansion of the primary market. Due to this, most of the companies are issued only common stock where bond, preference and

convertible share are rarely practice but option and warrant are still not in practice. This shows that the securities markets are dominated by common stock.

As per this study, about every sector is getting good response form public. Specifically financial institutions and insurance sector is more preferable for public than non financial sector. Pace of IPO in Nepal seems to be irregular. The number of companies approved for public offering by SEBON in a single years various from 64 to 5. The highest amount of issue approved by the SEBON was Rs. 16858.51m in FY 2008/09 while the lowest amount of issue was Rs. 173.96 m in FY 1994/95. If we see on the basis of sector, SEBON had granted 89.81% approved for financial sector and 10.19% approval for non financial sectors.

Though, the public offering is operated through the away of laws, regulation and there is still lacking clear cut provision in many important sectors such as under writing, provision of underwriting commission, process of issue etc. The investor have not more knowledge about the primary market. Even though the organization's process of public offering is quite long; the service provided to the investor seems to be satisfactory. If raising interest of the public in to primary market is one of the objectives, then the primary market of Nepal is fulfilling this role gradually. The fluctuating of political situation is also effect the development of securities market by which the NEPSE index is fluctuating over and under many time.

5.3 Recommendations

In spite of the limitations under which the study has been carried out it has been able to meet the objective of the study. On the basis of the study made following recommendations are made.

- Nepalese capital market is largely dependent on financial sector which is not good sign for overall development of IPO market and capital as a whole. In this regard the regulatory body and the government should take a step forward and encourage public issue form other sector like manufacturing and processing by providing additional facilities like tax- concessions.
- Ordinary share is found to be the most used financial instrument while other financial instruments like preference shares and debenture are rarely issued. The fact the such ordinary shares carry maximum risk to investor on one hand and also

cause dilution of ownership to issuing company, seemed to be forgotten. In this regard, it is recommended that root cause beneath should be traced and tackled for good.

- Public have shown faith on IPO's from financial sector while they do not have shown much faith on IPO's from non financial sector. So, non-financial sector companies are recommended that before IPO, they should inform public about their worthiness and regulatory body. Similarly, government should come up with schemes which will attract good companies from non-financial sector to go for IPO.
- There is no clear legal provision about security market, underwriting and underwriting commission, which should be fulfilled for development of capital market. So, focus should be given for making and implementation of the existing acts, rules and provisions.
- There are 16 issue managers and a few are actively doing their job limited only in Kathmandu valley. So, take some action to establish more issue managers in the different parts of the country and encourage them to work more actively.
- Regional stock exchange centers should be established so that more people will be involved in the investment activities on primary as well as secondary market.
- To make the investment more attractive and affordable to the small investors, the Nepalese companies should introduce other types of securities such as options, warrants etc.
- For increasing the people following on primary as well as secondary market, there should be provision of over-the-counter market, encourage to establish securities investment consultants, do more seminars, meetings, conferences that increase the knowledge about the investment opportunity for the people.
- To be successful in the stock market, investors should always be clear to their strengths, weakness, requirements, wishes, risk-taking capabilities and how to react on different and ever-changing market conditions and they should not buy the shares of a company until they know details about it.
- The issue manager should take initiative steps to promote their business from non-financial sector also and should be equally effortful in developing the public offering market as an avenue for cost-effective financing.

- Issuing company's post issue compliance practice is found to be poor. The issuer companies should be made aware in complying with the post issue legal provisions at the time of public issue. Issue manager should also take the responsibility to make the issuer companies aware of compliance issue.

BIBLIOGRAPHY

- Adhikari.K.B.(2008). *An Analysis Determinant of IPO under pricing in Nepal*.An unpublished Master Degree Thesis, Central Department of Management, Tribhuwan University.
- Bajracharya, P.(1997). *A Study of Trends and Potentialities of Stock Exchange Market in Nepal*: CEDA, TU.
- Baru and Fawcett (2009). *Initial Public Offering: An analysis of Theory and practice*. Asia Pacific Economic Literature. Vol. 9. No. 5.
- Bhattraï, D. (2006). *Public Response to Initial public Offering in Nepal*. An unpublished Master Degree Thesis, Prithivi Narayan Campus, T.U.
- Bhattraï, R. (2009). *Investments Theory and Practice*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd.
- Brealy, Richard A and Myers, Stewart C. (1998). *Principle of Corporate Finance*. New Delhi: Tata Mc Graw-Hill Publishing Company Ltd.
- Corwin & Schults (2005). *Examined Syndicates for 1638 IPO's from January to June 2002*. The journal of Finance.
- Gautam, R. & Thapa, K.(2008). *Capital Structure Management*. Kathmandu: Asmita Publication.
- Gitman, L.J.(2003). *Pricing of Managerial Finance*. New Delhi: Pearson Education Inc.
- Henderson, G.V. Trennepohl, G.L. and Wert, J.E. (1984). *An Introduction to Financial Management*. USA: Texas.
- IFC, International Finance Corporation (1998). *Emerging Stock Market*. Fact Book. Washington D.C.: IFC.
- Naughton, T. (1999). *The Role of Stock Market in the Asian Pacific Region*. Asian Pacific Economic Literature. Vol. 13, No. 1.
- Panday, I.M. (1994). *Financial Management*. New Delhi: Vikash Publishing House Pvt. Ltd.
- Pradhan, R.S. (1993). *Stock Market Behavior in a Small Capital Market: A case study of Nepal*. Kathmandu: The Management Review, Vol. IX.

SEBON, *Annual Report 1993/94 to 2009/10*. Security Exchange Board Nepal, Thapathali, Kathmandu.

Sharpe, W.F., Alexander, G.J. & Bailey, J.V. (2002). *Investments*. New Delhi: Prentice-Hall of India Pvt. Ltd.

Van Horn, J.C. & Wachowicz jr., J.M. (2002). *Fundamental of Financial Management*. New Delhi: Pearson Education Inc.

Weston, J.F. & Copland, T.E. (1991). *Managerial Finance*, Florida: The Dryden press, USA.

Weston, JF. Basely, S. & Brigham, E.F. (1996). *Essential of Managerial Finance. Fort Worth*: The Dryden Press, USA.

World Bank (1989). *World Bank Report*. New York: Oxford University Press.

Websites

www.business.com

www.cit.org.np

www.emeraldinside.com

www.frontire.com

www.google.com

www.ncml.com.np

www.nepalstock.com

www.nmb.com.np

www.nrb.org.np

www.sebon.com

Appendices

A Survey on INVESTORS RESPONSE TO INITIAL PUBLIC OFFERING IN NEPAL

Please tick (✓) the correct answer. (Tick one or more, if applicable)

1. How did you get idea/Information to make investment into primary issue of securities?
 - a. From Friends and Relatives
 - b. From Media
 - c. from stock brokerage
 - d. From others

2. In which sector do you think public have better opportunities for investment?
 - a. Banking sector
 - b. Finance /Development Bank
 - c. Insurance Companies
 - d. Manufacturing
 - e. others.

3. Do you have experience to invest in IPO?
 - a. Yes
 - b. No

4. Are you have the satisfaction on the return of your investment?
 - a. Yes
 - b. No

5. Are you aware about the financial performance of companies?
 - a. Very much
 - b. Moderately
 - c. Little
 - d. Not at all

6. By which special characteristics are you impressed (purpose) to invest your Money in public offering?
 - a. Dividend
 - b. Right share
 - c. Capital Appreciation
 - d. No brokerage Commission
 - e. Company Performance

7. Do you read prospects of the company before investment?
 - a. Yes
 - b. No

8. What are your bases of decision for investment?
- a. Market Index
 - b. Profitability
 - c. Friends opinion
 - e. Market whim
9. What is the source of fund that you used in IPO?
- a. Loan (Credit)
 - b. Personal Fund
10. What is your opinion that the firm not like to go IPO?
- a. Sharing profit
 - b. Management complicity
 - c. obligation of public
 - d. Enough Funds
 - e. Others
11. How many companies have your invested in?
- a. Single company
 - b. Up to 5 companies
 - c. 5-8 Companies
 - d. More than 10 Companies
12. In which instrument (securities) do you make the investment?
- a. Common stock
 - b. Debenture/Bonds
 - c. Preferred Stock
 - e. Others
13. Main cause of over application in initial offering is due to
- a. Lack of investment opportunity
 - b. High Dividend Distribution
 - c. Low interest rate on bank
 - c. Other
14. In your opinion, what is the best investment decision?
- a. Own business
 - b. Investment in securities
 - c. Bank balance
 - d. others
15. What is the reason that the limited number of people investment in IPO?
- a. Lack of money
 - b. Lack of information
 - c. Lack of knowledge
 - d. others (specify)

Name.....

Address.....