

**PUBLIC RESPONSE TO INITIAL PUBLIC OFFERING (IPO) TO
NEPALESE CONTEXT**

BY:

Nuwa Chhantyal

Padma Kanya Multiple Campus

Roll No. 21/065

Exam Roll No.380009 (2nd Year)

T.U Registration No. 7-1-38-941-2003

A Thesis Submitted To:

Office of the Dean

Faculty of Management, Tribhuvan University

**In Partial fulfillment for the requirement of Master's degree in Business
Studies (MBS)**

Bagbazar, Kathmandu, Nepal

Mar, 2013

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Nuwa Chhantyal

Entitled:

PUBLIC RESPONSE TO INITIAL PUBLIC OFFERING TO NEPALESE CONTEXT

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

.....

Lecturer

Yub Raj Dhungana

(Thesis Supervisor)

.....

Lecturer

Neera Shrestha

Coordinator of MBS Programme

VIVA-VOCE SHEET

We have conducted the viva-voce of the thesis presented by:

Nuwa Chhantyal

Entitled:

PUBLIC RESPONSE TO INITIAL PUBLIC OFFERING TO NEPALESE CONTEXT

And found 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-Voce Committee

Member (Thesis Supervisor)
Member (External Expert)
Member (Thesis/ Research Proposal Committee)
Member (Coordinator of MBS Programme)

ACKNOWLEDGEMENTS

This thesis is for partial fulfillment of Master's Degree in Business Studies (MBS) undertaken at Tribhuvan university of Nepal.

For this, I gained lots of guidelines and suggestions from my teachers, friends and other company relatives.

Fristly, I want to express my profound gratitude to my supervisor Mr. YubRaj Dhungana for their valuable guidelines throughout the work .

I would like to thank Ms. Neera Shrestha coordinator of MBS programme for her consineous support during my research work.

I am acknowledge to SEBON and NEPSE that provided the sources of data and other information for this study.

I would also like to thank my friend Poonam Lama and my sister Deepa Chhantyal for their help and support in many ways to successfully complete this study.

I owe everything to my parents. No degree of appreciation will suffice for their love, care, understanding, encouragement and moral support.

.....

Nuwa Chhantyal

Padma Kanya Multiple Campus

TABLE OF CONTENTS

	Page No.
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Content	
List of Tables	
List of Figures	
Acronyms	
CHAPTER ONE: INTRODUCTION	(1-7)
1.1 Background of the study	1
1.2 Statement of the Problem	4
1.3 Objectives of the study	5
1.4 significance of the study	5
1.5 Limitations of the study	6
1.6 Organization of the study	6
CHAPTER TWO: LITERATURE REVIEW	(8-44)
2.1 Conceptual framework	8
2.1.1 Public Offering	8
2.1.2 Financial Market	9
2.1.3 Money Market	9
2.1.4 Capital Markets	11
2.1.5 Security Market	13
2.1.6 The primary market	14

2.1.7 Secondary Market	14
2.1.8 Investment consideration to the potential investors in the primary market	15
2.1.9 Primary Market and Initial Public Offering	15
2.1.9.1 Common Equity/Stock	16
2.1.9.2 Preference Shares/Preferred Stocks	16
2.1.9.3 Bonds/debentures	17
2.1.9.4 Warrants	17
2.1.10 Initial Public Offering (IPO) Manual	18
2.1.10.1 Issuing Company	18
2.1.10.2 Merchant Bankers	19
2.1.10.3 Securities Board of Nepal (SEBON)	21
2.1.10.4 Nepal Stock Exchange (NEPSE)	25
2.1.10.5 Financial Institutions	29
2.1.10.5.1 Issue Manager	29
2.1.10.5.2 Underwriters	30
2.1.10.6 Offices of the Registrar of companies (ROC)	30
2.1.10.7 Nepal Rastra Bank (NRB)	31
2.1.11 Investment consideration to the potential investors in the secondary market	31
2.1.12 Timing of an Initial public Offering	32
2.1.13 Terms Involved in the process of Initial Public Offering of Common Stock	33
2.1.13.1 Initial Public Offering (IPO)	33
2.1.13.2 Issue Manager	33

2.1.13.3 Lead Manager	33
2.1.13.4 Underwriting or Sub-underwriters	33
2.1.13.5 Lead Underwriter	33
2.1.13.6 Underwriters or sub-underwriters	34
2.1.13.7 Banker to the Issue	34
2.1.13.8 Collection Centers	35
2.1.13.9 Prospectus	35
2.1.13.10 Budget for the Issue	36
2.1.13.11 Application Form	36
2.1.13.12 Bridge Financing	36
2.1.13.13 Memorandum of Understanding	36
2.1.13.14 Issue Commission	37
2.1.13.15 Underwriting Commission	37
2.1.13.16 Collection Charges	37
2.1.13.17 Refund Charges	37
2.1.13.18 Fix charges to the Collection Centers-	
Finance companies	38
2.1.13.19 Pre issue and Post issue	38
2.2 Review of Related studies	38
2.2.1 Review of master Degree Thesis	38
2.2.2 Review of Master's Thesis	42
2.3 Research Gap	43

CHAPTER THREE: RESEARCH METHODOLOGY (44-50)

3.1 Introduction	45
3.2 Research Design	45

3.3 Population and Sample	46
3.4 Source of Data	47
3.5 Data Presentation and Analysis	47
3.6 Tools for Analysis	48
3.6.1 Statistical Tools	48
3.6.1.1 Multiple Bar-diagrams and grapes	48
3.6.1.2 Pie-diagram	48
3.6.1.3 Percentage Analysis	49
3.6.1.4 Simple Arithmetic Mean	49
3.6.1.5 T-Test	49

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS (51-94)

4.1 Secondary Data Analysis	51
4.1.1 Amount of Issue Approved	51
4.1.2 Number of Issue Approved	54
4.1.3 Right offering since 1993/94 to 2010/11	56
4.1.4 Under and Over Subscription of Securities	58
4.1.5 Yearly Analysis of Securities	60
4.2 Public Response to Initial Public Offering	64
4.2.1 Public Response to Financial sector	64
4.2.1.1 Public Response to Commercial Banks	64
4.2.1.2 Public Response to Development Banks	67
4.2.1.3 Public Response to Finance Companies	68
4.2.1.4 Public Response to Insurance Companies	70
4.2.2 Public Response to Non-Financial Sector	73
4.3 Major Finding on secondary Data	76

4.4 Analysis of Primary Data	77
4.4.1 Knowledge about IPO	77
4.4.2 Source of information about IPOs	78
4.4.3 Investing through IPO	79
4.4.4 Habit of reading Prospectus before investment	80
4.4.5 Selection of company for investment	81
4.4.6 Motivating factor for invest in IPO	82
4.4.7 Preferred sector for Investment	83
4.4.8 Preferred Financial Sector for investment	84
4.4.9 Preferred Non-Financial sector for Investment	85
4.4.10 IS the present condition of Nepal is suitable for Investment	86
4.4.11 Utilization of fund while investing in IPO	87
4.4.12 What type of IPO investor are you	89
4.4.13 Reasons that most of the firms do not like to go to Public	90
4.4.14 Number of companies invested	91
4.4.15 Public opinion about Nepalese Capital Market	92
4.5 Major Finding on Primary data	93

CHAPTERFIVE: SUMMA RY<CONCLUSION AND RECONMMENDATION (94-100)

5.1 Summary	95
5.2 Conclusion	97
5.3 Recommendation	98

REFERENCES

) List of Tables

	PageNo.
3.1 Population and Sample for Study	47
4.1 Amount of Issue Approved	52
4.2 Number of issue approved	55
4.3 Right offering	57
4.4 Under and over subscription of securities	59
4.5 Yearly Analysis of Securities	61
4.6 Public Response to Finance Commercial Banks	65
4.7 Public Response to Development Banks	67
4.8 Public Response to Finance Companies	69
4.9 Public Response to Insurance Companies	71
4.10 Public response to Non-Financial Sectors	74
4.11 Response from the Participants	77
4.12 Sources of Information about IPOs	78
4.13 Investing through IPO	79
4.14 Habit of reading Prospects before investment	80
4.15 selection of company for investment	82
4.16 Motivating factor for invests in IPO	83
4.17 Preferred sector for investment	84
4.18 Preferred financial sector for investment	85
4.19 Preferred non-financial sector for investment	86
4.20 Present Situation for investment in Nepal	87
4.21 Utilization of fund while investing in IPO	88
4.22 Type of IPO investor	89

4.23	Reasons for not going to public	90
4.24	No. of companies invested	91
4.25	Public opinion about Nepalese Capital Market	92

List of figures

	Page no.
4.1 Security Issue Amount (million)	53
4.2 Number of issue approved	56
4.3 Right Offering	58
4.4 Yearly Analyses of Securities	62
4.5 public Responses to commercial banks	66
4.6 public Responses to Development banks	68
4.7 public Responses to Finance Companies	70
4.8 public Responses to Insurance company	72
4.9 Public Response to non-Financial Sectors	75
4.11 Response from the Participants	78
4.12 Sources of information about IPOs	79
4.13 Investing through IPO	80
4.14 Habit of reading prospectus before investment	81
4.15 Selection of company for investment	82
4.16 Motivating factor for invests in IPO	83
4.17 Preferred sector for investment	84
4.18 Preferred financial sector for investment	85
4.19 preferred non-financial sector for investment	86
4.20 Present situation for investment in Nepal	87
4.21 Utilization of fund while investment in IPO	88
4.22 Type of IPO investor	89
4.23 Reasons for not going to public	90

4.24	No. of companies invested	91
4.25	Public opinion about Nepalese Capital Market	92

LIST OF ACRONYMS

ADB	Asian Development Bank
AGM	Annual General Meeting
BOD	Board of directors
BOK	Bank of Kathmandu Limited
BPL	Butwal Power Limited
CIT	Citizen Investment Trust
CMB	Capital Merchant Banking and Finance Limited
CMBL	Capital merchant Banking and Limited
CRO	Company Register's Office
DCBL	Development Credit Bank Limited
EBL	Everest Bank Limited
EICL	Everest Insurance Company Limited
FFCL	Fawa Finance Company Limited
FY	Fiscal Year
GDP	Gross Domestic Product
HBTFL	Harisiddhi Brick & Tile Factory Limited
HGICL	Himalayan General Insurance Company Limited
ILFC	International Leasing and Finance Company Limited
IPO	Initial Public Offering
KBL	KumariBank limited
LICL	Life Insurance Corporation (Nepal) Ltd
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NAL	NECON Air Limited

NBB	Nepal Bangladesh Bank Limited
NBB	Nepal Bangladesh Bank Limited
NCC	Nepal Credit and Commercial Bank Limited
NCML	NIDC Capital Markets Limited
NDBL	Nepal Development Bank Limited
NEPSE	Nepal Stock Exchange Ltd.
NFCL	National Finance Company Limited
NFDCL	Nepal Film Development Corporation. Limited
NHL	National Hydropower Limited
NIB	Nepal Investment Bank
NLL	Nepal Leaver Limited
NMB	Nepal Merchant Banking and Finance Ltd.
NRB	Nepal Rastra Bank
NUBL	NirdhanUthhan Bank Limited
NYSE	New York Stock Exchange
OHL	Oriental Hotels Limited
PDBL	Pachhimanchan Development Bank limited
PICL	Premier Insurance Company Limited
Rs.	Rupees (Nepalese currency unit)
RTS	Registrar to Share
SEBON	Securities Board, Nepal
SEC	Stock Exchange Center
SHL	Soltee Hotel Limited
SICL	Sagarmatha Insurance Company Limited
TRHL	Taragaun Regency Hotel Limited
UICL	United Insurance Company Limited