

CHAPTER ONE

INTRODUCTION

Chapter Outline

Background of Study
Statements of the problems
Objectives of the Study
Research Methodology
Significance of the Study
Limitations of the Study
Scheme of the Study

This Chapter is concerned with introductory phenomenon of the study. It is mainly concerned with the study from the issue managers to the problems that issue management activities are facing as present. It also explains why the research or study is brought and what the significance of the study is.

1.1 Background of the study

The business environment now has been more sophisticated than the past that is all due to the rapid growth of economic sector. The changing lifestyle and investment proposal are increasing demands for best return on investment and securities. Better return and efficient services have always been remained as challenges and threats for the business-oriented entities. Business sector directly affects the economic sector of the nation and economic sector plays crucial for the development of the state. The expansion of the business seems to be like impossible with inadequate funds. The business organizations need finance for several purposes viz. expanding the services, facilities, structure etc. Besides, the types of finance necessitated by a firm largely depend on the types of enterprises and firm's peculiarities. The requirement for long term assets may be higher for some business entities and other may require higher working capital.

Nepal is one of the least developed nations throughout the globe. Nepal is practicing the development progress by launching various capital formation activities in different sector and already had commenced economic development planning from past 50 years. Now it is actively trying to achieve the rapid pace of development with the aid of globalization and liberalization. To attain the rapid pace of economic growth, there should be good environment for the potential investors to invest and establishment of corporation necessary for the purpose of making those potential investors investment count for the economic development of the nation.

Capital market as a financial relationship created by a number of institutions and arrangement that allows suppliers and demanders of long term funds to make transactions. Thus, the main objective of the capital market is to create opportunity for the maximum number of the people to get benefit from the return acquired by directing the economy towards the productive sectors by mobilizing the long-term capital." Capital markets are the institutions, which are engaged in mobilization static saving in productive opportunities. "Development and expansion of capital market is essential for the rapid economic growth of the country. A capital market helps economic development by mobilizing long-term capital required for productive sector. The main objectives of the capital market are to create chance for adequate individuals to get benefits from the return obtained by directing the economy towards the productive sectors by mobilizing the long-term capital."

When firms need to rise capital they may choose to sell or float new securities, these new issues of stocks, bonds and other securities typically are marketed to the public by the mediators termed as investment banker and the place for undertaking so called activities are known as primary markets. The purchase and sell of already issued securities among private investors take place in the secondary markets.

In this respect, capital market plays crucial role in mobilization a constant gradual flow of saving and changing these financial resources for expanding capacity in the nations by using the flotation of shares, debentures, bond with the assistance of investment bankers or underwriter or issue mangers. Stock market is a major component of securities market because the shares or securities issued have to be traded in security market. Stock market is

an intermediate via which corporate sector mobilizes funds to finance productive projects by issuing shares in the market. Similarly, stock market provides the best opportunity to the investor. Stock markets are created through the underwriter on the modern share market. Thus, underwriter/ investment bankers/ issue managers support the transaction of the shares/ securities in the security market which may be crucially essential for some firms that are wondering for capital accumulation from public sectors.

Further more many profitable projects require a long term venture capital to finance. Most investor tempts to provide risk and is reluctant to tie their saving into the long term commitment. Liquid stock market makes the investment less risky and more attractive. It encourages savers to invest in the long-term projects because they can sell securities quickly and easily, if they want get back their saving before the project matures. At the same time, companies receive easy access to capital through new issuance of shares. Such transaction is known as underwriting and by using the investment bankers the firms can issue the securities and invest on the opportunities by both sectors ie. Public investor and issuing company, in this situation the investment bankers or underwriters get brokerage charge according to the provision made under state securities act.

There are mainly two sources of financing

A. Internal Financing:- The internal financing has the limited scope because of its limited scope and the risk associated with it. So internal financing becomes more important and popular for forecasting the productive activities in the economy. The internal funds are acerbated through the past operation of the firms and they are adjusted on liabilities side of balance sheet on topic retained earning. These amount are mainly used for grip the opportunity although they are used for expanding the firms capital through the i.e. share dividend, bonus share, etc.

B. External financing:-External financing sources are public. These sources can be used by using different kinds of securities .Mainly they can be segregated into three categories.

- i. Equity financing.
- ii. Preference stock financing, and
- iii. Debt financing

Among which the equity/common stock financing is the compulsion and important financing source of the corporations. Due to not having any maturity period , these funds bears less risk and can be used as the whole period of the company operation thus these holders get dividend where as on debt and preference share they have some maturity period and rate exist thus the company has risk for issue debenture, bonds, thus the equity or common stocks are permanent long term sources and the holders hold the ownership certificate through company's management and they stay for the best returns. That certified paper means securities. The term security is used to refer to a legal representation of the right to receive prospective future benefit under conditions.

Primary market: - The primary market is that markets where by corporations acquire the needed capital by Initial Public Offering (IPO) and through right issue. Thus primary markets

plays vital role for create the capital through the public investment. Normally these markets create through the underwriting services with the help of issue manager.

Secondary markets:-The secondary market is that market where the securities once issued by the corporations in the primary market are treated. So, secondary market plays vital role for liquidating the shares. Stock market, Securities, Underwriting services is existed on the development countries to motivate public for investing on securities while the concept of stock market in Nepal is very new. Though concept of stock market began with the floatation of shares by Nepal Bank Limited (NBL) and Biratnagar Jute Mill in the year 1976AD under the company act 1936 AD, it is still in infancy stage. The institutional development of securities market in Nepal started from the year 1976AD when Securities Exchange Center (SEC) was established under the company act with the joint capital contribution of Nepal Rastra Bank (NRB) and Nepal Industrial Development corporation (NIDC). The main objective of the establishment of the center was to mobilize saving and public and encourage the people to participate in the ownership of industries and business enterprises. Where as on Nepal these concept initial public offering ,underwriter ,investment banker , issue managers are on practice and implement firstly by Nepal Industrial Development Corporation (NIDC).In Nepal the issue managers only manage initial public offering and provide financial Services. On developed countries, issue managers also provide the secondary market of securities.

On this state of affairs only nine issue managers are working on Nepalese market for making transaction of the securities to introduce public.

1. Nepal merchant bank and finance Ltd. (NMBL)
2. National Finance Company Ltd. (NFL)
3. Ace Development Bank Ltd (ADBL)
4. Nepal Share Market Company Ltd. (NSML)
5. United Finance Ltd. (UFL)
6. Nepal Sri Lanka Merchant Bank Ltd. (NSMBL)
7. Citizen Investment Trust. (CIT)
8. NIDC capital Market Ltd. (NCML)
9. Nepal Finance and Saving Company Ltd. (NEFINSCO)

Securities Exchange Regulation 2007, “Underwriting means the act of under taking responsibility with an objective to sell the securities or the act of under taking the responsibility to purchase the un-sold securities.

The principle functions of the issue managers are advisory, administrative, underwriting, distribution. For this they contract with issue company for selling securities or they may buy the securities from the issuing company and then resale them to investors. For acting the role of a mediator, the investment bankers receive the underwriting service costs or they may receive spread between the price they pay for the securities and the price at which the securities are resell to the public. This process of issuing securities to the public is called underwriting and in this sense, the investment banker is called an underwriter. Underwriting refers to the guarantee by the investment banker that the issuer will receive a certain

minimum amount of cash for their new securities. This guarantee involves a significant degree of risk for the investment banker. It is the underwriter's intention to buy the securities from the issuer at a few percentage points less than the expected selling price.

Underwriter can be categorized in two groups:

1. Typical under writing: In this arrangement the investment bankers purchases the securities from the issuing company and resale them to the public. Thus on these there is high risk for the investment banker due to huge investment in some sector .If they can't sell, their funds may grow in low proportion.

2. Effort underwriting: In this arrangement the investment banker sell security in the best effort basis; instead of underwriting the securities issued by the company they have no responsibility for securities are unsold. They bear no risk and they are only to sell as many securities as they can obtain established price.

1.2 Statement of the problem

Dealing with issue managers the public issue of the primary market securities is subject to the directives and regulatory framework of the concerned governing bodies. Hence, the study about issue manager and underwriting services deals about primary market with the process of managing of the public issue by the issue managers.

Besides, investment in the primary market instruments has gaining the interest of the general and corporate investors. Most of the initial public offerings have been successfully made since the investors have considerable concern and willingness for investment in these securities (SEBO, Annual Report, 2007/08). However, due to the upgrading performance of the banks and financial institutions, the market price of shares of such firms is raising, where as those of other industries, particularly, manufacturing and processing companies, are performing smoothly in the stock market. (SEBO, Annual Report, 2007/08).

In this context, the study means to know the perception and preference of the general investors regarding the investment in the securities through issue managers in primary market. The focus of study is on the status of the general investors in Nepal, the volume and portfolio of their investment, and the decisive factors they consider while opting companies for investment. But the study is also highly concentrated on investment in the manufacturing and processing companies. Due to the poor performance of their shares in the stock market, how the investment opportunity on such companies is perceived and made by the general investors could have important impact on the capital market of the country. It is observed that more than 159 companies or firms are run by 8 business houses with an average of 20 companies per group.

Those who owned industrial units have also trading firms for export and import, and also involved in various services including banking and finance. If such companies opt to "go public", then the degrading image of their share in the market would definitely hinder the successful completion of public offerings of their securities as the investors have declining confidence in their performance.

Hence, the study is aimed at revealing those core factors which could be decisive from the investor's view whether to invest or not in the particular companies. Such information generated will help the issue manager to decide which factors should be evaluated to determine if the public offering of the manufacturing firm (issuing company) will be successful or not. Thus, issue managers should study about the company's goodwill, performance, financial position, price earning ratio, risk – return, liquidity etc. If the information will not be sufficient for analysis, the various problems for investing on securities may arise.

There are various types of obstacles existing about issue managers and initial public offerings in Nepal. In developed country, generally people are aware of securities, issue managers, initial public offering, etc. However, in developing country like Nepal securities, capital market, initial public offering is still a new phenomenon. More than 50% are still uneducated and more than 85% of citizens are unknown about securities investment. They don't know what public offering is and they are not aware of investment on stocks and securities as well. Therefore, many problems are found in the field of public offering, issue managers, and stock market rather than those of developed one.

There are not any provisions to know about the securities, for general people. Professional's investors apply hundreds of applications with fake identity using several names. As a result s/he can capture large number of shares. When a single investor owns small number of shares, s/he can influence the company management and securities price as well.

Generally the individual investors and institutional investors outside of Kathmandu valley haven't receive the services of securities transaction and securities investment opportunity, so this sector should be computerized or electronic. Security market is totally centralized on the capital only.

The attitude of investors for securities investment had not been increased satisfactorily with comparison to investment in other sector i.e. House, land, gold etc and other properties besides, there are other determinants, which are obstacles through out the growth of stock market in Nepal.

-) Un favorable macroeconomics condition,
-) Political instability,
-) Unconfident investors,
-) Lack of information,
-) Lack of individual, professional, institutional investors,
-) Weak tax system
-) Government restricted laws, rules, regulation,
-) Centralization of security market,
-) Inefficient underwriting ,brokerage services,

Now the revolution and the creation of new Nepal, political issuances should boycott from every sector.

1.3 Objective of the study

The efficient functioning of a financial market requires number of financial institutions. Initial public offering creates the primary market through the issue managers or by themselves. For initial public offering there are only nine issue manager in Nepal and the study is entirely focused on the contribution of issue mangers, investment bankers relating to primary market and transaction of shares in the perspective of Nepal. The several objective of the study is penetrated below.

-) To apply the theoretical knowledge on the ground of courses through out the practical field.
-) To acquire particular knowledge about organization and implement the principal theories of the course books, which is mere, limited in classroom study.
-) To find the present position of Issues Managers. To identify the dealing process of Issue Managers.
-) To analysis the pace of issue managers, investment bankers, underwriters relating to the development of primary market and know the trend of total shares and share transacted by the individual issue managers, investment bankers, underwriters.
-) To reveal the public response towards stocks/ issue managers.
-) To reveal the average and total stock transacted by the Issue Managers by using statistical tools.
-) To find out the trend of total shares and shares transacted by the individual Issue Manager (investment bankers.)

1.4 Research methodology

Research Design

The main purpose of the study is to analyze and interpret the contribution of issue managers for the development of primary market and the present position of stock market. So applied descriptive sorts of research design method. The research contains introduction, review of literature based on issue managers and primary stock market, Research methodology, presentation analysis and interpretation of data, Summary, conclusion and recommendation.

Applied statistical tools:

-) Percentage Analysis is done to compare the performance acquired by individual Issue Manager
-) Multiple Bar- diagrams and graph has been utilized to present the fluctuation/ variation of share transaction through out the span of five years.
-) Trend Analysis has also been used to identify the trend transected by Investment bankers.
-) Questionnaire method is applied to reveal the response of public about primary market, stock/investment bankers.

1.5 Significance of the study

Stock market of Nepal is still under developing state with respect to developed nations' stock market. Stock market is one of the most crucial mean to flow the stable money of public which insists the company to raise their fund and accumulate more profit that is going to be distributed amongst share holders according to share owned. Therefore, the company and public both shall mutually gained from the transactions. The transactions are held on primary market where issue managers/ investment bankers perform those transactions so they work as a mediator through out the channel from company or organization to public. Hence, the stock market is the place or mean for utilizing unused fund by public and yield some returns relating to investment made. This act may also insist for boosting the country's economy as obvious of the developed nations like U.S, U.K, France, and Japan and so far of India itself where the stock markets have played significant contribution for the remarkable economy of the nation.

The study comprises about the stock market and overall issue managers of our country. This study may be useful and important so far for those concerning several facts because of the study that are under stated.

-) The study comprises the history and the development of primary market and issue managers.
-) The study helps to determine the overall transaction made by the investment bankers.
-) The study has also disclosed the organization involved and engaged in primary stock market and securities' transactions.
-) The study comprises the trend of stock/securities transected by the individual issue managers for last sixteen years.
-) The study also identifies the selection or preference of public with respect to issue managers if exists.
-) This study provides the general knowledge about issue managers and the general investors knows about the role of issue managers and they can motive towards the securities market and invest their unused funds in right place ,right time on right securities.
-) The study will assists to formulate the policies ,how the general investors, public can motives to invest their savings towards securities and provide them best return

1.6 Limitation of the Study

This research is accomplished for the partial fulfillment of the requirements for the Degree of Master of Business Studies (MBS) and to know the ground knowledge of securities market and issue managers.

Basically this study based on the secondary sources of data as well as primary data by using annual reports of SEBON,NEPSE, issue managers financial reports and questionnaires method respectively.

This study depends upon the last sixteen years data provided by issue managers and research provides the information, general knowledge, date of securities transaction made by individual investment bankers, issue managers.

Besides these factors issue managers are affected by many other factors. Through the study of initial public offering it is possible to study all factors, which becomes the limitation for this research.

They are stated below:

-) Issuing company
-) Government rules, regulations, legal provision and policy
-) Issue managers
-) Government securities
-) This study is entirely based on the student limited financial resources with in limited period.
-) This study is not a final study on these subject matters.

1.7 Scheme of the study

This research or study is organized into different chapters. It is a research made in the field of financing concerning primary markets and issue managers. There of, the chapters generalize about the primary market and issue managers. There are 6 chapters included in this study and they generalize about under specified contains.

First chapter consists introduction phase of the field report following which background of the study, statement of problem, objectives of the study, Research methodology, significance of the study, Limitation of the study and scheme of the study have been defined.

Second chapter is review of literature in which relevant and relative literature with context to the subject matter have been discussed.

Third chapter reveals about the applied research methodology through out the study and introduction about some statistical tools as percentage, average, bar diagram, time series, standard deviation, and coefficient of variation and applied various method.

Fourth chapter is defined as Presentation, analysis and interpretation of data where relevant data concerning to subject matter have been presented, analyzed and interpreted.

Fifth chapter is the summary and findings in which the brief summary of the study and the findings of the study will be stated. Findings can also known as conclusion which will be derived as the result of the study.

Sixth chapter is the recommendation. Sixth chapter reveals the recommendation which may combat or overcome the problems concerning to the conclusion or findings.

Ultimately, annexes and bibliography have been out listed to define the sources for literature and study.

CHAPTER TWO

REVIEW OF LITERATURE

Chapter Outline

Introduction

Conceptual Framework

Review of Previous Research and Studies

The introductory chapter has given the brief introduction, performance, problems of issue managers. Now, in this chapter, the focus has been made to review of literature relevant to the problems and prospects of issue manager. Every possible effort has been made to grasp knowledge and information that is available from libraries, concern issue managers, financial institutions, concern sections and other information bureaus. This chapter helps to take adequate feedback to broaden the information based and input to this study. Conceptual frame work given by different authors, research scholars etc in this chapter is reviewed from books, annual reports, articles and news paper etc.

Introduction

Securities play crucial role for circulating funds for developing sectors. For the Nepalese prospect, most of the citizens are not aware about “securities” and the associated feedback from them. For floating the securities, issue managers are the mediators for initial public offering, right offering and different securities i.e. preference share, debenture, etc. Thus, the issue managers play vital for the financial management of the company through providing various services. The services or the services associated mainly with the issue managers are Advisory, Administrative, Underwriting, and distribution services.

Review of Literature is main parts of the research, studies, thesis, etc. The basic study of this thesis is to obtain the real stature of issue managers of Nepal, and take adequate feedback to broaden the information based on available information are inputs. The former is the conceptual framework that deals about securities, investment, markets, placement mechanism, meaning, and nature of issue manager, legal provisions, regulating agencies. The latter reviews the research, works, books, journals, articles, and the studies about the securities and securities market, issue managing activities on Nepalese perspective with some description about issue managers working for Nepalese securities market as a mediator of the transactions held.

2.1 Conceptual Framework

2.1.1 Investment

Invest means sacrifice of rupees and resources for the prosperous future. Every section saves their small part of their income for securing their future. If there saving will not exit then the investing on matters will be deficit. Invest in the board sense is investment. It is commitment of the money and other resources that are expected to generate additional money and resources in future. Such commitment takes place in the present and outcomes come in the future and always remain uncertain. On this commitment there entitles some degree of risk i.e.: liquidity risk, default risk, interest rate risk, management risk, political risk, purchasing power risk, etc. Thus the passive investors, risk averter, who does not want to bear risk then they will invest their funds on real assets i.e. ornaments, building, land etc, saving on financial institutions, banks as a deposit etc. Where the aggressive investors risk bearer investors want bear risk as a result “where the risk there the return” and they invest their funds on financial instruments or assets.

Through out developing country, there are not healthy stock markets, organized securities exchanges, rules and regulations, and public awareness with regard to the investment on financial assets. Thus, the most of funds are stocked as stocks in the money market. The minimum returns as a bank interest rate leads the fund to be flown on money market for high return. If the awareness about securities and the associated returned are brought over every section then the micro level investors’ would also have been encouraged

investing on financial assets that can access the magnification of all markets constraint to subject.

On Nepalese prospective most of the investors are investing their interest over real assets apparent as palace, land, building, factories, gold, ornaments, etc. Investment on fixed assets. Due to security, most of investors are depositing their funds on financial institution, co-operatives, banks etc.

Our study focused on investment deals with investing on financial instruments. For which the public awareness about invest on liquid assets, electrified stock exchange system, trading floor of securities should be establish in different places. To devote for investing on financial instruments, the rules regulation, educational policy, awareness programmed, etc should be maintain on different ways i.e. seminar, champion programs etc. Investment on financial instruments consists invest on shares, debenture, bond, treasury bills, commercial paper, preferred stock etc. To boost public beliefs for general investors the country should focus on establishing healthy securities exchange firms and securities exchange board should be maintaining the liquidity of financial instruments.

2.1.2 Securities

Securities are legal papers, which are able to exercise their rights as per the way they can define. These papers are the proof of the investors as well as the securities paper are the definition of the ownership, creditors of the specific company. A piece of paper representing the investors rights to certain prospects or property and the conditions under which he/she may exercise these rights. Investing on securities circulate the savings of micro level as well as macro level. On micro level savings are personal savings, financial institutional savings, co-operative' savings etc. On macro level, executive, brokerages firm, under-writing firms, companies, professional investors etc.

Securities create the primary market through initial public offerings by the company itself or through issue managers. On primary market, those financial instruments are trades that are firstly offers and the secondary market deals with already issued financial instruments. Securities means legal paper of investment on financial instruments thus securities are most important factor of capital market that leads to money market, financial market organize securities exchanges are the physical location where trading of securities is done with respect to pre-defined set of rules regulation of secondary market under the prevailing act, laws ,bye laws, etc. Generally, investors invest, purchase securities in the secondary market through the securities brokers.

Thus, Securities is a legal representation of rights to receive prospective future benefits under the stated conditions mentioned on the commitment. These pieces of paper serves as an evidence of invest on the specified firms, organization, company, etc. Share certificate, bond, commercial paper, preferred stock, treasury bill, debenture etc are certified paper of invest and these paper easily trade on secondary market are categorized or assumed as securities.

2.1.3 Markets

Market means the meeting point of demand and supply of the matter. In investment analysis, market refers the point of demanders and suppliers of the capital, money, funds. As well market can be defined as pre and post activities done for the trading, exchange of the specific matter. Thus market is exchanger point where the funds transferred based on commitment made through two or more than two parties such as between or among issuing company, issue managers, general investors, brokers, financial institutions, etc.

2.1.3.1 Financial Market

Financial Market provides a forum in which suppliers of loans an investment can transact business directly. The loans and investment of institutions are made with out the direct knowledge of the suppliers of funds, suppliers in the financial markets know where their funds are being lent or invested. The two key of financial markets are money and the capital market. Transactions in short term debt instruments, or marketable securities, take place in the money market. Long-term securities .i.e. stocks, bonds a re traded in the capital market. (Gitman, 1988:30)

The markets where loan and investment are trades are financial market. The loans and investment of institutions are made out the direct knowledge of suppliers of funds but they obtain knowledge about investors and creditors on indirect way. Thus, financial markets are those markets where the loan and investment can allowed. On Nepalese prospective, there are so many financial institutions, co-operatives, and banks, which are running smoothly. These sections are the provider of loan on financial market. The financial institutions interpret the investment proposal with the help of existing data and they will ready to provide loan if they recognize the section is good, best, if they recognize the section is worst , the investing fund will not return on certain duration they will not provide funds on financial market.

Financial intermediaries are organizations that issue financial claims against themselves and use the proceeds to purchase primarily the financial assets of other financial institutions activity participate in the money market and capital market, as both suppliers and demanders of funds. Thus, financial market is intermediaries that channel the saving of individual, business, and governments into loans or investment.

2.1.3.2 Money Market

Money market is that market in which financial assets with maturity of less then one year are brought and sold. Money market assets are financial assets that mature in less then one year. They usually pay lower interest sales than so longer-term capital assets because they offer the buyer more liquidity. (Colander, 1995:292)

Money market are usually thought of as those financial markets in which short term financial instruments , i.e. quick assets or near money items, with maturities up to one year are bought and sold . Moreover, money market is not a well-defined place, where business is

one at a define place, viz. stock exchanges. Because money market trading takes place through prompt communications, like telephone, telex, fax and screen with or with out the help of brokers to be follows subsequently by written documents and exchange of instruments. Money markets enable market participants to borrow or lend liquid assets and there by meet needs for cash or investment of cash. While the configuration of money market may vary from on country to another, what ever their format, money market are the mechanism allowing a variety of participants to meet a wide range of liquidity objectives in any economy. Basically money market compares of the commercial banks, securities houses, accepting houses, merchant banks, discount houses, big corporate houses, mutual funds and bill brokers. The large number of participants makes the money market deeper the higher availability of the desired instrument offer the better pricing. The money market helps participants in covering their funs position arising out of their customer transactions in increasing their profitability by trading in the instruments available. (Mirmire,vo212, 2003:322)

The money market creates by a financial relationship between suppliers and demanders of short-term funds, which have maturities of one year or less. The money market is not, an actual organization housed in some central location, such as stock market. Most money market transactions made in marketable securities, which are short-term debt instruments such as treasury bills, commercial paper, and negotiable certificates of deposit issue, by government, business and financial institutions, respectively. The money market exists because certain individuals, businesses, governments an financial institutions have temporarily idle funds that they wish to place in some type of liquid assets or short term, interest earning instruments. At the same time, other individual, businesses, governments and financial institutions find themselves in need of seasonal or temporary financing. The money market thus brings together those suppliers and demanders of short-term liquid funds.

A number of stock brokerage firms purchase various money market instruments for resale to customers or investors. If a brokerage firm does not have an instruments that a customer or investor has demanded, it will attempt to acquire it. In addition, financial instruments such as banks and mutual funds purchase money market instruments for their portfolios to provide attractive returns on their customer deposits and share purchase. When firm, individual investors want to purchaser a certain marketable securities they call its bank known as dealer or directly go to government securities dealer, an institution that purchase for resale various government securities and other market instruments. Regardless of whether a business or government is issuing many market instrument6s or purchasing a money market instruments, demanders and suppliers respectively must go directly to another party or use a middleman\person such as commercial bank, government security dealer, and brokerage firm, to make a transaction. Individual wishing to purchase marketable securities generally must go through a dealer firm. The secondary market for marketable securities is no different from the primary market with respect the basic transaction that is made.

The key participants in the money market are individual, businesses, government a financial institutions. On case of large amount investment, certain banks and stock brokerage firms will break down marketable securities to make them available in smaller

denominations. Individual sell marketable securities in the money market not as issuers but to liquidate the securities prior to maturity. Individual do not issue marketable securities.

Government, financial institutions, business firms buy and sell marketable securities. They may be the primary issuer, or they may sell securities they have purchase and wish to liquidate prior to maturity therefore they may act as primary or secondary seller or purchaser of marketable securities. Some financial institutions purchase marketable securities from money market for re sale or short term invest as well as executive, governments, bankers, dealers purchase marketable securities for solely earning on temporarily idle funds.

Thus, the money market is an organized exchange on which suppliers and demanders of short-term funds make marketable security transaction. The money market creates by a financial relationship between suppliers and demanders of short-term funds, which have maturities of one year or less.

2.1.3.3 Capital Market

The funds that can circulate for a long period can define as capital and capital is the main basis of the corporations, firms, business, organization. None of the firm has sufficient funds to obtain their mission, objectives and goals in long period as a situation. Every organization wants to extend their firms according to the time series but there the scarcity of funds create so the perfect nation always develop the financial instruments for raising such funds for the long period. Place from where finance raise by organizations for meting their requirement of long-term funds for new project, expansion programs, modernization, long-term working capital needs and for various purpose can be define as capital market. Organisation requires long-term funds and capital market creates funds for organization through mobilising savings of individuals, business firms, and professional investors, brokerage firms as investment in shares, debenture, bonds, unit of mutual funds and other financial instruments, which ultimately deployed for productive purposes in various sectors of the economy. A place where long term lending and borrowing takes place known as capital market. The capital market is the market for long-term loans and equity capital. Companies' and government can raise funds for long term investment via capital market. The capital market includes the stock market, bond market, and the primary market. The government monitors securities trading on organized capital markets: new issuance are approved by authorities of financial supervision and monitored by participating banks.

To raise long term funds the issuer company should maintain the optimal capital structure, on such situation what kinds of securities should issue for the optimal capital structure that is difficult task and a perfect or brilliant financial manager creates perfect portfolio of capital structure for issue to raise require funds. On this process the company should publish their financial statement, name of board of directors, approved paper of authorised section, background of the company on the daily newspaper. On this period issue manage provides the services of issuing securities on the minimum cost. Thus organized securities board, issue manager plays active role on capital market for raising long term funds. Capital market mobilises funds perfectly of individual investor, professional investors,

financial institutions, personal savings, co-operatives reserve funds, insurance companies funds which boost for the healthy economic condition of nation. Such sector invest their funds on securities and securities will be promoted through the combinations arrangement of organised securities exchange, financial market and security market, issue manager, issuing company, etc. Thus on perfect capital market perfect company can easily raised their require funds.

“The capital market is a financial relationship create by a number of institutions and arrangements thaw allows the suppliers an demanders of long term funds, funds with maturities of more than one year to make transactions. Include among long term funs are securities issues of business and government. The backbone of the capital market formed by the various securities exchange that provides a forum for the debt and equity transactions. The smooth functioning of the capital market, which is enhancing through the activities issue managers, is important to the long run growth of business.” (L.J. Gitman,)

“The financial market, which employed for long term or more than one year, is capital market. In this market, saving and loan employed more then one year.” (Mirmire, Vol. 196:155)

The long-term commitments of lending and borrowing takes place at specific location of expanding financial figure for long terms funds between the issuer company and the investors. Thus, capital market includes rules, regulation customs and practices that control the organisation and control of securities business in the market, individuals and institutions, which buy and sell securities and activities relating to the organisation, distribution and trading of securities.

2.1.3.4 Security Market

Security market can be defined as a mechanism for bringing together buyers and sellers of financial instruments in order to facilitate trading. One of its main function is “price discovery” that is to cause security prices to reflect currently available information. The more quickly and accurately price discovery is achieved, more efficient the financial market will direct capital to the most productive opportunities, there by lending for greater improvement to public welfare. Secondary securities market involves the trading of financial assets that were issued at previous point of time.

“Security market sets a price for the securities it trades and makes it easy for people to trade them. Securities market facilities the sale and the resale of transferable securities. The security market can be defined as a mechanism for bringing together buyer and sellers of financial assets to facilitate trading. The market in which new securities are sale is primary market and the market in which existing securities are resale is secondary market. Secondary markets are creating by brokers, dealers and the market makers. Broker bring buyer and seller together with themselves actually buying or selling; dealers set price at which they

themselves are ready to buy and sell (bid and ask price respectively). Broker and dealer come together organized market or in stock exchange.” L.J. Gitman, 1992

A market should provide accurate information with the aid of price and volume of past transactions, and current supply and demand clearly, there should be rapid dissemination of this information. Adequate liquidity is desirable so that participants may buy and sell their goods and services rapidly, at a price reflecting the supply and demand. The cost of transferring ownership and intermediary commissions should be low. Finally, the prevailing price should reflect all information. Securities market can be classified in their nature:

-) Basis of nature of claim: debt and equity market,
-) Basis of maturity of claim: money, financial, capital market,
-) Basis of seasoning of claim: primary and secondary market,
-) Basis of immediate delivery or future delivery: cash or spot and derivative market
-) Basis of organisational structure: auction, over the counter (OTC) and intermediated marketed

Securities are trades in a market calls securities markets. Although, securities market are concerned in few location, they refer more to mechanism, rather than to place, designed to facilitate the exchanger of securities by bringing buyers and sellers of securities together. In other words, people organisations wanting to borrow money are bringing together with those having surplus funds in the securities markets. Securities, such as equities, short and long term debt instruments, derivatives etc are the products that are traded in the markets, institutions such as issue managers and security firms, securities issuing institutions such as government and corporate bodies and the participations of the securities markets. Securities market major function is to provide line between saving and investment there by facilitating the creation of new wealth.

Ultimately, security market is a mechanism bringing together buyers and sellers of financial instruments in order to facilitate trading or security market is a place where securities are brought and sold to facilitate prospective investors or people engaged in such transactions. With regard to the demand and availability of securities to be traded and the willingness of buyers and sellers to reach agreement to made transaction.

2.1.3.5 Secondary Market

Where the already issued securities trades that market can define as secondary market. On secondary, market the price of securities trades at market price, which depends on the issuing companies' performance, financial statement analysis. Thus those companies which are running healthy on their specific field, providing returns to their investors, strong financial statement, having companies market price will be high consequently smoothly running and worst running. For trades, the securities organized securities exchanges are the physical location where trading of securities is done under the set of rules and regulations. Investors usually purchase securities in secondary market by calling brokers, commission brokers, floor brokers, dealers. It provides liquidity of securities on secondary market and the healthy mechanism of trading help investors the behalf of securities investment. In the

secondary market investors buy and sell securities themselves, the issuer never gets any cash flow from the secondary trades.

Secondary market is market for existing asset, which are currently traded between investors. These markets creates the price and allow for liquidity. If secondary markets did not exist, investors would have no place to sell their assets. Without liquidity, many people would not invest at all.(Hirt et. Al.: cit: 18)

“Typically, an investor who purchase share of a unit investment trust need not required to hold financial instruments for the entire life of the securities. Instead the shares usually can be sold in secondary market which price determine on the basis of bid prices for the instruments in the portfolio; That is the market value of the securities in the portfolio is determined using dealers bid quotations. On those transactions, the registration number and licence should obtain to formulate and made transactions of securities. Determine the share price through bid price or the price of share out standing to obtain the net assets value per share. Having determine the per share price the trustee may sell one or more securities to rise the require funds for the repurchase. Alternatively, it is possible that the sponsor of the trust maintains a secondary market. In this situation, investors can sell their shares back the sponsor. Afterward other investors can purchase these shares. Typically the sponsors’ selling p[rice in the secondary market is equal to the net assets value of the securities in the portfolio based on dealers asked prices plus a mark up charge equal to that in effect at the time the trust was create.” (Sharpe, Alexander, Bailey,)

Thus, secondary markets are those markets of stocks and debt, where securities traded which was already issued. On these situation securities, trades as market price and the sales proceeds will obtain by the owner of securities. It is important for providing efficient securities transactions, liquidity of financial instruments.

This study is mainly focuses on the issue managing so it deals with the mechanism of issue managing activities incurred in raising funds from the primary market.

2.1.3.6 Primary Market

Primary transactions are normally effected through the issuance of short and long – term bonds and other debt instruments are through the issuance of common and preferred stock.

Securities available for the first time are offered through primary securities markets. The issuer may be a bran new company or one that has been in business for many years. The securities offered might be a new type for the issuer or additional amounts of s security used frequently in the post.

Primary market are those market where the firstly issue securities are traded. Most of the companies start the business on their own money when the business require funs then they especially converted their business towards public corporation and issue different financial instrument to fulfil the requirement to invest on new proposal. A primary market

funds raised through motivating the individuals. Potential investors to invest their funds on newly issued securities and the organised securities exchange protect the investors invest interest. On monitoring process the issuing company deals the firms performance and issue manager promotes such securities towards general people, investors. Primary market is the place where corporations and the government issue new securities. All securities weather in money market, capital markets are initially introduce on the primary market. When a firm issue securities firstly that trades on primary market or they initially initiated in the primary market and after listing on organised securities board that securities trades on secondary market. Thus for creation of secondary market, primary market is essential. The market in which the company or issuer firm, government is directly involved in the transactions and received direct benefit from an issue, the company actually receives the proceeds from the sale of financial instruments. The securities begin to trade among individual investor, businesses government, financial institutions, savers and investors that securities become part of the secondary market.

The original issuance or sale of securities flow the funds of investors, which that market can be, define as primary market. Issuer receives cash from original issue and that invest that funds on the productive sector i.e. expansion of firm, new proposal, redemption proceeds etc. Perfect and healthy primary market is essential for the expansion and development of corporations. Initial public offering takes place on primary market and issue manager monitor those securities for general public investors. Through the receiving funds which are pre determine on the commitment between concern sections i.e. issuing company, issue manager, organised securities exchange, acts, laws etc.

Those financial instruments firstly announces on the primary market. It can be stocks, debt, short-term instruments etc. Stock refers the ownership of the specific firm with specific rights entitled on the firms memorandum i.e. share certificate on which all the terms and conditions are mentioned, debt means which has certain maturity period, certain rate of returned. Ultimately market from which corporations raise funds or a new capital are known as primary market Thus primary market basically concerned the accumulation of funds for the business organisations .On this accumulation issuer company generally offers with the general investors with the help of issue manager.

The origins of the Nepalese stock market can be traced back more than seventy years, but the capital market was given a proper structure only in 1993. It immediately attracted the interest of retail investors. Nevertheless, size and maturity keep pace with the growth of the private sector. During the past nine years, whenever corporate bodies offered stocks in the primary market there is an overwhelming response from the retail investors. Almost every public issue has been oversubscribed. In the fiscal year 2057/058, one of the finance companies ordinary shares has been oversubscribed for more that 47 times. It has been attributed that the insufficient knowledge of retail investors about the securities market rather than the development of market in the true sense. The declining interest rate of deposits through out commercial banks due to slow down in the economic activities has commenced the current security situation as other reason for oversubscribing the initial issues.

The oversubscribing shows that there is no lack of liquidity in the economy at present. It is also evident from the fact that Nepal Rastra Bank is able to raise money at negative real interest rates. Nevertheless, there are not enough public issues to meet the demand of most of the retail investors. At the same time, the performance of the companies which have gone to public for raising capital are not able to meet the expectations of the investors in the sense that they are unable to profile a minimum acceptable rate of return to the investors, except in the case of companies working as banking and finance sector.

2.1.3.7 Primary Market Instruments

According to the optimal portfolio of capital structure management the companies offers the financial instrument or securities. The corporate bodies always consider about dilution of control, maintain operating flexibility and theirs new cost of capital and form the instrument that will maintain the low cost of capital that kinds of instruments will be offers. Thus according to the issuer and the market existing different types of instrument can offer in the primary market.

After the establishment of securities board, Nepal in 1993, the Nepalese Corporate bodies to raise capital from primary market have used the following instruments.

-) Common stock (New issue and Right issue)
-) Preferred stock
-) Debenture
-) Mutual fund
-) Unit scheme

i. Common stock/equity offering:

Common stock offerings are a long-term perpetual source of financing of awn organization. The funds raised from equity means that the legal paper, share certificate holder has a equal rights on equal propionates of the certificate of ownership. Common stock also known as equity capital, common stock, share certificate, etc. It is the first source of funds in any type of organization and to go public organization. The equity supports the company for investing on the long period proposal, investment. These types of securities have variable income and it holds uncertainty return. If the issuer earns profit then these instrument holder gets return. Thus on the view of risk and return these kinds of securities has uncertain risk and return. After purchasing this financial instrument it can trades on the secondary market easily but what will be the price that depends upon the performance of the issuer organization.

These offerings are entitles various rights to the holders or the buyers of the securities offerings and ownership or stake on the equity of the issuing company. Entitles different rights are: taking participation and voting rights on the general and annual meetings of the organization an have the rights to control the management of the company prescribed by the organization charter, rights of selling share certificate, transfer the ownership, receives returns of the organization on the form of cash dividend, stock dividend, bonus share, etc,

preemptive rights to purchase any additional shares issued by companies before they are offered in the public, to amend the corporate charter, to inspect the corporate financial statements and books, taking participation on the decision of the organization, in the event of winding up, liquidation, bankruptcy of the organization, equity share capital can claim after repayment of the claims of all the creditors and preference shareholder.

Common shares represent the ownership position in a company. The holders of common shares, called shareholder or stockholders, are the legal owners of the company. Common shares are the source of permanent capital since they do not have a maturity date. For the capital contributed by shareholders by purchasing common shares, they are entitled for dividends. The amount or rate of dividend is not fixed; the company's board of directors decides it.

Common stock is a security representing the residual ownership of a corporation. It guarantees only the right to participate in sharing the earning of the firm if the firm is profitable. Common shareholder usually has the additional right to vote at stockholders meeting on issues affecting fundamentals policies of the corporation. In addition, the shareholders have the right to elect the members of the board of directors, the right to inspect the firm's books (only for the legitimate purpose of evaluating the performance of management), and the right to obtain a list of the names and address of other shareholders.

When investors buy common stock, they receive certificates of the ownership proof of their part as owners of the firm. The certificate states the number of shares purchased and their par value. The firm's common shareholders are entitled to receive dividends, when the board of directors declares them. Dividends are a share of the profits, which are distributed among all the outstanding shares of common stock. The dividend varies with the performance of the company and the amount of cash available. If the firm needs the cash for expansion or if business is poor, the dividend may be omitted or a non-cash dividend may be declared. Common stock holders have other rights. They may transfer their ownership by selling their stock without the consent of the corporation. They are entitled to share in the proceeds of liquidation, but they have the last claim on assets after the liabilities, bondholders, and preferred stockholders have been paid. They have the right to maintain their share of earnings and assets by purchasing proportionate amounts of future stock offerings, unless such right has been waived. Those are called a preemptive right.

Common stock is the most preferred instrument of Nepalese corporate bodies. During the past 16 years out of 1342 total transactions trades on primary market 159 issues were common stock. it is 46.49% of the total capital raised from the primary market.

ii) Preference shares/ preferred stock offering

The securities which has certain duration/maturity, certain and limited rights, certain rate of return on stocks are preference share. Preference shares are securities that combines feature of both fixed income instruments (bonds/debenture) and variable income instrument

(equity/common stock). Therefore, it are also known as hybrid instrument/securities. Preference shares provide a specific dividends and that is paid before any dividends were paid to common stockholders, after interest paid to the creditors of the company takes precedence over common stock in the event of winding up, liquidation. Preference stock represents partial ownership in a company but they has not rights of voting and taking participations in the meeting like common stockholders. It pays a fixed dividend that does not fluctuate, although the company does not have to pay dividend if it lacks the financial ability to do so that which will be already mentioned on the commitment done by the issuer company. According to the commitment, preference stocks get their dividends and if the market rate of return is less than prescribed rate on such situation, organization can redeemed such preference shares for maintaining optimal capital structure. The main benefit to owing preferred stock is that, the investor has a greater claim on the organization assets then common stock holders, preference shares holders always receive their returns (dividend) and principle before the equity holders on the case of closing company. According to the feature commitment in the organization charter, preference shares can use theirs rights.

Ultimately, that capital which has certain feature of both debt and stocks are preference shares. Obtaining control over the organization, the stakeholders prefer preference shares and they are entitled to rights of receiving the dividend as a return of investment during the life spawn of securities made on the company charter. Commitment made between issuer and holder, rights of receiving the principle and dividend before the common stockholders on the event of winding up, liquidation and bankrupts exercise their rights, which entitle on the org charter, etc. According to feature consists it can classify on different types: cumulative and non-cumulative, redeemable and perpetual, adjustable rate, convertible and nonconvertible and participating and nonparticipating.

Preferred stock is a source of capital that is part of the stockholders equity. It has a lower claim priority than the firm's debt but a higher priority than its common stock. Other types of securities available in Nepal are preferred stock. Preferred stock is a security, which is accorded certain preferential treatment over common stock. Preferred stock represents equity of a corporation, but it is different from common stock because it has preference over common stock in payment of dividends and in the assets of the corporation in the event of liquidation.

During the last 16 year, the number of preferred stock offered to the public was only 4 out of 342 thus from the issue wise only 1.17% of the issue was found. From the amount raised only 1.57% of the total capital raised from the primary market.

iii) Bonds/debt offering

Securities which entitles certain rate of return, maturity period and different provision made through commitment are debt offering. A debt offering includes debenture, bonds, and any other instruments of a company, whether constituting a charge on the assets of the company or not. Debenture is documents that either creates a debt or acknowledge it, and any document, which fulfills either of these conditions, is debenture. The holder of such paper is creditors of the issuer company. Generally, they do commitment for the certain return, certain

duration and certain terms and conditions. Company issues such kinds of securities to make control over the specific company but these kinds of securities issuing have high risk than the stock offering. If the issuer will not be able to pay return and principle on certain phase, the holders can move towards winding up of company through the help of registered office. On issuing phase the issuer company has to register in the relating offices and according to the companies' performance, goodwill; well known, reputed they can mortgage their own assets. The debt market consists under the company's reputation existing in the securities and capital market.

Debt holder obtains the debt certificate paper, as they are creditors the creditors of that company. Debt are fixed income instrument so the issuer company, organization always aware about these, due to on certain period company has to pay regular return for certain phase and principles of creditors so the company should reserve from every year's earnings and transfer funds on return and redeemed reserves. Thus debt are long term source of financing to an issuer. The company should analyze themselves for using debt as compared to the other sources of company. On using debt, the issue company should prepare about risk associated of debt.

Generally it is issued by the organization or government bodies for raising long term funds and is in the form of a certificate of indebtedness, it usually specifies the rate of return (coupon rate), maturity period/date (redemption date) which entitles on the certificate issue by the company. If there are adjusted call provisions, warrants it should specify on the commitment paper and the certificate, it generally creates a charge on the undertaking of the company, it is fixed income securities.

A debenture is an acknowledgement of a debt given under the seal of a company and containing a contract for the repayment of the principal sum at specified date and for the payment of interest (usually half yearly) at a fixed rate percent. Bond or debenture is a long-term debt instrument. Bond is a long-term promissory note issued by a business or governmental unit. Bond has more default risk than government bonds and it has more return too.

A corporate debenture is a security representing a long-term promise to pay a certain sum of money at a certain time or over the course of the loan, with a fixed rate of interest payable of the debenture. Debenture has significant place in corporate finance. It enables to have funds without sharing control with the holders of the security. It may be unsecured or secured, convertible or non-convertible. Debentures are general obligations of the issuing corporation and thus represent unsecured credit. To protect the holders of such bonds, the indenture will usually limit the future issuance of secured debt as well as any additional unsecured debt.

Debenture as a debt security is given different names in different countries. In United Kingdom and India, the term "debenture" is common, but in the United States, the popular term is "bond." In Nepal, the term is generally referred to as debenture. Typical debt securities are called 'notes', 'debentures', or 'bond.' According to the feature consists it can

categorized; secured and unsecured, redeemable and perpetual, convertibles and nonconvertible.

During the last 16 years, the number of debenture offered to the public was only 12 out of 342, thus, from the issue wise only 3.51% of the issue was found. From the amount raised only 15.28% of total capital raised from the primary market.

iv) Mutual funds

With the objective of providing expert investment services, NCM first Mutual Fund, 1993, and open-ended fund with a par value of Rs. 10.00 per unit was brought into operation by NIDC Capital Markets Ltd, in the year 1993. After two years of its introduction, its buying and selling was stopped due to excessive selling pressure. In order to revive the fund and provide liquidity, by the end of fiscal year 1999/00, the fund was in operation in the market with per unit Net Asset Value (NAV) of Rs. 22.15 (mid June 2001). Nepal Industrial Development Corporation is acting as a management company and NIDC Capital Markets Ltd. as a custodian and trustee company of the fund. The fund was matured in mid July 2001.

SEBON approved for the operation of NCM Mutual fund, 2002 in the fiscal year 2002/2003. The total amount of the mutual fund is Rs 100.00 million. It is close-ended fund and its maturity period is 10 years. Each units of the fund has a par value of Rs 10. The scheme is listed in the stock exchange. NIDC Capital Markets Limited fund manager of the scheme and Nepal Industrial Development Corporation is the trustee. As per the provision made in the prospectus of the fund, NIDC Capital Market Limited, the fund manager, has been regularly reporting the performance of the fund to SEBON. As reported by NIDC Capital Markets Limited total investment of the fund reached Rs194.82 million by the end of the fiscal year 2007/2008 and the net asset value (NAV) increased to Rs.488.9 million. Total number of unit holders of the fund by the end of the fiscal year 2007/2008 was 2950 consisting of 2930 individual and 20 institutions. This fund hawed been listed in the stock exchange. The market price of each unit by the end of the fiscal year 2007/2008 was quoted at Rs.24.00. As per the reporting of the NIDC Capital Market Limited, Net Assets Value per unit of the fund is Rs. 48.89.

v) Unit scheme

With the objective of collecting the saving of small and medium investors, providing expert investment services and providing returns to them earned there on. SEBON had permitted Citizen Investment Trust(CIT) to operate the Citizen Unit Scheme in the fiscal year1994/1995 with a par value of Rs. 100 was brought into operation by Citizen Investment Trust in the year 1995. The scheme is in operation on income cum growth concept. It is an open –ended scheme and provides regular income in the form of divided to the unit holders. Citizen Investment Trust itself has been performing the function of selling purchasing unit of the scheme CIT has been regularly reporting SEBON on the performance of the scheme. As reported by CIT, by the end of the fiscal year 2007/2008, it sold units amounting to Rs.

1984.1 million and repurchased the units amounting to Rs. 1204.3 million. By the end of this fiscal year, its total investment was 798.3 million and profit of the scheme in this fiscal year was Rs.49.1 million. The total numbers of participants of the scheme reached 2436 where individual are 2326 and institutional are 100. In the fiscal year the scheme distributed 15 percent dividend to its unit holders.

vi) Warrants/Convertibles

Warrants are an option based financial instrument. It can be define as an option to purchase a specified number of shares of common stock or equity at a state price and time. These are use s sweeteners in bonds or preferred stock for easily sale all the securities issue. It normally attaché to a bonds and preference shares gives rights to the holder to obtain equity shares specified in the warrant after the expiry of a certain period at a price not exceeding the cap price specified. When the holder exercise warrants they surrender the warrants awn receive equity shares an warrants convert s into shares of issuing company and total number of shares out standing also increase but amount of total capital remains constant. These can categories based on their negotiable feature. The tradable and negotiable instrument and it is also listed on the stock exchange. According to attachable, it cans categories into two groups: bond with warrants and preference share with warrants.

Nepalese capital market there is so less alternatives to the investors on the primary market. Various investment alternatives are available; common stock, government bonds, corporate bonds, preference share, debenture, rights, option, warrants, convertibles etc but few are available in Nepal's' capital market.. Nepalese capital markets most part is observe by equity.

In Nepal raising of capital though public issue of common stock started about seventy years back, its actual development started only after the establishment of securities Board Nepal, and Nepal Stock Exchange Limited in 1993. During the past sixteen years Companies in sectors such at banking, finance, insurance, hotel, aviation, manufacturing and processing, trading, etc. have been able to raise capital through public issues of stock. However, the most of the capital mobilization goes to banking, finance and manufacturing and processing sector. On Fiscal Year 2008/2009 Everest Bank Limited has issue convertible preference share of duration of 15 years.

In the current context of liberal economic policy by government of Nepal, there are opportunities for domestic as well as foreign investors to invest in infrastructure project such as hydropower, communication, constructions etc. the experience in primary market shows that it is possible to raise long-term fund required for these project through public issues. However, the companies in these sectors have not used any of the capital market instruments for raising funds from primary market yet.

2.1.3.8 Primary Market in Nepal

The origins of the Nepalese stock market can be traced back more than seventy years, but the capital market was given a proper structure only in year 1993. It immediately attracted the interest of retail investors. Nevertheless, in size and maturity is not kept pace with the growth of the private sector.

During the past thirteen years, whenever corporate bodies offered stocks in the primary market there is an overwhelming response from the retail investors. Almost every public issue has been oversubscribed. This can be attributed to the insufficient knowledge of retail investors about the securities market rather than the development of market in the true sense. The declining interest rate of deposits in the commercial banks due to the slow down in the economic activities as the result of current security situation in the other reason for oversubscribing the initial issues.

The oversubscribing shows that there is no lack of liquidity in the economy at present. It is also obvious from the fact that Nepal Rastra Bank is able to raise money at negative real interest rates. However, there are not enough public issues to meet the demand of most of the retail investors. At the same time, the performance of the companies which have gone to public for raising capital are not able to meet the expectations of the investors in the sense that they are unable to profile a minimum acceptable rate of return to the investors, except in the case of companies in banking and finance sector.

2.1.4 Placement Mechanism

The sections, which are involving in the issue of financial instrument in primary market, can be described as placement mechanism. That section plays vital role on issuing instrument and due to their efforts, the market can move efficiently as well as primary market and capital market. The term involving on this phase can be illustrated as their respective feature and function they organized. When the firm requires funds they analysis their financial statement and optimal capital structure and they will decide what kinds of instrument have to flow in the primary market to ascend require funds. On these phase different concerns section will involved and those sections are trading or placement mechanism.

The initial stage of securities is placement; it occurs on the primary market on the respective price offer by the company and placed securities trades on the secondary market at the market price. The placement successes then the company can raise adequate funds and if the placement becomes unsuccessful, it created disintermediation. Disintermediation means the creation of inefficient market; financial intermediation cannot make success of offering. Thus, placement should do under the analysis of the costs and efficiency of existing market.

2.1.4.1 Private placement

“Primary offerings can also be sold in a private placement rather than a public offering. In this case, the firm sales shares directly to a small group of institutional or wealthy investors. Private placements can be cheaper than public offerings. Private placements are not made available to the general public, they generally will be less suited for the very large offerings. Moreover, private placements do not trade in secondary market such as stock exchanges. They generally reduces their liquidity and presumably reduces the prices that investors will pay tort h issue.” (Investment1999 Bodie, Kane, Marcus)

“Investment banking services are typically performed by brokerage firms and to a limited extend by commercial banks. In some instances, only a few large institutional investors are solicited, and the entire issue is sold to one or a few of them. Indeed such private placements are often announced only after the fact, via advertisements in the financial press. Along a relatively few potential buyers are contracted, requirements for detailed disclosure. Securities exchange commission registration, public notice an so on may be waived, considerably reducing the cost of floating an issue. However, such investments are illiquid because the investor is typically prohibited from selling the security with in one year of the purchase date. The restrictions have resulted in relatively few equities being sold in this manner. Instead, most private placement involve fixed income securities that are purchase by investors who are attracted by their coupon payments, not by the prospect of capital gains”.

(Investment 6th W.F. Sharpe, G.J. Alexander, J.V. Balley)

2.1.4.2 Public sale/ offering

When public sale is contemplate, much more must be done than with private placements. Many firms may serve as intermediaries in this process. One acting as the lead investment banker/issue manager will put together a syndicate and a selling group. The syndicate includes firms that purchase the securities from the issuing corporation and are thus said to underwrite of offering. The selling group includes firms that contact potential buyers and do the actual selling, usually on a commission basis. The process begins with discussion between the issuing company, corporation and one or more investment banker/issue managers. Some issuer utilize competitive bidding, them select the investment banker offering the best overall terms. However many corporation maintain a continuing relationship with as single investment banker and negotiable, the terms of each mew offering with that firm. The issue manager is likely to be heavily involved in the planning of an offering, the terms involved, the amount to be offered, and so pun, serving in effect, as a financial consultant to the corporation.

Basic characteristics of an offering have been established a registration statement is filed with the securities exchange commission and a preliminary prospectus disclosing material relevant to the prospective buyer is issued. The actual price of the security is not included in the preliminary prospectus and no final sales may be made until the registration because effective an a final prospectus is issued, indicating the offer price at which the stock will be sold. The final prospectus may be issued as soon as, according to the rules of securities exchange commission. A security issue may be completely underwritten by an investment banker and the other number of the syndicate. The underwriters in turn, sell the securities at the public offering price and may buy some of securities themselves.

Underwriters who provide this sort of firm commitment bear all the risk, because the public may not be willing to buy the entire issue. Not all agreements are of this type. In the case of right offering, an underwriter may agree to purchase at a fixed price all securities not taken by current stakeholders which can be define as stand by agreement. In the case of a no rights offerings, member of an issue managing, investment banking group may serve as agents instead of dealers, agreeing to handle an offering only on a best- effort basis.

During the period when new securities remain unsold, the issue manager is allowed to attempt to “stabilize” the price of securities in the secondary market by standing ready to make purchases at a particular price. There is a limit to the amount that can be purchase when engaged in such pegging, usually stated in the agreement order that the underwriting syndicate is informed, because the member typically shares the cost of such transaction. If there is to be any pegging, a statement to that effect must be included in the prospectus.

In the primary distribution, the explicit cost is the underwriting spread, and the implicit cost is any difference between the public offering price and the price that might have been obtained otherwise. The spread provides the investment banking syndicate with compensation for the issue and bearing the risk thaw t the issue may not be completely sold the public, there by leaving it with ownership of the unsold shares. The lower the public offering price, the smaller the risk that the issue will not be sold quickly at that price. If an issue is substantially under priced, the syndicate can be assured that the securities will sell rapidly, requiring little or no support in the secondary market. Because many corporations deal with only on investment banking / issue managing firm and because the larger issue managing, firms rely on one another for inclusion in syndicates. It has been alleging that issues pay too much in spreads, given the prices at which their securities were offers.

2.1.4.3 Initial Public Offering

“If the private firm us successful, usually the owners will want to take the company public with a sale of stock to outsiders. Often this prompted by venture capitalists, who wish to realize a cash return on their investment. In other situation, the founders simply want to establish a value, and liquidity, for their stock. Whatever the motivation, a decision is reached to become a public corporation. There are exceptions; some large , successful companies choose to remain private. The public company must confirm to securities exchange commission (SEC) requirements in having a board of director, disclosing sensitive information, having to employ certain accounting conventions, and incurring expenses as a public company not incurred by a private one. In addition, there is an investor fixation on quarterly earnings. At times this is a hindrance to management in trying to make long-term decisions. ”

(Financial Management policy 12th edition 02 James C. Van Horne)

An institution raises desire capital through issuing of financial instruments (common stock, preferred stock, bond, commercial paper, debenture, etc) on capital and primary market and shift in the direction of public companies by a process.

Company act 063 has specified, “The public issue process of any public company should be managed through the institution receiving authority from securities exchange board. Internationally, financial institutions with the merchant banking operations, manage the overall issue of any public limited company. Such institution managing the overall process of the public offerings is terms as an issue manager.”

Having no previous market or there is no stock price on benchmark the offering can success. Consequently, there is more uncertainty than there is public company sells additional stock. Empirical studies suggest that average initial public offerings are sold at a significant discount from the prices that prevail in the aftermarket. There may be an asymmetry in information between the company and the investment bankers/ issue managers and among investors who are informed in varying degree. When private firm issue or announces security issue, there may be an information effect that causes a stock primary market reaction. Subsequently public firms issue announces effect the price existing in the stock market. If the issue is under priced too much, the issue manager will lose potential futures issues: if too little potential investors. There are both informed and uninformed investors in initial public offerings. The informed investors will invest only in successful offerings where price of share subsequently raises. Yet some initial public offerings are unsuccessful and the investors lose the return. In the average uninformed invertors is to be drawn into the market, the average return to them must be positive and informed investors invest only in the goods deals.

The generalization is that the initial public stock offering will need to be significantly under price from what is believed to be its true value. Under price of stock is the main basis of admission to the public market. However, if reputation effects prevail, issue managers should motivate to seek a fair under pricing. Due to asymmetric information, however significant under pricing probably will be necessary to introduce stocks in stock market. Where as on subsequent public offering will not to be under priced as much due to benchmark price will exit on the stock market and there will be less uncertainty.

2.1.4.4 Underwriting

Agreement made for issuing the securities, which held between the issuing company and financial institutions that provides the services on the trading system.

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

Generally issue manager provide underwriting services for the issuer company, on this event there be a commitment between the issuer and issue manager. Underwriting includes purchase securities from issuers and resell them to the public, the resale price must be neither too high or too low and its include private placement where the issue manager acts as an intermediary in bringing together the issuer ands investors.

The Securities Regulation and Issue approval Guidelines 2000 has made mandatory provisions. “For those companies carrying out tourism, transport, trading and manufacturing relate business, to get the ordinary shares being issued to be underwritten from the registered securities business firms, in case of not making loan arrangement equivalent to at least 50 percent of its net worth from financial institutions or banks.”

The existing company act clues 28 sub clues 1 has specified “that in the event of the issuing securities less then 50 percent ,such securities should not be distribute to the general public”. Sub clues 2 has made provisions “ If the offering is not success on the specific duration the company should drop a reasoning application why it is not possible, on the register office then the office provides extra 3 month for making offering success.”

Thus underwriting is an agreement between the issuing company and a financial institutions like issue manager, merchant banker, brokers firms providing for their taking up financial instruments to the extend specified in the agreement between them. If the public does not subscribe it, the underwriting agreements ensure that the public issued what to do mention on the commitment. Those instruments can flow by using stand by underwriting. Generally, stand by underwriting occurs on right offerings. Underwriting provisions and relating information is to be mentioned in the prospectus.

On underwriting phase there, mainly two portions involve under the provisions made by the securities exchange commission rules and differing provisions made from nation to regulating the capital market and securities market and made such commitment between the issue managing section and issuer company. Under the underwriting functions of issue manager they contract with issuer company to create public invest towards the firm. On this period, issue manager should play as a role of lead underwriter and managing the underwriters and sub underwriters to make successful offering.

Ultimately underwriting involves the commitment about the cost occurring on the floating in capital market case of fully subscribed nor under subscribed ,how that settlement can make successful, and different terms and conditions occurs on the underwriting phase. On such phase lead underwriters and sub underwriters are powers to make success offerings and for those issue managers should maintain all those activities consist.

One who arranges the whole underwriting process for the issuing company with the help of many sub underwriters can be define as lead underwriter or lea issue manager. The issuing company and intermediaries should note that underwriting services contractual arrangement having financial commitment on the issuer and the underwriter. In the phase of identifying the perfect underwriters, the company should their past recorders of underwriting services and the background of the underwriters.

On Nepalese prospective underwriter, the issue managers accomplish services. Thus, issue manager should made contract among the sub issue-managing portion and the sub underwriters. Doing a perfect contract, the lead manager can allocate the consisting risk on existing market. In the event that issued instruments are not fully subscribed by general investors or public, the distribution of unsold shares to the underwriters would be responsible on the pro rata basis based on the number of shares committed by them on the contract made among them.

2.1.4.5 Issuing Company

Issuing company is the company raising funds from general public offering through the process of public offerings. The purpose of public offerings is for the collection of funds from general investors, a fund sufficient group, by the company as per its requirement of business activities. The company seeking for public offerings could be a completely new company offering initial public offerings, a new company set by the existing company or by an existing listed company.

As per the company act, only public companies are able to go for public offerings. The Act specifically states that private companies are not allowed to sell their shares and debenture in the free market. For public company issuing debenture, the reasons for such issue, project to be financed and its estimated budget along with the information about secured or naked nature of the debenture, need to be approved from the governing bodies.

Nepal Rastra Bank has made mandatory that financial institutions must go for common stock public offerings within a specified time of operation commencement. NRB has also set forth different minimum percentage of equity holding to be offered to the public shareholders. For commercial banks minimum shares to be held by public is thirty percentage; for finance company, it is forty percentage; for development bank it is minimum thirty percentage and maximum of fifty percentage. In the case of foreign participation, their equity holding would be arranged from the percentage allocated for the public. For finance companies, in the event of foreign participation, the minimum percentage to be allocated to the general public is twenty five percentage of paid-up capital. For other public companies such compliance to go into public offerings of equity holding are absent. For such companies, going into public signifies the need of funds for the company rather than the obligations. The provisions and conditions for securities registration and issue approval guidelines 2000 has set the guidelines that before going into public offerings, issuing company should take into considerations that,

If the issuing company is industrial institutions

-) The institution has bought the land or made provisions in which necessary infrastructure like factory; office building, storehouses etc are already built in or made necessary arrangements for it.
-) Necessary technology has been selected for which spare parts of machineries need have been bought. If not, letter of credit (LC) has been opened to buy the necessary technologies.
-) Estimate budget has been proposed for the project to be implemented for which if loans are required, such agreements are already made.
-) In the absence of long-term loan agreement, issue securities are underwritten.
-) Necessary approvals according to the existing acts have been taken.

If the issuing company is financial institutions

-) According to nature of the business, required infrastructures are installed.
-) Approval has been taken under the Company Ordinance 2063.
-) For commencing other activities, authority and approval from governing bodies based.

2.1.4.6 Issue Managers

Issue managers play an important role in helping firms raise long-term financing both debts and equity in the capital markets. It is the investment bankers' job to find buyers for new security issues. In order to raise money in the capital market, firms can make either private placement or public offering. Private placement involves the direct sale of a new security issue, typical debt or preferred stock, to an investor or a group of investors, such as an insurance company or pension fund. However, most firms raise money through a public offering of securities, this takes the form of non-exclusive issue of either bonds or stocks. In making a securities offering, whether public or private, most firms hire an issue manager to find buyers for new security issues.

The term investment bankers is somewhat misleading, because an investment banker is neither an investor nor a banker. Furthermore, s/he neither makes long-term investments nor guards the savings of others, only acting as a broker between the issuer and the buyers on primary and secondary markets. The investment banker purchases securities from corporations and governments and sells them to the public. In addition to bearing the risk of selling a security issue, investment bankers advise clients.

Due to the different opportunities that exist in the environment; the company's Board of Directors decides how much fund to be raised. It also decides whether to raise funds from private placement or public sale. In private placement, funds can be raised promptly with lower cost but the issue is big and the public sale can also be made at lower cost, if the issue has to be sold publicly, the firm should select an investment banker. In such a situation, the small issue may take responsibility of the issuer by itself, but the investment banker. If the issue is big, many investment banks make a syndicate and take responsibility of the issue jointly. The investment bank receives the new securities at a low price as far as possible and earns profit by selling to other investors. The investment banker may directly purchase securities with the issuing firms or may only guarantee the fixed price of the security. In both situations, the issue manager bears the risk of profit or loss that occurs in the security market.

Public offerings of both stocks and bonds typically are marketed by an issue manager who in the role is called an underwriter. More than one issue manager usually markets the securities. A lead firm forms an underwriting syndicate of other issue managers to share the responsibility for the stock issue. The issue manager advises the firms regarding the terms on which it should attempt to sell the securities. A preliminary registration statement must be filed with the Securities Exchange Commission (SEC) describing the issue and the prospects of the company. This preliminary prospectus is known as a red herring because of a statement printed in red that the company is not attempting to sell the security before the registration is approved, when the statement is finalized and approved by the Securities Exchange Commission, it is known as a prospectus. At this time, the price at which the securities will be offered to the public is announced.

In a typical underwriting arrangement, the issue manager purchases the securities from the issuing company and then resells them to the public. The issuing firm sells the securities to the underwriter for the public offering price less a spread that serves as compensation to the underwriters. This procedure is known as the firm's commitment. The underwriter receives the

issue and assumes the fall risk that the shares cannot in fact be sold to the public at the stipulated offering price. An alternative to firm commitment is the best efforts agreements. In this case, the investment banker/issue managers agree to help the firm to sell the issue to the public but do not actually purchase the securities. The issue manager simply acts as an intermediary between the public and the firm and thus does not bear the risk of being unable to resell purchased securities at the offering price. The best efforts procedure is more common for initial public offerings of common stock for which the appropriate share price is less certain.

Corporations engage issue managers either by negotiation or by competitive bidding. Negotiation is far more common. Besides being compensated by the spread between the purchase price and public offering price, an issue manager may receive shares of common stock or other securities of the firm.

Issue managers can provide more than just expertise to security issuers because issue managers are constantly in the market, assisting one firm to another to issue securities, the public knows that it is in the manager's interest to protect and maintain its reputation for honesty. The issue manager will suffer along with the investors if it turns out that securities it has underwritten have been marketed to the public with even optimistic or exaggerated claims, for the public will not be so trusting the next time that issue managers participate in a security or instrument sale. The issue manager's effectiveness and ability to command future business thus depends on the reputation it has established over time. Obviously, the economic incentive to maintain a trustworthy reputation is not nearly as strong for firms that plan to go to the securities market only once or very infrequently. Therefore, the issue manager can provide a certification role, a "seal of approval" to security issuers. Their investment in reputation is another type of scale economy that arises from frequent participation in the capital market.

2.1.4.7 Merchant Banker

Merchant Bankers are intermediaries in which they work as mediators in the fund mobilization from the general public to the business groups. The funds are raised from the hypothetical market that comprises widely spread funds, surplus groups, mainly the general public and the concentrated fund-deficient groups, mainly the business groups. Funds are raised under different tools, names that have long-term and short-term maturing periods. According to such maturity periods of the tools traded, the market is identified as capital market for long-term and money market for short-term tools to be traded.

The role of merchant bankers in this market is to help, create and expand securities underwriting, the secondary market for securities and money market. They also provide additional services in advising corporations and managing investment portfolios for the needing groups. The concept of merchant banking differs from other commercial and development banks in respect that they do not require large funds to be invested as a principle. Their sources of income or the service charges they charge to their clients for playing an intermediary role in the funds mobilizing and their advisory role. Typically, the activities of domestically oriented investment banks can be grouped under: leasing/ hire

purchase, venture capital, investment portfolio management services, corporate advisory services, the money market, secondary market for securities underwriting, other services (real state, insurance etc). In managing the public offerings comes under the heading of securities underwriting.

For the working of merchant banking, function in Nepal, Nepal Rastra Bank (NRB) has set forth the working guidelines. Guidelines have identified working of merchant banking into two set of functions. The first set is non-fund based and second set is funds based function. On funds based function it includes: bridging finance, underwriting, project finance, venture capital, acquisition and merger, etc and on non-funds based activities includes share issue management, mutual funds, portfolio management, corporate counseling, project counseling, debenture trusteeship, arranging international finance, investment advisor, advising corporate mergers, etc.

NRB has set the directives as for non-funds based activities of merchant banking for underwriting and for bridging finance, it is not necessary to take separate approval from NRB. However, for other funds based activities of merchant banking, it is necessary to take separate from NRB for different activities to be undertaken. Under the NRB directives of per clients' loans advancement and facility limit provision, such loan and facilities can be provided to a client up to: in the maximum of twenty-five percentage in fund based activities, in maximum of fifty percentage capital in non- funds based activities.

Specially the merchant banks provides the services such as issue manager, lead underwriter, register, transfer of shares, etc to other institutions.

2.1.4.8 Banker to Issue

Banker to issue is normally a commercial bank that provides the custodian service to the issuing company and keeps the subscription money. Banker to issue may or may not receive applications from the investors, issue acknowledgements for the same, and enter the application details in application schedules. It also involves in the process by realizing the proceeds of the cheques/draft, and issue final certificate to the issue manager for the number of applications and amount collected. Issuing company in consultation with the issue managers makes the appointment of banker to the issue. Generally, the banker to issue comprises the consortium of bankers providing working capital finance to the company; the banks providing underwriting assistance for the issue, the bank associated with the issue manager's own other banks that are regularly and efficiently handling public issue work.

The concept of bankers to the issue is yet to be developed in the market. However, all the country accepts application money as deposits of issue managers. Application money is deposited off as and when asked by issue managers. Primary issue guidelines issued by securities board clearly gives the directives to the issue managers that all the money should be kept under the custody of a commercial bank. Citizen Investment Trust in the only issue managers who keep application money in a commercial bank under the separate account. For example, application money for a public issue is kept in the name to "CIT-XYZ Company

Ltd- Amount collected in this account is deposited on only after the allotment of securities. Secondly, citizen Investment Trust introduced the system of receiving application forms from the investors along with application money through the help on Nepal Bank Ltd. later on this system was followed by Rastriya Banijya Bank Ltd. for rest of the other commercial banks, some of them are still reluctant to receive application forms. Thirdly, commercial banks are still reluctant to provide bankers to the issue service with their own initiative by obtaining membership of Nepal Stock Exchange and Securities Board for this no act, rules, by laws or directives defines the roles and responsibilities of banks in public issue cases. Fourthly, banks generally feel uncomforted with unwanted rush in their banks. In their opinion these things hampers in their normal commercial banking activities. On the other hand, very few of them think positive towards this that banks might have additional alternative of the short-term fund. Therefore, there should be change in concept and /or thinking of all commercial banks toward primary issue market. For this securities board should conduct periodic symposium, workshop, seminar and training programs for the officers of various levels. NRB can be proper channel authority to issue separate directives to the commercial banks.

2.1.4.9 Memorandum of underwriting/understanding

Generally, all commercial banks, finance companies and other financial institution can provide underwriting services and providing such services accordingly. However, the public issue being underwritten has become Herculean task. Almost banks, finance companies, and financials institution reluctant to underwrite the public issue since they feel that underwriting is most risky services. This type of reluctance has been strengthened more by some development cases. On the other hands, these exist some anomaly in underwriting concept between New Company Act and securities exchange regulation. Company act defines issue manager as underwriters a well. Secondly no acts and regulation clearly speaks about the qualification to be an underwriter that who can underwrite the public issue and who can not or whether banks finance companies and financial institution that member of Nepal Stock Exchange can provide the underwriting services that there will be always deficient fund/resources to meet the demand of underwriting. Thirdly, because of the insufficient resources and despite of the reluctance of commercial banks (who have enormous resources), issue manager are somehow managing the consortium of underwriting.

In the process of issuing securities to the public, besides issuing company, different intermediaries are involved. On different intermediaries will be manage by the lead issue manager. Memorandum of underwriting is the legal agreement made between issuing company and the issue manager where terms and conditions consists relating on the issue phase. This agreement states the terms and conditions in respect to the function and authority of the involved parties. Securities Issue and Issue Manager Directives,2054 ,7 has provide guidelines while going to agreements.

) Memorandum of understanding (MOU) between issuing company and the issue manager/lead managers: This is required as the Company Act requires securities issue process of any public company is to be done through the registered issue manager. This legal agreement between issuing company and issue manager specifics, terms and condition, responsibilities and the authorities of involved party.

-) Memorandum of understanding (MOU) between issue manager and underwriters; Except for the finance companies and manufacturing industries (except identified in Securities Exchange Directives 2055), all other public institutions, as per their respective directives, underwriting is mandatory.
-) Memorandum of understanding (MOU) between issue manager and the banker to the issue.
-) Memorandum of understanding (MOU) between issue manager and the collection centers.

Except for the Memorandum of understanding (MOU) between issuing company and the issue manager, other Memorandum of understanding (MOU) is to be signed by issue manager on behalf of issuing company with the notification and the consent of the issuing company. After sign Memorandum of understanding (MOU) between issuing company and issue manager and other sections involved on such phase, Company Act 2063 requires that copy of such agreements need to be submitted to Office of Register of Companies within seven days of such agreement made.

2.1.4.10 Prospects

All public limited companies who wish to offer securities to the general public are required to publish duly approved prospectus under new company act, 2063. And the directors are personally accountable for the matters contained in the prospectus. Preparation of the prospectus is guided by company act 2063 new issue guidelines of securities board and securities listing bylaws of the Nepal Stock Exchange. Company act 2063 have prescribed the format of the prospectus. Following 26 items are to be contained in the prospect.

-) Objectives of the company and main clauses Contained in the Memorandum and Article of Association are Available.
-) Minimum number of shares to be subscribed to be the director and salaries. Allowance of remuneration fixed or then.
-) Particulars regarding remuneration of prize paid or to be paid in cash to promoters of directors or directors of the company.
-) Arrangement regarding bonus shares.
-) Arrangement for reservation of shares of shareholders, employees of for any others.
-) Introduction of directors.
-) Reasons and justification if shares are to be sold at premium to general public.
-) Representation arrangement in board of directors from the general public.
-) Minimum number of shares to be subscribed and advance payment amount for the shares.
-) Reasons if loan has been raised by issuing debenture and number of debentures redeemed and outstanding loan amount.
-) Brokerage charges on shares and debentures.
-) Inherent economic risk factors in company activities.
-) Financial arrangement and net worth of the company after adjusting all the liabilities.

-) Name of the auditors and audit reports in any.
-) Time when allotment of shares is to be published.
-) Brokerages chares to be received by trust for being trustee for the transaction of securities, if any.
-) If shares are being under written particulars for the same and communion for the same.
-) If directors or promoters have any amount belonging in property purchased or to be purchased by the company, and the particulars regarding if promoter or company, the details of the same.
-) Name and address of the institution where securities are transacted.
-) Name of the shareholders who have subscribed more that five percent of issued capital.
-) Terms and condition for preference shareholders.
-) Other necessary things.

New issue guidelines of the securities board provides additional matters to be contained in the prospects.

2.1.4.11 Budget of issuance and Issue Commission

Budget for the issue is a provisional figure of expenses that is estimate to incur in the process of offerings either it may be initial or subsequent offerings. The budget occurs on the phase of issue process issuing company would be responsible. For managing such process issue manager should be adopt according to the prevailing act.

It is the commission charged by the issue manager to the issuing company for the service it has provided. Issue commission is paid for issue management process. The responsibility of issue manager in the issue process an for which issue commission is to be charged is to be demarcate in the memorandum of understanding. The commission is normally set as per the negotiation.

Issue Commission Rate: Securities Issue Bylaws

Table 2.1

Particular	Percentage (of issue amount)
For issue up to 2.5 million	2.25
For issue above 2.5 mi to 5.0 mi	2.00
For issue above 5.0 mi to 10 mi	1.75
For issue above 10.00 million	1.50

2.1.4.12 Collection Center and Charge

Collection Centers are normally financial institutions such as banks, finance companies, brokerage houses etc. Collection centers receive applications from the investors, issue acknowledgements for the same and enter the application details in application schedules. They also realize the proceeds of the cheques/ draft and issue final certificate to the issue manager for the number of applications and amount collected. The appointment of collection centers is made in consultation with the issue managers. Collection charges are the amount charged by the collection centers for collecting the application forms and other documentation process. The collection charges are also charged on percentage of the amount collected. The percentage charged also depends upon the negotiation between issue manager on behalf of issuing company and the collection centers.

2.1.4.13 Refund charge

Refund charges are the amount charged by the collection centers for refunding the oversubscribed money to the general investors. The refund charges are charges on percentage of the total amount refunded. The percentage charged also depends upon the negotiation between issue manager on behalf of issuing company and the collection centers. Securities Listing Bylaws 2053 prescribe minimum sizes of the public issue of listing purpose, which is, must to be concerned before drafting purpose which in must to be considered before drafting prospectus. According to the bylaws, minimum sizes of public issue prescribed are as Follows:

Refund Charge Securities Issue Bylaws

Table 2.2

S. No	Size of the issued capital	Public issue percentage
1.	Up to Rs. 10 million	25%
2.	Rs. 10 million to Rs. 50 million	20%
3.	Rs. 50 million to RS. 100 million	15%
4.	RS. 150 million and above	Fixed bye Nepal stock exchange

As per Company Act 2063 issuing companies are required to issue securities to the genera public through the recognized institutions for sale securities, allotment of securities, collecting money and other related activities. Similarly, as per securities Exchange Regulation 2063 issuing companies are required to enter into an agreement with issue manager for the management of public issue.

New issue guideline make issue manager more responsible toward bringing prospectus more than transparent, clear, reliable and correct to the fact. Hence issue managers are required to analyze the issuing company every respect and should be prime face, self assured.

In many instances prospectus are prepared and drafted by issuing companies themselves. Now, after making issue manager more responsible, issue managers are actively involved in drafting prospectus. Directors of the issuing company have to endorse the prospectus before filling to company Registers office for approval.

2.1.4.14 Application form

It is a form provided to public to apply for the issue securities by a company. The application forms needs to be filled in both English and Nepali. It contains:

-) General information about the company, and issue
-) Space for investors to fill theirs detail information

Application form is the legal document that the investor provides to the company stating the number of securities of a company is willing to accept. The applications submitting the application forms would entail that has accepted the terms and conditioned stated in the application form with the full knowledge about the matters referred in the prospectus. Attached with application form a photocopy of citizenship is collects as a proof to applicants' acceptance to terms and condition and a remedy to possible discrepancies in identification. In case of miner applicants, citizen certificate of parents or guardian too attached.

2.1.5 Legal Provisions and Major regulating agencies

2.1.5.1 Regulation of Securities Market

Securities are the mechanism for circulating the potential funds of individual, investors, underwriters, brokers etc and securities market are the mechanism for trading of securities. On this mechanism that should regulate strictly by the nation, organized securities exchange board, by using different laws, rules regulation. If the set of laws, rules, regulations does not exist the malpractices will be develop and the term securities, securities market, capital market will be polluted. If the professional investors want, the markets can pollute for their selfish. Company can acquire the small firms; market failure will create which directly affect the capital market as well as economy of the nation. Thus, regulation system by making act, byelaws, guidelines, laws, rules be on the nation. Nation should be active for the precautions of malpractices and failure of securities market.

To regulate the Nepalese securities market Securities Boar (SEBO) was established on 26 may 1993 under the provision of securities Exchange 1993. Where with out established the securities board trades makes through Nepal Rastra Bank. The objectives of Securities Board (SEBO) are to promote and protect the interest of investors by regulating the securities the securities market. Board is empowered to issue guideline wan directives to the stock exchange, issuing company, issue manager an broker. Securities Board of Nepal regulate, monitor, direct control and co-ordinate the entire capital market under the Ministry of Finance. The rules and regulation of transaction of securities provides the information to the

potential investors of securities and encourage investment in securities market. Securities Board of Nepal regulates both primary and secondary market with the help of different existing act, laws, byelaws, guidelines, etc.

On world, every nation has empowered their securities market by makes laws and rules. Similarly, on Nepalese contest securities market regulate under the ministry of finance thus the finance minister should know about the securities transactions, investment knowledge. Despite of this uneducated leader, un excellent securities policy makers, cannot make a perfect securities policies which directly affects the individual and potential investors, nations economic condition.

In this situation, SEBO should have to do effectively trade of securities for protecting the interest of individual investors, For regulation the first securities exchange act was enacted in 1983 to regulate the transaction of securities in Nepal. The public issue activities through the primary market are regulated by the securities Exchange Act and the regulations and guidelines are making under the act as well as Company Act 1997. To regulate guidelines are Securities Exchange Regulation 1993, Securities Registration and Issue Approval Guidelines ,Securities Allotment Guidelines 1997 to regulate public Issue it has made it mandatory to take service of an issue manager by the issue company. Similarly, to regulate the secondary market, as well as the members' different act: Membership of Stock Exchange and Transactions Byelaws 1998, Securities Listing Byelaws 1996 have been passed. SEBO also monitors weather the activities carried out by the NEPSE.

Securities Exchange Act 1993 has detailed the functions, powers and duties of SEBO and regulation provision regarding the licensing of stock exchange, their operations, registration and listing of securities and this act has been amended in 1995 and 1998. Board is empowered to issue guidelines and directives to the securities exchange, issuing company, brokers, underwriters, issue managers etc. To regulate the issue of securities by company board has passed Securities Registration and Issue Approval Guidelines of Securities 2000, for allotment the board passed the Securities Allotment Guidelines 1994 to make the share distribution among general investors for fair and transparent transactions. Similarly, for management of sale of securities board passed Issue Management Guidelines 1997. On secondary section NEPSE is empowered to issue Securities Listing Byelaws 1996 to regulate listing and trading of securities. To make effective and more transparent Bonus Share Issue Guidelines 2001 were passed on 2002 AD.

On this moment SEBO has drafted the new securities regulation to meet the changing needs of securities market and it should change according to the time thoroughly. SEBO has submitted new Securities Ordance 2005, Government Securities Trading Byelaws 2005, Securities Board of Nepal Regulation 2006, Stock Exchange Regulation 2006, Broker/ Dealer Regulation 2006, Draft of Securities Registration and Issue Regulation 2006 has submitted to the government for amendment.

2.1.5.2 Legal Provisions

Company Act 2063 BS, Securities Exchange Act, Securities Exchange Regulation 1993, Securities Registration and Issue Approval Guidelines 2000, Issue Management Guidelines 1998, and Share Allotment Guidelines 1994 provide the legal framework with in which the issuer companies and issue managers perform their public issue and issue management activities. Following are some of the key provisions related to public offering to give a feel of regulatory regime prevalent in our capital market.

Section 23 (1) of the Companies Act, 2063 states that a public company should publish prospectus approved by the Company Registrar's Office (CRO) before issuing the securities. Section 21 of the Act mentions the contents of the prospectus, while section 23 states that the directors who sign the prospectus are accountable to its contents. Regarding the allotment, section 26 states that the issued securities should be allotted within three months of the public announcement. Further, it states that for the allotment of securities, it requires at least 50 percent subscription to the issue. Section 28 (1) requires the issuer company to take the service of issue manager for the sale and allotment of securities, and refunding. Similarly, the Company Act also includes provisions regarding the issuance of securities at premium and restriction of issuing securities at discount, prerequisite to issue different securities instruments holding of Annual General Meeting (AGM) and reporting requirements.

Section 7f and 7h of the Securities Exchange Act, 2007 require the companies to register their securities in SEBO and seek issue approval before issuing to the public. In this regard, rule 17(2) of Securities Exchange Regulation, 2007 provisions the necessary information and documents to be submitted to SEBO. Section 7k of the Securities Exchange Act, 1983 has made the company and its directors, individually or collectively, accountable to the authenticity of the statements and information submitted to SEBO for the purpose of registration of securities. Section 8 of the Act states that the issue securities should be listed in the stock exchange for the purpose of transactions. Section 15a of the Act requires the listed companies to submit annual financial statements to SEBO and Stock Exchange with in four month of the closing of its annual accounts.

Securities Registration and Issue Approval Guidelines, 2007, as per the provision of section 2 (10), requires the disclosure of economic, physical, managerial and trading aspects of the issuer company to be factual. It also states that the financial forecasting of the company should be realistic. Section 6.2(f) states that the prospectus should contain the forecast figures of net worth, profit and loss account, and balance sheet for the following three years. Section 9(1) state that the issue should be opened with in 2 months of issue approval. If the issue is not opened with in the said period, section 9(3) requires issue manager to incorporate the changes, if any, relating to technical, financial, economic and managerial aspects in the prospectus and take issue permission for the same from SEBO. Section 18 provides the allotment and refunding scheme for the issue, which is presented as:

**Allotment and Refund Period
Securities Issue Bylaws**

Table2.3

Number of Application	Allotment and Refunding Period <small>(With in the days after the closure of the issue)</small>
Up to 15,000	Forty five days(45)
15,001 to 60,000	Sixty days (60)
60,001 to 1,00,000	Seventy days (70)
1.00,001 and above	Ninety days (90)

Section 19.1 states that the provision for trading of securities should be made in 45 days of securities allotment for those securities issue publicly or by circular method. Section 19.2 states that if the issuer company applies with justification for delay in listing SEBO could provide additional time not exceeding one month. Regarding the issuance of securities at premium, section 2(7), requires the company to have run in profit for the last two years, to have its net worth higher than the paid up value, or to have restriction by any laws for issuing securities at premium and to present justification for issuing securities at premium.

Issue Management Guidelines, 2006 defines the role and responsibility of issue managers regarding the issue. Section 6.6 states that while submitting application in SEBO for issue approval, issue manager should take into account whether the issuer company's managerial, technical, economical aspect and future prospects as well as other information presented justify the public issue. Section 14.5 states that in case of over subscription of public issue, issue manager should submit the criteria and report of allotment to SEBO within 7 days of allotment. Section 17.2 states that issue manager should submit the report relating to issue within 90 days of closure of issue. Section 18 states that while providing issue approval, SEBO can prescribe additional conditions to the issue manager and the issuer company.

2.1.5.3 Major Regulating Agencies

There government agencies, viz., securities Board, company Registers office and Nepal Rastra Bank are involved in approving and registration of public issues. Through securities Board is the only regulatory body in securities market to supervise and regulate the overall functioning of the duplication of works. Here, all these three bodies work in approving and registering the public issue and elaborated.

2.1.5.3.1. Securities Board Nepal (SEBON)

Government of Nepal established securities Board, Nepal (SEBO) on June 7, 1993 under the Securities Exchange Act, 1983 (first amendment). The main objective of SEBO is to regulate and promote the securities market and protect investors' interests. Since its

establishment, SEBO has been concentrating its efforts on improving the legal and statutory frameworks, which are the bases for the healthy development of the capital market.

There are two departments, six divisions, and ten sections in the organization of SEBO. Under the Corporate Finance and Administration Department, there are three divisions namely Corporate Finance and Reports Review Division, Accounts and Administration Division and HRD and Education Division. There are also three divisions under the Securities Market Regulation Department, which are Legal, and Enforcement Division, Market Regulation and Compliance Division and Market Analysis and Planning Development Division.

The major source of financing of SEBO is basically the government grant. Other financing sources include registration of corporate securities, registration and renewal of stock exchange and market intermediaries and the income from mobilization of its revolving fund. Securities board is empowered by Securities Exchange Act, 2007 for the development of capital market, protection of investors, interest, and approval of stock exchange, regulation of market intermediaries, secondary and primary market, mutual funds and investment awareness programs for various interest groups.

When prospectus is submitted for the registration purpose, vetting is done by the Securities board and if disclosures in the prospectus are found adequate then board registers the securities to be issued in the public and grants permission on it.

General objective of SEBO:

-) To promote and protect the interest of the investors by regulation the issuance, sale and distribution of securities and purchase, sale or exchange of securities.
-) To supervise, look after and monitor the activities of the stock exchange and of corporate bodies carrying on securities business.
-) To render contribution to the development of capital market by making securities transaction fair, healthy, efficient and responsible.

The main functions of SEBO are as follows:

-) To advise government on the issues related to development of capital market and the protection of the investors' interest.
-) To approve stock exchange for the operation and oversee them for healthy trading of securities.
-) To register and regulate market intermediaries involved in the primary issues as well as in the secondary trading of securities.
-) To regulate public issue of securities including the mutual and trust funds.
-) To monitor and supervise the securities transactions.
-) To conduct researches and studies along the area of capital market.
-) To Conduct conferences, workshops, seminars and participate in such program conducted at regional or international level and join the forum and exchange with outside regulators.

Role of Securities Board in Issue of Securities

In its approach to manage public issues of securities, the Board will bear in mind about the protection of rights and interests of the investors, especially: right to adequate, true and fair information, need for liquidity, prompt, fair and equitable allotment, easy and efficient service in allotments and transfer, etc concerning topics of the general investors. Similarly, to encourage corporate entities to tap the securities markets for their diverse resource needs.

The Board would endeavor to evolve market and institutional structure, set of instruments and methods of public offerings to carter the above objectives. The legislative provisions relating to public issue of securities may be identifying as under:

-) Capital control, governing issue of securities and the terms of their issue;
-) To regulate terms of issues of securities from the viewpoint of investor protection, issuers needs and overall development of the securities market,
-) To promote sound capital structure of companies.
-) Prospectus provisions, governing the disclosure of information at the time of issue of any instruments/securities
-) Obligation of regular disclosure of financial and other information on entities making public issues,
-) Listing requirement governing traded securities,
-) e)provisions governing allotment and transfer of securities
-) Ensuring fair and equitable allotment
-) Promoting speedier and more efficient service in matters of allotment and transfer.

2.1.5.3.2 Nepal Rastra Bank (NRB)

It is the central banking authority in Nepal. It is the governing authority in setting guidelines to all the financial institutions regarding its areas of operation. But, in the case of issue managing , its role in issue process is only to grant financial institutions approval to be involved with different role on the issue process, direct provisions of funds based activities of merchant banker ,issue manager approval needs to be taken.

NRB, the central bank, approves when public issue is proposed by Bank and finance companies. It also gives permission to issue debenture in the public along with the approval on interest rate on debenture and bonds under NRB directive bank and finance companies are required to issue shares equivalent to at least 30 to 40 percent in both situation if they have foreign joint venture stake. However, about the size of the issue, interest rate, collateral, and repayment of the loan it will be determine.

2.1.5.3.3 Company Registers' Office (CRO)

Register of companies 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 regulations set by the existing Company Act. As per the Company Act 2063, public companies need to publish their prospectus before issuing securities to the public. Before publishing prospectus one copy of the prospectus needs to be submitted to company register's office. In the process this office approves the prospectus to be published, make sure that important information is not missed out and unnecessary information is not motioned. In the presence of such changes, office sends it back to the company for necessary changes. Satisfactory changes office grant approval to issuing company is issue the prospectus. Apart from approving the prospectus to be published by the issuing company before going into public.

Company Registrar is only agency where companies are registered monitors the operation of the companies and makes arrangements for winding up of the companies when required. Approval on prospectus is granted by CRO only. Before granting approval it obtains the advice/opinion from securities board and for banking and finance companies opinion/ advices on prospectus is taken from Nepal Rastra Bank too.

2.1.5.3.4 Nepal Stock Exchange (NEPSE)

Government of Nepal, under a program initiated to reform capital market, converted securities exchange center into Nepal Stock Exchange in 1993. NEPSE is a non-profit organization, operating under securities exchange act, 1993. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through members, market intermediaries, such as brokers, market makers so on.

Securities exchange center was established with an objective of facilitating and promoting the growth of capital markets. Before its conversion into Nepal stock exchange, it was the only capital market institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. Nepal Rastra Bank, Nepal industrial Development Corporation, and members are the shareholders of the NEPSE.

While issuing securities to the general public consent should be obtained from the NSE. For this issuing companies and issue managers are required to submit the prospectus. In the meantime, before concluding agreement along with the 5% of commission amount should be forward to the NSPSE. This is applicable for underwriting arrangements too.

2.1.5.3.5 Concerned Ministers of Government

The companies which are incorporate by special acts are required to get approved the prospectus form concerned from concerned ministers. For example, companies such as NIDC, Citizen Investment Trust (CIT) and Rastriya Beema Sansthan (RBS) are under the preview of minister of Industry and Minister of Finance. Thus prospectus of these companies is required to be approved from Ministry or Industry and Ministry of Finance instead of company Registrar's office.

2.1.5.3.6 Financial Institutions

Financial intermediaries like commercial banks, finance companies and development banks and co-operative institutions which are established under the Company Act , Financial directives and the Nepal Rastra Bank set of rules and regulations. These financial institutions perform the role of intermediaries in the securities issue as per the authority received from Securities Exchange Board. Financial institutions are involved in securities issue process as: Issue Manager, Underwriters, Collection Centers, Banker to Issue, etc.

The role of financial institutions is to manage the issue process fund be intermediaries in the process of transfer of funds from the investors to the issuing company and it may also play a role of creators to the issuing company by providing bridge finance.

Securities Issue By-laws has specified required capital for intermediaries in the securities issue transactions as,

Required Capital For Intermediaries Securities Issue Bylaws

Table 2.4
(000) NPR

Transaction Type	Authorized Capital	Paid-up Capital
Issue registration and issue management, Issue Underwriters	20000.00	10000.00
Dealer in securities market	10000.00	5000.00
Market maker in securities market	10000.00	5000.00
Brokers in securities market	400.00	200.00
Intermediaries in securities transfer, registration	400.00	200.00

Authorized and paid up capital of financial Institutions

SEBON Annual Report

2.1.6.1 Historical Development of Issue Manager in Nepal

The concept of securities, stock market in Nepal was initiated at 1976 AD under the Company Act 1936 AD. Firstly stock market, securities begin with the flotation of shares by Nepal Bank Limited and Biratnagar Jute Mill in the year 1976 AD. The institutional development of securities market in Nepal started in 1976 AD with securities Exchange Center (SEC) initiated under the existing Company Act with the joint capital contribution of Nepal Rastra Bank (NRB) and Nepal Industrial Development Corporation (NIDC). The main objectives of this center were mobilize saving and encourage public to participate in the securities market by owing the financial instruments.

Where as the concept of issue manager / investment banker was adopted by NIDC thus NIDC can be define as pioneer of issue managing in Nepal. Then the amendment of company act pushes issue managing by making provision of issue securities through the registered managing company.

Before the testament Securities Exchange Act and securities Exchange regulation there were 6 markets, namely , CIT, NIDC Capital Market Ltd., Rastriya Banijya Bank and Gauri shanker Finance co. Ltd. except Gauri Shanker Finance Co. Ltd, all the other market were actively involved in issue management activities. After the amendment in Act and Regulation, additional five organizations were permitted to provide issue management services. Among the new entrants are, Nepal Sri Lanka Merchant Bank Ltd. Nepal Merchant Banking and financing Ltd, United finance Ltd., Himalayan Securities and Finance Ltd. and Ace Development Bank Ltd.

Before the amendment in Securities Exchange Act and Securities Exchange Regulation, market makers were permitted to provide issue management services. In other words, one of the functions of maker was to provide issue management services. However, this scenario has been streamlined by second amendment in Securities Exchange Act and Regulation by providing separate class of membership in Nepal Stock Exchange, namely, Securities Dealer (primary Market). As per the company Act, 2063 all the companies are required to appoint issue manager for raising capital from the general public allotment and other related matters.

2.1.6.2 Problems and Prospects of Issue Manager

Investors are losing confidence no the performance of share market mainly due to their experience of fraudulent and scandalous activities undertake by a handful of market swindlers. There has been also ore subtle problems involving misuse of insider information and growing tendency of frauds in securities transaction. Moreover, credulous investors too are responsible for showing irresponsible behaviors due to freed for quick gains from share market.

The unhappy episodes have also emerged from wrong advice of brokers through market disorders, price manipulation and fraudulent share market activities-all taken together have resulted the present bearish market in the country. How these securities frauds and manipulation have occurred and to what extent they can be overcome would be highlighted here to draw adequate feedback to the regulating and controlling authorities to devise suitable laws to prevent such frauds and minimize manipulation in share price.

Losing Faith

The growing pessimism of the investors over the performance of share market is to be looked from broader company-industry economy framework. The frequent change in government has created political uncertainty regarding the consistent economic development strategy to the extent that entrepreneurs are not sure of what business policies to pursue.

In the absence of the appropriate relationship between business and government regarding privatization policies and economic liberalization thrust, public limited companies are in state of confusion since every change in government took different political ideological stand in the development of enterprises in the country. Attraction to foreign investment became a great retard, as government cannot give clear-cut development agenda to further national development parameters. Again, development recovery program through revival of privatization has brought some favorable impact on the performance of share market and issue manages.

Actual results have lagged behind from that of the estimated results exhibited in prospectus at the time of floating shares to the investing public. There have been no liabilities imposed on the concerned promoters and directors' signings the prospectus to compensate the investors for providing misleading information in prospectus to attract sale of shares. Even the concerned authorities have not seemed to be systematically analyze the contents of prospectuses to avoid false presentation of facts in prospectus save investors from purchasing shares of fake companies with doubtful management background of promoters. Lack of actual investment return strategy in the management on most companies have made investors to believe that investing money in share of companies would be nothing more than inviting self exploitation by one's own act of wrong investment decision.

Unfair Practice

The downfall of share market is mainly due to the unfair share market practices that went undetected for a long period in Nepal's share market. There has been a growing tendency to sell worthless and fraudulent securities since regarding their moral standing and honest integrity of professionalism. Their unfair share market practices cover wash sales, cornering of the share market, churning, formation of pools and cartels, misuse of insider information and so on. In wash sales, there is simply record of a sale but there is no sale of shares at all. The market makers have taken shares in name of their family, relatives and other employees who's were under their control but, as they raise prices artificially to the peak which is called forcefully created market boom by their own dishonest acts, they sold and later on put innocent investors to be the victims as they are made to buy at higher prices.

There is no absolute evidence of how much transaction has been conducted through was sales but it can be detected on investigation by the concerned authorities.

Market makers are also found to conduct unhealthy practice of cornering the share market in some selective script available for sale. These market maker become the only source of supply and the drives their price ups and up. Being price manipulators, they obtain a corner on the share market of some selective scripts and there liquidate them at a higher price for a capital gain. They have hold shares on banks, insurance companies to raise the prices artificially by taking monopoly of these stocks.

From the above, we can say that the current state of primary stock market as well as idue manager in Nepal in not satisfactory. It gives the wrong impression when we look at the overwhelming response of the investors for majority of the public issues. However, if we analyze the present state of primary market, there exist a number of problems, which has hindered the long-term development of issue manager

Insufficient knowledge of Investors about the Security Market

When corporate bodies started offering public issues after the liberal economic policy adopted by government of Nepal, retail investors thought that it is the most suitable means of investment for higher return. They investor in stocks without studying the prospectus of the company or even without knowing about the company's area of business and its future business opportunities. This led to oversubscribing of the shares. However, the companies failed to provide dividend as expected by the investors. Except companies in the banking and finance sectors, other failed to comply with disclosure requirement and even failed to call AGM. This has a negative impact on the investors about performance of the companies in other sectors.

The regulatory authorities' role to educate general investors about securities market is also not sufficient. Most of the retail investors do not know when and how to sell their shares. They do not no how the stock market functioning, what should be their return, whether their company is functioning satisfactorily or not etc. the investors are also unaware of the complaint procedure in the company fails to take care of the investor's interest.

Lack of investors Confidence

Investors need sufficient information about the company before investing in the initial public offerings of the company. However, there is a genera feeling among the investors that the information disclosed through the public announcement and prospectus do not truly reflect the true picture of the future prospects of the company. This has been found to be true in some extent, because some company's performances after the public issue was found to be very poor despite they showed very optimistic financial forecasts in the prospectus. The lack of confidence is also due to stock volatility, low returns on investment, inadequate information on which investors base investment decisions, lack of understanding about the operation of stock markets.

Shortcoming on Existing Securities Law and Regulations

Existing securities law and regulation do not clearly define the regulatory, supervisory and enforcement function of the Stock Exchange and Securities Board. The Securities Exchange Act and Companies Act are not clear on the division of authorities between the Registrar of companies and the Securities Board regarding the filing of prospectuses and the periodic disclosure requirements by public companies. The prospectus (Company Act), registration (Securities Exchange Act) and listing (Securities Exchange Regulation and NEPSE bye-law) provision involve a multiplicity and absence of one window policy creates unnecessary hurdles, expense, confusion, complications and delay act as a disincentive to companies thinking of coming to the market by way of public issue of stock.

The existing laws and regulation do not give and anticipatory powers of intervention by the securities Board for the protection of investors. The Board does not have the investigatory powers for any company that does not comply with the existing laws and regulations.

Lack of Coordination between Securities Board NRB and concern sections

There is no effective coordination between Securities Board and NRB to determine their respective supervisory responsibility over commercial banks and finance companies which are involved in securities businesses such as issue management, underwriting etc. As the banking and finance companies operate under banking and finance companies act and their activities are controlled by monitored by NRB. However, the involvement of these companies in securities business requires securities Board's involvement also to monitor their activities.

Restriction to Foreign Investors.

After the policy of economic liberalization adopted by Government of Nepal, one of the prime objective of the government is to attract foreign investment in various sectors such as hydropower, telecommunications, manufacturing and procession industries. Foreign investors are given attractive incentive through various act and policies. However, foreign investors are not allowed to invest in Nepalese capital market. This has caused restriction in not only the foreign investment but also the managerial expertise that can come through foreign investment.

High Cost of Public Issues

With the objective of estimating cost and providing policy recommendation to reduce the cost of public issue, SEBO had conducted a research study recently. The cost associated with the public issue was classified into underwriting cost, advertising, printing, and other expenses, amount collection and refund charges and issue commission. The study covers the financial sectors (bank, finance companies, and insurance companies). The finding of the study shows that the cost of public issue of the new companies in Nepal is relatively very high in comparison to that of the neighboring country India. However, in contrast to this fact, cost on rights issue in Nepal is relatively very low.

Shortcoming in Accounting and Audit Practice of Non-financial Companies.

Shortcoming in accounting and audit practice of non-financial companies has led to the incomplete disclosure to investors and the Securities Board does not have powers to force these companies for making true and complete disclosure.

Institution Capabilities of Securities Board

Securities Board is responsible for regulating and monitoring of the entire securities business in Nepal. With its present organizational structure, the number of staffs and resources available, it is not possible for the board to perform its roles effectively and efficiently.

Lack of Transparency and Integrity in Tax Collection

Tax Officers have wide discretionary powers and this leads to reluctance on part of companies to publish objectively audited accounts which in turn deprives the investors the essential basis for judging such company. In the absence of true information, investors are reluctant to invest in the shares of these companies.

Lack of Corporate Culture and Corporatization

Development of corporate culture and corporatization of the companies is one of the important steps toward the development of the issue manager as well as the primary market. The development of corporate culture encourages the private companies to go public, which can bring professional expertise as well as the required funds from the public. Nepalese private companies are mostly run as a family business and they prefer to go to commercial banks rather than to public for meeting capital requirements. As the healthy and good performing companies are reluctant to go public, which can be attributed to lack of corporate culture, it has negatively affected the development of the primary market.

Lack of Professionalism and motivating policies

The issue manager has to study and analyze the issuing company's nature of business, managerial and financial aspects, record of accomplishment, and other relevant aspects minutely. After evaluating the prospectus and other aspects, the issue manager has to submit the Due Diligence Certificate to the Securities Board. The poor performance of the companies after raising capital through public issues has raised questions about the validity of the analysis. Similarly, the underwriter is responsible not only to purchase the shares of the initial issue in case of under-subscription, but also to evaluate thoroughly all the aspects of the company, including its financial aspects. As the majority of the companies after public issue are performing very poorly, it suggests the lack of proper analysis on the part of underwriters too.

As well as there should be healthy policy, maintain by the government to moving to the public company. If the flexible policy implement and motives towards to going to listed companies there activates increases yearly and this will be favor of issue manages.

2.1.6.3 Role and Significance of Issue Managers

Issue manager has a greater role in developing and promoting the primary market of securities. They not only help issuer companies to raise funds but also help investors to make informed investment decisions in initial public offerings. Their service is more pronounced in bringing transparency in the public offerings. In addition, they support regulators in regulating markets.

Services such as preparing prospectus and fulfilling other procedural aspects required for public issue provided by issue managers to the issuer companies make fund raising process more easy and certain. Generally, the situation of market, perception of investors and procedure relating to issuing securities are the major areas of support provided by the issue managers to the issuer companies. Issue manager could also suggest the type of instrument to be issued through joint discussion with the issuers companies. As issue manager are more tuned to the general perception of the investors, market trend, an advantages and disadvantages of a particular instruments, theirs suggestions greatly helps issuer companies to select the right type of instruments.

The principle function of issue manager are issue advising, helping to prepare prospectus with required disclosure and helping allotment and refunding, listing of securities, and assisting in compliance with the issue related legal provisions. In practice, issue managers also provide services relating to register to the issue and underwriting.

Companies issuing securities to public must register their securities with Securities Exchange Board (SEBO). For this, the company and issue manager must file detailed registration statements. SEBO vets the registration statements and the prospectus for legal compliance, information integrity, and clarity.

The issuer company is mainly accountable for the authenticity, reliability and the issue managers attest adequacy of the information disclosed in their prospectus, along with, its board of directors, values, and auditors and this. The issue managers are required to present the due diligence certificate regarding the proposed issue. As provisioned in the prevailing securities legislation, SEBO uses this due diligence certificate from the issue manager as a key basis for approving the issuance of securities.

2.1.6.4 Responsibilities of Issue Manager

Issue manager has to be responsible in a great deal in terms of many things like investors, clients and other bodies. Investor protection is fundamental to a healthy growth of the capital market. Protection is not to be conceiving as that of compensating for the losses

suffered. The responsibility of the issue manager is ensuring the completeness of the disclosures is of paramount importance in the view of the fact that entire reliance is based on offer document either prospectus or letter of offer because an independent agency like a issue manager has done the scrutiny.

Project Evaluation and due Diligence

Due diligence and project evaluation is one of the major responsibility of the issue manager . The issue manager has to be apprised the project of a issuer company before accepting an assignment or doing the agreement of understanding. However, Issuer Company has not appraised the project; the issue manager undertakes a detailed evaluation of the project before taking up an assignment for issue management.

Capital structuring

The issue manager should take into account the various factors such as leverage effect on earning per share, the project cost and the gestation period, cash flow ability of the company and general economic factors. While designing the capital structure, these exercise are done mainly in order to meet the fund requirement of the company taking due cognizance of the investors' performance.

Pricing of the issue

The issue manager looks into the various factors while pricing the issue. Some of the factors are past financial performance of the company, book value per share, stock market performance of the shares of existing companies. The issue manager has a vital role to play in pricing of the instruments.

Marketing of the issue

Marketing of the issue is the main responsibility of the issue manager. Marketing for placement of the issue to the public through various means such as press, brokers etc. Making the issue successive what kinds of agreement they have to make with sub underwriters and with underwriters that consists on marketing of the issue.

2.1.6.5 Securities Issue Process

Firstly, the company board of director has to decide how much funds, in which way, what kind of securities used to for raising funds. According to opportunity, exist on environment about subject decided. Board of director should decide the relate matters them they should analyze the cost of raising funds. They should use their internal sources and the remaining funds rose through private placement or public sale. In private placement funds can be raised promptly with lower cost if the company goodwill is best and strong financial statements private placement will be best mechanism if the issue is on small figure. However,

if the issue is big the public sale can be made as lower cost. Thus, on the case of raised funds the company should know about the issuing cost, issuing process, registration process, authority of Nepal Rastra Bank, rules and regulation regarding the stocks market etc.

If the issue has to be sold publicly, the firm should select issue manager. An individual issue manager alone may take responsible of issue, sale, distribute of securities but if the issue is so big, many issue manager make syndicate and take responsibility of issue jointly. The issue manager receives new securities at low price as far as possible and earns profit by selling to others small investors. The issue manager may directly purchase securities with the issuing firm or may only guarantee the fix price of the securities that will be pre determined on the contract paper or memorandum of underwriting made by the issue manager and the issuing company. On both situations, the issue manager bears the risk of profit or loss that occurs in the security market.

Selecting of issue manager is also difficult section. After the selecting issue manager and issuing company jointly make final decisions regarding the basic maturity, type, interest rate, of securities and the commission of the issue managers and terms and conditions held on the issue managing process. The commission charged by the issue manager may be great financial cost, particularly in small issue the most of Issue Company made private placement in small figure. Even commission are averagely determine by the rules and regulation, securities legislation, and other related acts which is pre defined on the topic of issue manager commission. Most of the firms have the rights to negotiate the commission charged by issue manager that is known as negotiated issue. But in the reality issue company and issue manager deals about the commission charge and which provides cheapest service is selected in it which reduces the profit of an issue manager.

Delay in selling the securities after making contract it regarded as a great problem of issue manager due to the issue manager have to deposit additional funds to keep the securities not sold and has additional risk of price fall. In case of price, change if the price of securities declines the prestige of issue manager and issue company goodwill decline and this situation issue manager bears loss. In case of price increase, the securities and prestige of both section increases dramatically and on that cases issue manager can earn more profit then expected. In this way, the issue managing business is highly competitive and risky due to various uncertainties.

Securities can be sold through underwriting or on best efforts basis. Under underwriting the issue manager sells the securities to the ultimate investors by buying security with the firm. Since the issuer already receives many in it, the issuer need not worry at all. The issue manager bears all risk as an underwriter and guarantees. Under best effort basis the issue manager does not make guarantee of sale. The issue manager makes maximum effort to sell the securities. In case of no sell, the concerned securities returned to the firm itself. The issue manager receives commission on the basis of amount of sale of securities.

After registration on the concerned agencies by the issue manager, it makes prospectus available to potential investors. The prospectus consists firm's history, management, financial position, feature of securities, promoters, share to be allotted the promoters and other general public. Finally, the security is sold to the public. The formal public sell or opening the book starts to sell of securities. In case of high demand the book immediately closed and applications given more than requirement is announced that is called flayed out the window. If the issue is not sold time is increase and the book is kept open. Thus according to the performance of Issue Company it depends upon.

In order to protect and promote the interest of the investors, to systemize and regulate the security transaction for the developing of security market. Security Board apex of the security market has been established. The securities issued by an organized firm should be register in this board. If any organized firm once to sells its security openly issue, sale through the circular method, that security should be registered in the securities board. The organized firm should apply to the board with prospectus, financial statements, and other documents to register the security. After scrutinizing the application, the board registers the securities and provides permission for issue and with in two months of approval date organized security issuer should sell. After the issuing of this securities trades in secondary market an it will have to listed in Nepal Stock Exchange.

2.1.6.6 Existing issue manager in Nepal.

Issue managers are required to submit their annual reports including profit and loss accounts, balance sheet, cash flow statement, and securities trading report to securities Exchange Board Nepal with in four months of the expiry of the fiscal year. Issue managing activities will be directly supervision under the Securities Exchange Board Nepal. On Nepalese prospective, there is nine-license member gets authority to take issuing activities on primary market. They are:

i) NIDC Capital Markets Limited (NCML)

NIDC capital Markets Limited was incorporated in 1992 under the Company Act 1964 with the objectives of carrying out financial activities under the Finance Company Act, 1985 and Securities Exchange Act 1983.

The company from the very beginning of its establishment is carrying out capital market activities such as issue management, underwriting securities register, portfolio management etc. The company, which was working as a market maker for listed corporate securities until December 1996, changed its membership into Securities Dealer (Primary Market) in January 1997 giving up the market making function. The company has also taken license of Securities Dealer (Secondary Market) to work as portfolio manager in January 1997.

ii) Citizen Investment Trust (CIT)

CIT was established in 1991 under the Citizen Investment Trust Act 1991. The main objectives of the trust is to encourage general public to save by creating opportunities to invest in varied financial instruments and also to contribute in the process of capital market development by acting as issue manager. Securities Exchange Board Nepal has permitted Citizen Investment Trust to operate the Citizen Unit Scheme in the Fiscal year 1994/1995. The objectives of the Scheme are to collect capital from the small and medium savers to make investment in a professional and effective way and distribute the returns earned there on.

iii) Nepal Merchant Bank and Finance Limited (NMBL)

NMBL was commencing business in 1996 under the Company Act 1964 and Finance Company Act 1985 and carry out capital market activities. The company is one of the most active market intermediaries operating in the primary and secondary market. It organizes different functions as financial companies as well as market dealer. The main objectives of this limited is to motivate general public to save their income and providing opportunity to invest in varied financial instruments and contribute on capital formation acting as issue manager.

iv) Nepal Share Markets Limited (NSML)

NSML was established in 1993 under the Company Act 1964. The main objective of the company is to collect deposits and to provide loans, advances, and other financial services under the Finance Company Act 1985 and carry out capital market activities under the Securities Exchange Act 1983. The company is one of the most active market intermediaries operating in the primary and secondary market since the inception of Nepal Stock Exchange in January 1994.

v) Nepal Finance Company Limited (NFCL)

NFCL was established in 1992 under the Company Act 1963 with an objectives of mobilizing scattered savings through various schemes and deploy them in different sectors of the economy for the economic development of the country. The company commenced its operation on May 1993 in accordance with Finance Company Act 1985. Besides accepting deposits and providing loans and advances the company undertook the job of market making for listed corporate securities, issue management, underwriting and other capital market activities as a market maker till December 1996. However, in January 1997 the company changed its membership into Securities Dealer (Primary Market) going up the market making functions.

vi) Nepal Finance and Saving Company limited (NEFISCO)

NEFISCO was established in 1992 under the Company Act 1964. The main objective of the company is to collect deposits and provide loans and advances under Finance Company Act 1985. Besides accepting deposits and providing loans and advances, the company undertook the job of market making for listed corporate securities, issue management, underwriting, and other capital market activities as a market maker and getting license of Securities Dealer.

vii) Ace Finance Company Limited (AFCL)/ Ace Development Bank Ltd

AFCL was established in 1994 under the Company Act 1964 with the objectives of collecting deposits and providing loans and advances under the Finance Company Act 1985. In addition to those, the company has objectives of acting capital market intermediaries under the Securities Exchange Act 1983.

viii) Nepal Srilanka Merchant Bank Limited (NSMBL)

NSMBL was established in 1996 under the company Act 1964 with the objectives of collecting deposits and providing loans and different financial activities under the Finance Company Act 1985. In addition, the company has objectives of acting capital, primary market intermediaries under the Securities Exchange Act 1983.

ix) United Finance limited (UFL)

UFL was established in 1995 under the Company Act 1964 with the objectives of organizing activities of financial sectors. It was commencing with the objectives of collecting deposits and providing loans and different financial activities under the Finance Company Act 1985. In addition, the company provides the intermediaries of capital market activities.

All of the issue manager formulate the primary market dealer activities including share issue, right share issue, bonus share issue, share register, transactions of Nepal Rastra Bank, AGM management, guarantee issue, bid bond, performance bond, financial guarantee, share and securities management, purchase, sell and custodian of share, debenture and securities, collect dividend, interest, collect bonus share, right share etc

2.2. Review of Previous Research and Studies.

2.2.1 Review of Empirical Studies

2.2.1.1 Habibullah (1999), “Financial Markets in Least Developed Countries” evidences that in some Asian countries including Nepal economic development reflected in economic growth leads the financial development measured in the ratio of board money to gross national product M2/GNP. This implies that economic development has preceded the financial market development in the case of Nepal. But several other studies conducted in other lower developed countries reveal that the financial development has preceded the economic development. The stock market development measured by market liquidity, market capitalization and total turnover is correlated with current and future economic growth, capital accumulation, and productivity growth, as evidenced by Levine and Zervos (1996). The efficient money, foreign exchange and capital markets increase investment to the most productive sector of the economy and there by increases output through saving mobilization. Such markets also price the risk associated with any investment accurately.

2.2.1.2 Kviback (2001) “Nepal Survey: Issues in local Bond Market Development”. This studies basically focused on the capital market and bond market on underdeveloped countries. Major findings of this study: - The financial market in Nepal is relatively undeveloped. The government market is more developed, but prices are not market oriented. The state of development of equity markets indicates how well versed issuers, investors and intermediaries are in dealing with securities at the primary and secondary market levels. Nepal’s overall market is still in its infancy, however. The Nepal Stock Exchange (NEPSE) is a late development, founded only in 1993. It is owned by the government and is not for profit institution.

2.2.1.3 Performance Analysis of Issue Managers, an Empirical study conducted by Securities Board of Nepal on 2005 had aforementioned empirical analysis leads to the following conclusions and recommendations:

In terms of timely allotment and refunding , timely listing , over subscription, actual profits being higher than forecast profits and closing price of day one of the stock being higher than issue price, Nepal Merchant Banking and Finance Limited, NIDC Capital Markets Limited and National Finance Company Limited are the three best performers.

Besides managing the issues, issue manager should also encourage public companies to raise funds from securities market; since, their role is crucial in promoting and developing the market. However, there are only nine issue managers actively involved in the market, which may not sufficient. So it is high time to find out all the issue managers are being involved in issuance and encourage them to be involved more actively.

Timely listing promotes dynamism in the securities market. However, over the study period, the timely listing practice was found poor. Hence, issuer and issue managers should try to list issued securities on time.

Post issue compliance practice is poor. So issuer companies should be made aware in complying with the post issue legal provisions at the time of public issues. In this regard, issue managers should also take responsibility to make the issuer companies aware of compliance issue.

Most of the issues were from banking and finance sectors. Therefore, issue managers should take initiative to promote their business from other sectors too. They should be equally effortful in developing the public offering market as an avenue for cost effective financing.

Market is dominated by a risky instrument i.e. equity share. This type of market is not preferable to risk averse or risk neutral investors. So, the efforts should be made towards diversifying the instruments in the market to encourage other types of investors. All the activities relating to issue management should be within the ambit of securities regulation. Hence, there is a necessity of developing clear regulatory mechanism regarding the selling of government owned shares in course of privatization and prescribing standard formats for the offer documents to systematize the secondary offerings and private placement.

2.2.2 Review of Nepalese Studies and Research

2.2.2.1 Pandey, 2001 who has done research on “Public Response to Primary Issue of Share in Nepal” with the objectives of identify the problems of primary share issue market, assess the growth of primary issue market, analyze the pattern of public response to shares and find the reasons of variation. Mr. Pandey has summarized his findings as: Public response in primary market is high due to lack of opportunities for investment in other fields. No proper investment analysis is been made. Despite this, public are attracted towards share than other sectors, to increase their value of investment, be it divided capital gain or bonus shares. It can be seen that public response to primary issues on Banking and Financial sectors is normally higher than that of the manufacturing and services sector. Major causes for poor response in the period 1995-1998 were; interest rates were higher as compared to dividend yield, the public companies were not performing well and people did not know about the importance of investing securities. Now the response is highly positive because people are aware, money flow in the market is higher, people have seen that most companies are distributing dividends, share prices are increasing for most companies and lack of better alternatives for investment. Now that the average interest rates have gone down, more can be obtained from investment in stock.

2.2.2.2 Nirmal Kumar Subedi “ Merchant Banking in Nepal “ ‘ A study of Citizen Investment Trust, NIDC Capital market limited and Nepal Merchant Banking and Finance 2005.’ These studies evaluate the performance of merchant banking activities of specific firms and, its relationship towards the development of securities industry in Nepal. Analyzing its problem and prospects in Nepal and recommended:

As many merchant bankers are diversifying their functions to many activities, they should try to focus their services on merchant banking functions rather than making it only a part of their function. They should also try to provide other merchant banking function instead of sticking on selected merchant banking business. Similarly, they should also arrange to introduce business and encourage savers outside Katmandu valley to make them investors in the market.

Major reasons for diversifying their functions on other financial activities, the difficulty of survival by performing sole merchant banking function unhealthy and underdeveloped capital market as well as money market. Thus, financial policy should give attention towards developing financial markets launching various programs and increasing investor's awareness. There should be clear rules, regulations regarding merchant banking in Nepal. The government policy should directly focuses to motives towards being the public company.

There should be continuous co-ordination with regulations between different sectors is necessary for the conducive environment of merchant banking. Some specific training related various merchant banking activities should be conduct by Nepal Rastra Bank and concerned merchant banks. The legal aspects have to be transparent to everyone. The corporate should be encouraged which could boost up the merchant banking activities. If required, experts of the different merchant banking activities should also be invited from the other countries to train and develop the local manpower.

Every body should aware about the current affairs, legal status of the country. Merchant Bankers have to be more active to take latest information about the economic, social and political environment of countries. Appraise the foreigners with the facilities and relaxations in various rules and regulations of the government and the policy framework available for their technological expertise to Nepalese entrepreneur and or to collaborate in any other in any other useful manner.

To boost up the merchant banking activities and to imbalance with other countries, merchant bankers should frequently make exploring tours to foreign countries, organize meetings and conferences with the Chamber of Commerce and Industry and other commercial, industrial and financial organizations to enthuse the foreigners to take interest in investment activity in Nepal.

As it is already stated, we are in early stage of development of companies and the capital market, it is particularly important to develop venture capital companies, equipped with the skills, techniques, and capital needed to invest in unquoted companies and help them grow to the point where they are ready for flotation on the stock market.

As being the leading merchant bankers of the country, NIDC has to play the crucial role for the development of this sector. Capital Markets Limited should draw its attention to increase merchant banking activities to be parallel with other activities. NCML, instead of giving up its activities from portfolio management, should be more innovative and dynamic to be a leading merchant banker because managing portfolio is also one of the most challenging functions of merchant banking. On the other hand, Citizen Investment Trust should not ignore other merchant banking activities like underwriting, share issue registrar, consultancy service etc.

Though Nepal Merchant Banking and Limited is trying to be a leading merchant banker in Nepal, it should be more merchant banking activities besides issue management and sale of government bonds.

As the prevailing political instability and uncertainty is the major problem for any sector, this sector cannot be far from this fact. Therefore, it should be resolved as soon as possible so that capital market activities starts growing other merchant banking activities will also follow together.

Many factors are hindering in the development of merchant banks in Nepal. Merchant banking is still unknown to most of the public because of insufficient publicity and information resulting to low demand of merchant banking services. It is also not being able to prosper due to the less developed industrialization and financial marketing activities. Thus, in spite of the importance of merchant banking services many of the merchant banking services in our country is still poor. Nepalese merchant banks are still lagging behind. Current situation of the company with the political instability and other many problems are also creating a great barrier for the smooth development of merchant banking sector including industry, trading, and other business activities.

2.2.2.3 Navin Poudel who has done research on” Public Response towards Initial Public Offering 2006” has identify that most of the general investors in Nepal do not have sufficient information regarding the primary market but still they are interested to invest money in the primary market. This is good sign to the expansion of the primary market. Specifically financial institutions an insurance sector is more preferable for public than non-financial sector. Pace of initial public offering in Nepal seems to be irregular. The number of companies approved for public offering by SEBON in a single year varies from 5 to 28. Even through the organizations process of public offering is quite long, the services provided to the investors to be satisfactory .If raising interest of public in to primary market is one of the objectives, and then the primary market of Nepal is fulfilling this role gradually. To make the initial public offering more efficient, effective, and convenient, following suggestions were recommended:

Investing in share is a gamble, which involves huge amount of risk. To be successful in the stock market, investors should always be clear to his strengths, weakness, requirements, wishes, risk taking capabilities and how to react on different and ever-changing

market conditions. They should not buy the shares of a company until they know details about it.

Most of public issues were from banking and finance sector so issue manager should take initiative step to promote their business from other sectors too. They should be equally effortful in developing the public offering market was an avenue for cost effecting financing.

Opportunity to invest in primary market is low. They have to wait a long period to invest. If they hurry to invest in any of the company, they may have to suffer from loss. Therefore, to get opportunity to invest in profitable stock they should have patience on them.

The concerned authorities should conduct various research studies and disseminate the information relating to the share trading activities to increase the understanding of the investors in using financial tools to estimate the intrinsic value of shares of a company before making investment decisions.

The government, concerned bodies, and individuals have to work hard to make the investment in securities preferable to investors by implementing the rules, regulations, policies, and activities more strictly. The regulatory authorities of the stock market should try to rise the trading of shares by regulating the activities and performance concerned bodies such as brokers and the listed companies frequently to create the efficient pricing of shares.

The stock market lacks the existence of sophisticate investors. So, it recommended to the regulatory bodies to carry out programs using various media and spot program to inform and attract the potential investors, both individual an institutional in investing into financial assets.

Stock market is heading towards the right directions so it is developing and growing. It is utilizing the unused surplus resources in productive sectors. With the provision of stockholders and market makers in 1993, the securities market has been broadened and this has also developed specialization in providing services to securities marker.

There are nine issue managers in the market. Among them, only four are actively doing their job, which may be not sufficient. They should be encouraged to involve more actively other wise they should be panelized.

Issuing company's post issue compliance practice is found to be poor. The issuer companies should be 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.

2.2.3 Review of Journal, Articles, and Report

2.2.3.1 Mr. Ramesh Kumar Pokheral's article about the " Merchant Banking Services in Nepal" in 'Banking Prabardhan 2057' volume 11 has mentioned on Regulatory Aspects of Merchant Banking in Nepal. According to this it is a new concept for Nepal. Its role as an important financial intermediary cannot be challenged from any where in the growing financial system of Nepal. Although a few financial institutions are involved in different merchant banking activities, there is no clear definitions of merchant banking in Finance Company Act, 1986 and no specific legal provisions to be complied by merchant banker. However, section 'e' of Finance Company Act, 1986 permits finance companies to sell and purchase the bonds issued by His Majesty's government or securities issued by other companies or institutions, to underwrite them and to form syndicate for such purpose or to participate in such syndicates and to act as broker under the Security Exchange Act 1983. In addition, section 3'g' of the same act permits them to perform functions of merchant banking with prior approval of Nepal Rastra Bank.

Since there is no separate entity to carry out the merchant banking activities in Nepal, these activities are associated with other transaction of finance companies. These institutions are expected to meet Nepal Rastra Banks' requirement on: Minimum paid up capital and the prescribed risk weighted capital ratio, the liquidity ratio, merchant banking activities up to 60% of total credit and investment portfolio, issue management, and underwriting up to maximum of 10% of total loan and advances of finance company. Like wise, there are no guidelines issued by Nepal Rastra Bank especially for merchant banking in following respects: The minimum acceptable percentage of income form fee based activities, Issuance of negotiable certificate of deposits and terms governing the acceptance of time deposits.

He also pointed out on examination requirements for merchant banking that is a matter of fact that no adequate directives have been issued for the regulatory and monitoring to these services should basically focus on these. Agreement between the parties, specific and conditions, Legal and regulatory provisions related to public issue , Underwriting services and its accounting treatment, Volume of underwriting and issue management, other issues relevant to specific merchant banking function.

Pointed different problems and issues in issuing managing services in Nepal has enlightened in eight points, which are mentioned below:

-) There should not be confusion about the customer in any business. However, in merchant banking services, especially in issue management, some problems can be prevailed. Merchant banker received funds invest by public and paid the raising funds to the issuing company according to the memorandums of underwriting through issuing the share/ debentures. Apparently, the issuing company is a customer of the merchant bankers. However, the fee receive by the issue manager comes from the investors of the share and debentures. Thus, it is not wrong to say that the fees to issue manager are ultimately paid by the prospective investors of the shares/ debentures. Thus, it is very hard for issue manager to serve for the best interest of both investors and issuing company.

-) Because of heavy over subscription of issues and unrealistically low flotation pricing of issues by existing company, post issue management has become a difficult task in Nepal. The problems are accompanied by rigid rules of allotment prescribed by Stock exchange that favor small applicants and therefore increase the number of applicants. The banking system is extensively used for this propose but it seems very hard to cope with the load.
-) Merchant bankers should ensure to the investor that all possible information about the issue is given, and that post issue management i.e. allotment of shares etc and refund are affected with utmost expedition. In the pre-issue phase, merchant banker should ensure the investor's that the issuer is having a good track record and thus merchant banker should give a clean cheat to the issuer. In case the issuer is found guilty then merchant banker ultimately suffers and should face the public or investors.
-) Due to the lack of adequate legal an regulatory framework, merchant banking serve has become more challenging for the monitoring system of Nepal specially for the central bank.
-) To the issuing company, merchant banker should render high standards of professional services and perform their role with due diligence.
-) Sound financial market is needed to adopt the different merchant banking services. Due to the limitation of financial market, the services rendered by merchant banking are also limited in Nepal.
-) According to comprehensive guidelines formulated by Stock Exchange, a company either should be already listed or should be listed in Stock Exchange with in three months of the closure of the issue. However, generally listing is being done lately due to large numbers of shareholders, and provision regarding transferability.
-) In implementing self-regulatory mechanism, merchant banker would have to monitor the performance of other agencies that also provides services to the issuer. There fare advertising agencies, register to issue and other financial institutions. But in Nepal merchant bankers do not have any control over these agencies, although merchant banker are held responsible for the performance or lack of it by the associated agencies.

2.2.3.2 Mr. Abin B. Pradhan ;Asian Development Bank consultant Agency Problem: Implications to Corporate Governance has provided different ways to curb agency problem on their article published on SEBON Journal II October 2005 are as follows
Several mechanisms have evolved to mitigate potential agency problems.

First compensation plans tie the income of managers to the success of the firm. In more developed economics, a major part of the total compensation of top executives is typically in the form of stock options, which means the managers will not do well financially unless the stock prices increases, benefiting shareholders. However, it is found that such options can create incentives for managers to manipulate information to prop up a stock price temporarily, giving them a chance to cash out before the price returns to a level reflective of the firm's true prospects.

Second, while boards of directors are sometimes portrayed as defenders of top management, they can, and in recent years increasingly do, force out management teams that are under performing.

Third, outsiders such as security analysts and large institutional investors such as pension funds monitor firms closely and make the life of poor performers at the least comfortable. Finally, bad performers are subject to the threat of takeover. If one firm observes another under performing, it can acquire the under performing business and replace management with its own team. Other more effective measures that are being used to curb agency problem are: making corporate executives and board members personally liable for the accuracy of financial reports, mandating a greater role for disinterested outsiders on the board of directors, creating a new oversight board to oversee the auditing of public companies and last but not least by prohibiting auditors from providing various other services to clients, etc.

In the home grown common sense front, the age- old adage "A stitch in time saves nine" is certainly well- worth revisiting to ensure effective implementation of sound corporate governance principles in combating imminent crisis and keeping conflicts of interest at bay. That is to say, if agency problem are identified and dealt with expeditiously in the early stages, it could certainly minimize potential loss in firm's value. For that to happen one must be aware of the various manifestations of agency problem. Common sense says that most of the agency problems have root in human nature. Humankind has always resorted to unfair tactics when its survival for thwarted or at risk. In the competitive corporate world where the managers have to live by the 'up or out' policy, there would be plenty of temptations to cur corners to rise about the rest.

In effect, the beginning of agency problem very much depends on the natural inclinations of an individual and the ability towards of temptation for personal gain. Nobody can stop a manager who voluntarily and consciously participates in awn activity that is detrimental to the firm. However, strict preventive measures could be put in place to sufficiently discourage managers from indulging in activities that create conflicts of interest with the owners. The company could also try to restrict managers, who are identified or suspected of having such doubtful character, from working in environments that gives to

temptations. Current blacklisting of loan defaulters in Nepal is more corrective measure to curb the agency problem mostly in the banking sector. It appears that the measure has been received with mixed reactions with the outcomes less than satisfactory to date. The fact that the concerned authorities waited too long to administer the measure made this issue to escalate to gargantuan proportions, making it extremely difficult to resolve it with a set of unwieldy policy measures. I hope that this will be a lesson well learnt, encouraging the corporate and financial sector to take initiative at the right time to put in place an effective monitoring, and addressing mechanism for future agency problems.

Research Gap

Issue Managers, issue-managing activities is new phenomenon in Nepal. Where securities, financial assets, primary market, capital market, are motionless recognized since 1993. About 159 companies have already gone to public, 342 issues are existing in present securities market, and some companies are in line to go public. Where as the company act have been made to go public with is B.S 2065 those whose authorized capital will be 10 million. We can expect that due to these provisions the structure of capital market will be developed soon in the large scale.

At present, there are many researches done on capital market, primary market, stock price behavior, price fluctuation of securities, initial public offering etc but there is no specific research done on role and prospects and existing position of issue manager to develop primary market as well as capital market and securities market with respect of financial assets. In my research, I am analyzing the activities of issue manager and their present position they held the issue managing functions of Nepalese company on primary market till 16 years period. Thus main focus of my research is existing condition of issue manager on the activities of handling initial as well as other public offering and what the result was obtain till this date and problem faced by issue manager in Nepalese primary market.

This study will be helpful to the general investors, professional investors, issue company, issue managers, stock brokers and the new investors who wish to invest their investment in the primary market through initial public offerings.

CHAPTER THREE

RESEARCH METHODOLOGY

Chapterline

Introduction

Research Design

Population and Sample

Nature & Sources of Data

Data Collection Technique

Methods of Data Analysis and Interpretation

Limitations of the Research Study

In the earlier chapter, general background of issue manager has been highlighted and review of literature with possible reviews of relevant books, articles, and thesis has also been discussed. This has equipped me with the inputs necessary for my study and helped me to make choice of research methodology to support my study in realistic terms with sound empirical analysis.

Research Methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words research methodology describes the methods and process applied in the entire subject of the study. The chapter refers to the overall approach to the research process, from the theoretical underpin to the collection and analysis of the data.

3.1 Introduction

Research methodology describes the methods and process applied in the entire aspect of the study. In other words research methodology is a systematized way to solve the research problem. According to Oxford Dictionary “Research” has been defined as the systematic investigation and study of materials, sources etc in order to establish facts and reach conclusions. As per the Webster International Dictionary, research is a careful critical inquiry or examinations in seeking facts and principle: diligent investigation in order to ascertain something. Research is the systematic search for pertinent information on a specific topic. Research is a common parlance that refers to a search for knowledge.

The research methodology is the systematic way of solving research problems. Research methodology refers to the overall research processes, which a researcher conducts during his/her study. It includes all the procedures from theoretical foundation to the collection and analysis of data. As most of the data are quantitative, the research is based on the scientific models. It is composed of both parts of technical aspect and logical aspect, based on historical data. Research is systematic and organization effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording and analyzing and interpreting the data with the purpose of finding answer to the problem. Hence, the entire process by which we endeavor to solve the problem called research.

Research can be conducted based on primary and secondary data. In this study, all the data are secondary and those data are analyzed using appropriate financial as well as statistical tools. Outcomes are present in simple way. In this study, the research design, data collection procedure, and analysis are described serially. This chapter deals mainly with the research methodologies, which is used in the period of research. Research means to research the problems frequently to find out something more about the problems. Similarly, methodology refers the various steps that are generally adopted by researcher in studying his research problem along with the logic behind it. Thus, research methodology is a way to systematically solve the research problem.

In this regard, this chapter explains not only talk of the research methods but also consider the logic behind the methods, which are used in the context of our research study. So research design, source of data, use of statistical tools are explained in this chapter. The stated objectives in mind, both the descriptive and analytical type of research are employed. A descriptive analysis is used because the secondary sources of empirical data have been employed to analyze the using variables, which are related to condition, growth, and prospect of issue manager. According to topic “An Overview study of issue managers in Nepal,” primary sources of data as questionnaire, interviews to relate to higher official are used to show the present trend and market response present situation of investors towards issue manager.

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of information that aims to obtain to the study purpose with economy in procedure. Research design is plan, structure, and strategy of investigations conceived to obtain answer to research question and to control variances. Thus, it means an overall framework or plan for the collection an analysis of information obtain. Descriptive research design has also been use in the study. It is helpful to describe the entire observed and perceived issue managing sector facts. The research is based on recent historical data. It deals with the issue manager activities of the companies taken as a case study based on available information.

Thus,” A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”

It include nature of data, specification of the methods of the proposed study and details plan for carrying out the study with various empirical data for the analysis of problems, etc thus, the design is basically base on presentation, analysis and interpretation of result. First, the data are presented in table (or diagram), second presented data are analyzed by using various financial and statistical tools and at last analyzed data are compared and interpreted for the conclusion.

3.3 Population and sample

As part of information collection and maintaining study about the specific subject matter the population and sample should be determined. The purpose of population and sampling is to provide various types of descriptive wants statically information of a quantitative or qualitative nature about the whole by examining a few selected units. The population of the study is the issue managing performing via the individual issue manager. On Nepalese prospective, there are nine-issue manager and only eight are performing the activities of issue managing. There 342 issuing activities are held and 159 companies listed in Nepal Stock Exchange Limited .To find out the activates performing on issuing activities the population of this studies are issue manager which are performing the activities of issue managing.

Since the concept of issue manager is very new to our country, only nine financial institutions are found to be performing specific issue managing activities. Among nine eight are performing the issue activities they are:

1. NIDC Capital Market Limited (NCML)
2. Citizen Investment Trust (CIT)
3. Nepal Merchant Banking and Finance Limited (NMBFL)
4. Nepal Share Markets Limited (NSML)
5. National Finance Company Limited (NFCL)

6. Nepal Finance and Saving Company Limited (NEFINSCO)
7. Ace Finance Company Limited (AFCL)
8. Nepal Srilanka Merchant Bank Limited (NSMB)

3.4 Nature and Sources of Data

Relevant data used in this study are qualitative as well as quantitative. Both primary and secondary data have been employ here. However primary data have been collected during the study and conversation with key information whenever they were obtain. To find out the activities performed through issue manager questionnaire and unstructured interview has been conducted with the staffs of concern and other institutions. The data are collects from various sources as per their requirement. However the prime study focused has been given to the secondary data. The detail of the sources of primary and secondary data is given below:

Primary Data

The primary data are those, which are collected fresh and for the first time and thus happen to be original in character. Logical aspect of the study are explored mainly through primary data, which is collecting questionnaire and observation survey. For this intention, a set of scheduled questionnaire is developed and distributed to the concern groups like executives, officers and investors. Similarly, observation of issue managing activities of few issue managers conducted as far as possible.

Secondary Data

The secondary data are those data which have already been collected by some sections else and already been passed through the statistical process. The secondary data has been collects from the published materials of different organizations such as Nepal Rastra Bank, Securities Exchange Board of Nepal, Financial Institutions, and Citizen Investment Trust, etc. Likewise, various data and information are collected from the economic journals, periodicals, bulletins, magazines, other published and unpublished reports, and documents from various sources. The major sources of secondary data are Nepal stock exchange (trading volume 2008/09), Rastra bank, brokers and publication including daily papers. Secondary information was collected from these mentioned sources. Information has also been collected form department of industry, banks, financial institution and Securities Exchange board of Nepal to asses the trend and the future potential of issue manager.

3.5 Data Collection Techniques.

Different types of data from several sources are necessary to analyze the trend and pace of issue manager. Qualitative data are collects through traditional methods like field observation, unstructured interview, structured questionnaire etc, and quantitative data are collected through reports etc published from relevant issue manager.

The formal and informal interviews are conducted with personal of various field. As far as questionnaire method is concerned, a set of questionnaire are develop to meet the objectives of the study. A number of questions were put up by means of forty copies of questionnaire. Categorically, the question raised through this means was of two types mainly multiple choice questions and free opinion questions. The questionnaire included ten option questions and four free opinion questions and distributed to the executives, brokers, individual investors of various field.

Secondary data are collected using methods like frequent visit of various libraries, organizations, and website. Library of Shanker Dev Campus, Tribhuvan University, and library of Securities Exchange Board of Nepal, Nepal Rastra Bank helped as a source for various useful books, journals, magazines and other published and unpublished reports.

Data are collected through annual reports, minutes, memorandum of association of several organizations and direct visit to Nepal Rastra Bank, Securities Exchange Board of Nepal. Concept paper made by few organizations, information sheet, leaflet, bulletin, and brochure also help in collection of data for the study.

3.6 Method of Data Analysis and Interpretation

The data that have been collected with the aid of various sources have been edited, coded, processed as well as analyzed and tabulated using various techniques of mathematics, finance, and statistics. Data gathered from secondary sources were analyzed by using diverse statistical tools like percentage analysis, bar diagram, arithmetic mean, standard deviation, coefficient of variation, time series etc. Similarly, data collected from questionnaire method are in the row form. Classification and tabulation of data in the required form as well interpretation and analysis revealed the consequences of the applied questionnaire. Major finding entirely entails the analysis and interpretation of data. Here is the major data analysis techniques applied in the study.

Percentage Analysis

The percentage analysis is done to compare the two or more data for general information. It is the most useful tools for comparison of two quantities or variable. Simply, the word percentage means per hundred and the fraction with hundreds as its denominator is known as percentage and the numerator of the fraction is the rate of percent of occupied.

Multiple Bar diagram:

As far, as bar diagram is concerned, simple as well as multiple bar diagram entails some study. Simple bar diagram defines the only one diagram and it displays the comparative study of two or more values of one variable. On the other hand multiple bar diagram reveals the comparative study of two or more variables at the same time.

Time series:

Time series is the technique that predicts or estimates the up coming possibilities with respect to the past data. It easily describes about the pace and trend of specific sector. On this study time serious used for analyze the figure of different individuals issue manager handled on various fiscal year.

Analysis and Interpretations of data collected or gathered through questionnaire method

There are mainly two types multiple choice questions and free opinion questions. The questionnaire included ten option questions and four free opinion questions and distributed to the executives, brokers, individual investors of various field and the obtaining answer will be analysis and interoperates using different applicable tools i.e. percentage, bar diagram of the viewers.

3.7 Limitations of The Research Methodology

Due to various difficulties and lack of proper knowledge in this particular subject, it was comprehensive to achieve the objective. The research in this topic found to be very rare in numbers. Due to the short period and other factors, not all the methodologies applicable for the stuffy are applied. Therefore, in some cases assumptions has been made to analyze those results comparatively with the view that it will not hamper the main stream of the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

Chapter Outline

Dealing Process
Presentation and Analysis of Secondary Data

Data Presentation and Analysis provides the guidelines the findings of study according to the acquire data from different sources. It is the most important portion of thesis. If it will be malpractices and the presentation and analysis be on off beam way then the findings of the study will be polluted. The basic objectives of this chapter is to analyze wan elucidate the collected data following the conversion of unprocessed data to an understandable presentation. Thus, this chapter presents the analysis and interpretation of the presented data related with issue managing activities of issue manager.

Both primary and secondary data are used, as it specified in the chapter Research Methodology. In this chapter, it deals about the collected secondary and primary data, which are useful in the study of issue managers and issue managing activities. Secondary data includes the issues of securities through individual issue manager on different fiscal year and primary data includes the answer obtains through questionnaire and arranging, presenting, interpreting, analyzing secondary and primary data for making the conclusion of the study.

According to the objectives, mentioned and collected data have been analyzed as in percentage, average, standard deviation, coefficient of variation to recognize the consistency or regularity or variable movement of individual issue manager and pie chart and bar diagram also used to analyze the secondary as well as primary data. One of the objectives is identifying the dealing procedure of issue managers and it consists in this chapter.

4.1 Dealing Process/ Placement Procedure

Managing placement is an event management. An event deals with the public, legally vulnerable, and time bond. Therefore, dealing the process of placemen, management needs sufficient knowledge about relevant rules and regulations and good time management. According to the involvement of issue manager and the work performed by the issue managers in the placement process, issue process can be broadly basis down on four phases and four phases includes different activities/ step to perform by issue manager for the placement of issued securities.

Phase I

Step 1. Approach to potential clients

The process of issue management by the registered company having approval from securities board to manage issue starts from the approach by the issue manager to the prospective issuing company opting to raise money from the capital market. The interested issue manager accompanies the approach to the prospective issuing company with the approach letter. While approaching the issuing company, issue manager should consider how the public and financial institution would react to the issue. That implies weather issuing company holds considerable goodwill in the market or not. In addition to it, issue manager should also consider the fact that whether, the collection of money is for genuine and responsible motive or not.

Step2. Follow up

Issue manager then follows up the prospective issuing company. Issue manger guides and answer to the company regarding any confusion persisting in the mind of issuing company regarding the public offerings process, right offering etc.

Step 3. Approach with written proposal

Upon the affirmative signal from the issuing company, the issue manager presents a proposal letter accompanied by the tentative budget for the issue management process. Proposal letter reflects all the activities to be undertaken in the issue management process, activities to be managed by the issue manager, responsibilities of issuing company, and the budget for all the process to be born by the issuing company. If special considerations are present, such matters are also mentioned in the proposal. The proposal is made with the view that it is competitive enough to the issuing company to accept the proposal in the presence of other issue managers submitting different proposal.

Consideration for phase I

These three steps are the initials in the process of issue management, where issue manager comes into the contract of the prospective issuing company for the first time as a business client. The concern for the issue manager in this stage would be that, there are different other issue managers opting for managing the issue management of said company. Therefore issuing company has an option to choose among different issue managers, as per their requirements, liking and benefit. Therefore, issue manager should note various courses:

- J Issue manager contacts prospective issuing company considering good history of the company an genuine cause for raising funds.
- J They are in competitive position to claim their advantage over competitors.
- J Competitive budget submitted can be one way of establishing competitive advantage, but it is not all.
- J Other factors like, additional services provided, efficiency in work or professional portray of the issue manager it self can be the additional reasons for issuing company selecting the issue manager.

Phase II

Step 4. Signing of Memorandum of Understanding

After the proposal submitted has been accepted by the issuing company. The legal agreement is to be made in the form of Memorandum of Understanding between the issuing company and the issue manager. The agreement should clearly state the authority and the responsibility of each party involved in the process of issue management. The agreement should also clearly state the breach of agreement and the settlement of the disagreements, if any, between the parties involved. Signing of Memorandum of understanding gives issue manager the green light to start the legal and documentary process with the governing bodies for securities issue and for their approval.

Step 5. Preparing prospectus

Upon signing MOU issue manager have the authority to act on behalf of the issuing company. The next step would be the preparation of prospectus with the perspective of informing the general public the true scenario of issuing company. For the preparing the prospectus, issue manager requires the issuing company to provide all relevant documents needed for publishing the prospectus. It mainly requires Memorandum of Association (MOA) , Article of Association (AOA), recent changes in the board of directors and the promoters' list, major strategic decision taken by the bank, major provisions that influence the future of the company, the major changes occurred in the bank etc.

Step 6. Registering in Register of Companies

After preparing the prospectus, the prospectus with the required documents and fees need to be registered in the office of Registrar of Companies for the approval. The prospectus registered needs to be signed by all the board of directors implying their responsibility as matters written in the prospectus to be true. The other necessary information to be submitted along with the prospectus is stated in Stock Exchange Act.

Step 6.1 Updating with Register of Companies (ROC)

After registering prospectus in ROC, issue manager should continuously update any comments received from ROC. Issue manager with the consent from the issuing company, should reply to all the comments made to all the comments and the changes required by ROC, approval would be granted from its side to offer securities in public.

Step 6.2 Receive approvals from Securities Exchange Board (SEBON)

After receiving approval from ROC, issue manager should also approval from the Securities Exchange Board. For this purpose, issue manager, on behalf of issuing company, should register with the prospectus and the required documents in Securities Exchange Board.

Step 6.3 Finalizing the approval of issue

After applying for the approval from Securities Exchange Board, issue manager should continuously update any comments received from SEBON. Issue manager with consent from the issuing company, should reply to all the comments from SEBON. After replying to all the comments and the changes required by the SEBON, approval is granted by SEBON to issue securities in public. After getting approval from both ROC and SEBON, the approval process would be completed and securities issue can be announced to the public.

Step 6.4 Undertaking underwriting process

In tandem with filing for approval from SEBON, issue manager should arrange for underwriters, collection centers, and bankers to issue to be involved in the public issue process. In the case of finance company, underwriting of shares issued need not be done. The list of underwriters needs to be approved from NEPSE. The selection of intermediaries need to be done keeping in mind that they are legally permitted institution to get involved, and are in position to hold responsibility laid upon them.

Step 6.5 MOU with underwriters

After the approval of underwriters list, a separate MOU is to be made and signed by the issue manager on behalf of issuing company and the individual underwriters underwriting the securities issued.

Step 6.6 Orientation of intermediaries

The issue manager should make sure that intermediaries selected for the issue process know the job assigned to them. For this, issue manager might require to prepare and give proper guidelines to them. In short issue manager should make sure that they think and work in line with the thinking and working of the issue manager.

Step 7. Finalizing the date of issue opening

After receiving approval from ROC and SEBON, issue manager should inform issuing company about the approvals. Issuing company should decide on the date on which they wish to open the public offerings process and inform issue manager. Issue manager should note that considerable time is there before issue opens, for making necessary preparations. Stock Issue and Sale Manage direction, 2054 (11) requires that within three months of approval from the SEBON, securities should have been opened to the public. If for some reasons it could not be opened, re approval needs to be taken from ROC and SEBON for later opening.

Consideration for phase II

This phase includes legal and documentation procedure to be undertaken in the process of issue management. Therefore, care is to be taken by issue manager that

-) All the agreements made are legally bonded and process followed is as per the guidelines provided by the existing Acts and Regulations.
-) Legal bindings in agreement make issue manager liable only to clauses referred in the agreements and free from other responsibilities and claims. Similarly, it compiles issuing company to follow the agreements made.
-) By following the procedure as per the existing Acts and regulations makes approval from governing bodies quick and easy, making the issue process swift and smooth and reflecting professionalism of issue manager.
-) Issue manager should note that every intermediaries involved in the issue process know and follow their prescribed role. Issue manager might need to provide guidelines to them to assist in performing their role.
-) Issue manager should have considerable time before opening of issue to make necessary arrangements.

Phase III

Step 8. Publishing announcement letter

After all the provisions have been made, issue manager is ready to announce the issue by publishing announcement letter. Such announcement should be published in the prominent daily newspaper at least seven days or maximum fifteen days before the issue date. Announcement letter should contain all the necessary information about the company,

about the issue and the date of opening of the issue. Matters written in the announcement letter should not be contradiction to the matters stated in the prospectus. The announcement letter should also contain inherent risks in the business and managements' view toward such risk. Security Issue and Sale Manage Direction (12) has provided guidelines about different types of risk that is to be mentioned in the announcement letter.

After the publication of announcement letter, issue manager should make sure that instructions and guidelines regarding the things to be noted and process to be followed while receiving applications form from the applicants, are received and understood by intermediaries involved.

Along with the publication of announcement letter, issue manager should get involved in the marketing of the issue as per the need of issuing company. The main purpose of marketing is to build favorable image among the investors to apply for the issue. i.e. preparing tools, pamphlets, announcing in newspaper, television, radio organizing press conference etc are the things that normally one to market the issue.

Step 9. Printing of prospectus and application forms

Applications form is to be submits and approved from NEPSE. After the approval, issue manager should give order for the printing of prospectus and applications form for general distribution.

Step 9.1 Dispatch of prospectus and application forms

After printing of prospect and applications form, it needs to be dispatched to the collection centers and bankers to issue.

Step 10 Opening of issue

The date of issue opening should have been previously published in the announcement letter. On the first day, opening of issue needs to be published in the prominent daily newspapers.

Step 11 Gathering information

Within the period of issue, issue manager should continuously collect information from the collection centers and banker to issue regarding the progress of issue process. Information regarding total subscription amounts and the number of applicants applying for.

Step 12 Provision for early closing

The next concern for the issue manager would be the closer of issue. The closer of subscription would be conditional to extend of subscription. Under full subscription of the issue , closer of application submission can be at earliest seven working days after the issue opening, if not with in thirty days after issue opening depending upon the day of full subscription. Upon the closer of subscription, issue closer notice must be published in the day

of closer. Distribution of securities cannot be done unless fifty percent of the issued securities are subscribed

Step 12.1 Prolonging issue open date

If within thirty days of opening of subscription, the issue is not fully subscribed, issue can be further opened for fifteen days after getting approval from SEBON.

Step 12.2 Provision in under subscription

If not fully subscribed even after forty-five days of opening of issue, then the issue manager should ask the underwriters to subscribe the remaining issue on pro-rata basis of their underwritten amount.

Step 12.3 Collection of application forms and subscription money

Upon the closer of subscription, the collection centers need to give all the subscription money and the application form earliest as possible to the issue manager. The subscription money needs to be deposited in the account of issue manager opened in the bankers to issue.

Step 12.4 Informing issuing company about the issue

Issue manager should inform the issuing company regarding applicants number, number of securities subscribed, total amount collected within forty-five days of closing of application submission.

Consideration for phase III

In this phase issue manager deals with general public and other intermediaries involved in the process of issue management. Therefore the concern for issue manager in this phase would be

-) Information provided to the general investors through announcement letter, prospectus and application forms should not contain errors that may be blamed for the ignorance and the inefficiency of the issue manager. Therefore, careful proofreading needs to be done.
-) Information intended for general public is heard by the large mass the public.
-) In addition to it, information provided to the general public is motivating enough for the public to subscribe the issue securities.
-) In regards to other intermediaries involved, issue should make sure that the intermediaries involved are performing their role as per the agreements signed by them.
-) Intermediaries involved know their responsibilities and perform as per their responsibilities.

-) In total, issue manager should look for whether the issue process is undergoing and completing within the specified time period and with desired results.

Phase IV

Step 13 Application data processing

The process of application data processing starts simultaneously with the submission of application forms by general or public investors.

Step 13.1 After the closer of issue, application data processing of all the applications forms collected from collection center would be done.

Step 13.2 After completion of the data processing, issue manager should indulge himself with checking, verifying, updating and finalizing of the entered data.

Step 14. Deposit and mobilization of subscription money

Simultaneous with the collection of money in the current account in the bankers to issue, the money is to be mobilized daily. Mobilization of money takes place with the opening of the fixed deposit in the commercial bank.

Step 14.1 Designing of share certificate

Simultaneously with the data processing, issue manager should make sure that the share certificates are designed. The Company Act has developed the format for the share certificate to be distributed to the general investors.

Step 15 Allotment of shares

In the case of exact subscription, the allotment needs to be done as per the applied number by the applicants. Nevertheless, in the case of oversubscription, an allotment model needs to be developed. The model developed for the purpose of allotment needs to be approved by the board of issuing company and the SEBON. The allotment should be done under forming of a committee comprising of Nepal Stock Exchange, issuing company and issue manager and sometimes securities board. Share allotment directives have set directives for the allotment of shares.

Step 15.1 Allotment time limits

The allotment of shares is to be done taking into consideration that notice of refunding oversubscribed money and full/ partial allotment of shares is to be published within seventy five days of closing of issue. Therefore, allotment of shares and the refund is to be done within seventy five days from closure of the issue.

Step 15.2 Notification of the allotment

The details of allotment to the public must be submitted to SEBON, NSE, ROC and sometimes NRB.

Step 15.3 Calling of remaining money

Before refunding the oversubscription money, the issuing company should make decision about calling the remaining share amount from the allotted shareholders. It is to be noted that, issuing company can sell money to the limit that the payment percentage of the general shareholders is not higher than the payment percentage of the total share value by the promoters.

Step 16 Allotment notice to be public

After the allotment has been finalized, the allotment notice, final call money if any, should be published on the following day of allotment in the prominent daily newspaper.

Step 16.1 Allotment list publications

After the publication of the news, list of allotted shareholders needs to be printed and displayed in the convenient place for the general investors.

Step 16.2 Printing of stationary for refund and share distribution

Issue manager should print the allotment sheet, repayment orders slip and refund slip. Such slips are to be attached together according to collecting centers and application collected by them.

Step 16.3 Publishing allotment schedule

Issue manager should publish allotment schedule, refund schedule for the respective allotted shareholders

Step 16.4 Dispatch of the stationary

Issue manager should dispatch all the refund slips, allotment letters, repay orders to corresponding collection center as per their collection of application forms.

Step 16.5 Supervision of in house distribution

Issue manager supervise the house of distribution of refund, repayment and allotment slips.

Step 16.6 Printing of share certificates

Issue manager should print the share, securities certificate to the allotted share/securities holders.

Step 16.7 Dispatch and distribution of certificates

Issue manager should supervise and manage the dispatch and distribution of certificates to the respective shareholders.

Step17 Reconciliation

Issue manager should reconcile for the final time. Reconciliation is to be done as second call money reconciliation, allotment reconciliation.

Step 18 Handing over of issue money

After completing all the activities, issue manager should hand over issued securities money to issuing company the day after the allotment.

Consideration for phase IV

In these phase, issue manager should consider the internal efficiency of its management. It is because fall the activities involved are in house activities to be managed by the issue manager. In addition to it, guidelines have set the deadline of seventy five days for the refund of oversubscribed money and partial, full allotment notification of shares to the public. In addition to the internal efficiency in managing the data processing, the concern to the issue manager should also be the internal mobilization pf collected money. Through the issue manager cannot use the collected money for the commercial purpose, it can optimally utilize the money in the permissible way. Obtaining high yield from the deposits with in the specified period, maximum seventy five days.

Step 19 Listing of securities

The issue securities need to be listed in the securities exchange market (NEPSE) with fin three month of closing of public offerings. The issue manager if not by himself should make sure that issuing company list the securities in the stock exchange with in the specified time period.

4.2 Presentation and analysis of secondary data

4.2.1 Public Issue Analysis

Assortment of activities includes on the function of issue manager. Nevertheless, case of our country the function of issue managers is regards as issue management, underwriting, register to the share. Thus, the analysis starts from the analysis of public issue of securities. As per the provisions of securities Exchange Act and regulation guidelines made these under the issuing company should register the securities in SEBON and get issue approval before going public.

Public Issue of Securities
(1993/1994 to 2008/2009)

Table No 4.1

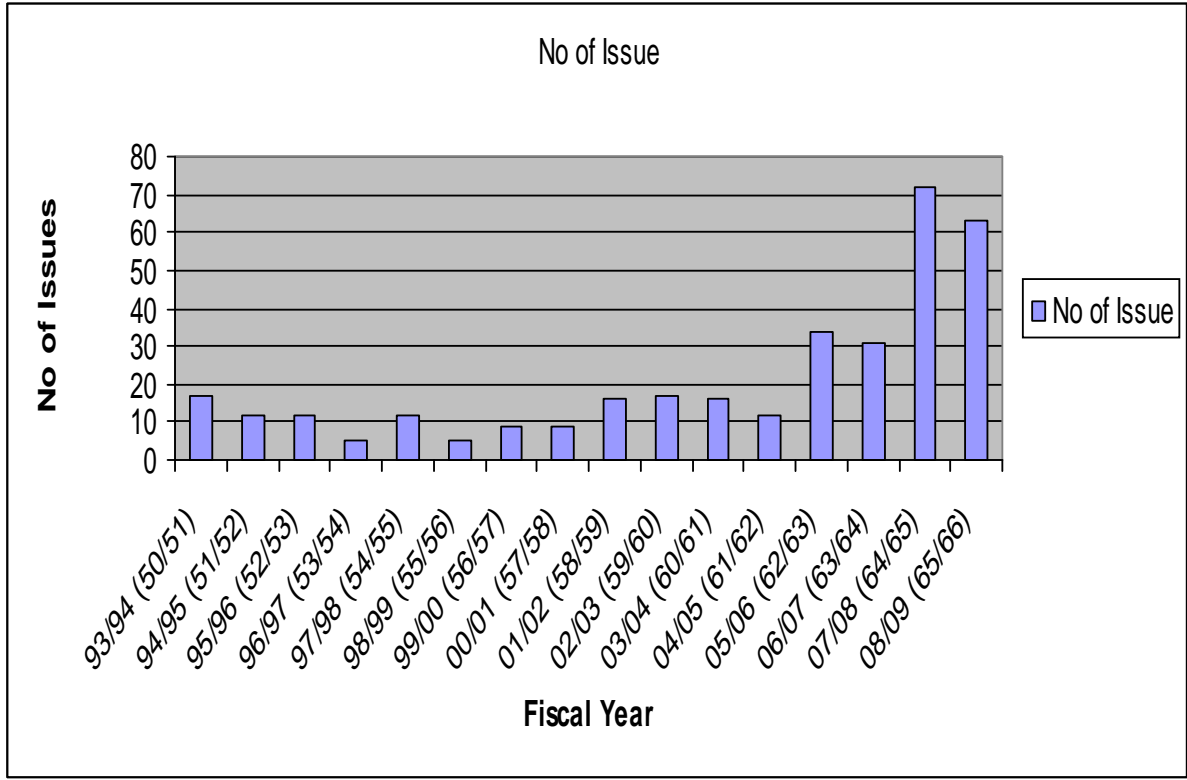
S.N	Fiscal year	No of Issue	Issue %	Issue Amount(mi)	Issue %
1	93/94 (050/051)	16	4.971	344.4	0.855
2	94/95 (051/052)	10	3.509	254.21	0.631
3	95/96 (052/053)	12	3.509	293.74	0.729
4	96/97 (053/054)	5	1.462	332.20	0.825
5	97/98 (054/055)	12	3.509	462.36	1.148
6	98/99 (055/056)	5	1.462	258.00	0.641
7	99/00 (056/057)	6	2.632	630.31	1.565
8	00/01 (057/058)	9	2.632	717.2	1.781
9	01/02 (058/059)	12	4.678	1555.11	3.862
10	02/03 (059/060)	18	4.971	853.83	2.120
11	03/04 (060/061)	14	4.678	1547.79	3.844
12	04/05 (061/062)	12	3.509	1270.31	3.155
13	05/06 (062/063)	29	9.942	2547.87	6.327
14	06/07 (063/064)	34	9.064	2757.50	6.848
15	07/08 (064/065)	64	21.053	11567.86	28.727
16	08/09 (065/066)	63	18.421	14875.12	36.940
	Total	321	100.000	40267.81	100.000

For the development of industry, commercial section and the economy as whole, development of nation, capital market plays the vital role. With out public issue the development of capital market is impossible. Thus, there is direct relationship between capital market and public issue of securities. As the public issue plays on the increasing the role and importance of issue managers, reasons that the public issue manage in professional and systematic way by issue managers.

Tabular as well as graphical presentation of public issue in different fiscal year are presented in table no 4.1 , chart no 4.1, 4.2 as follows and percentage also calculated on the table.

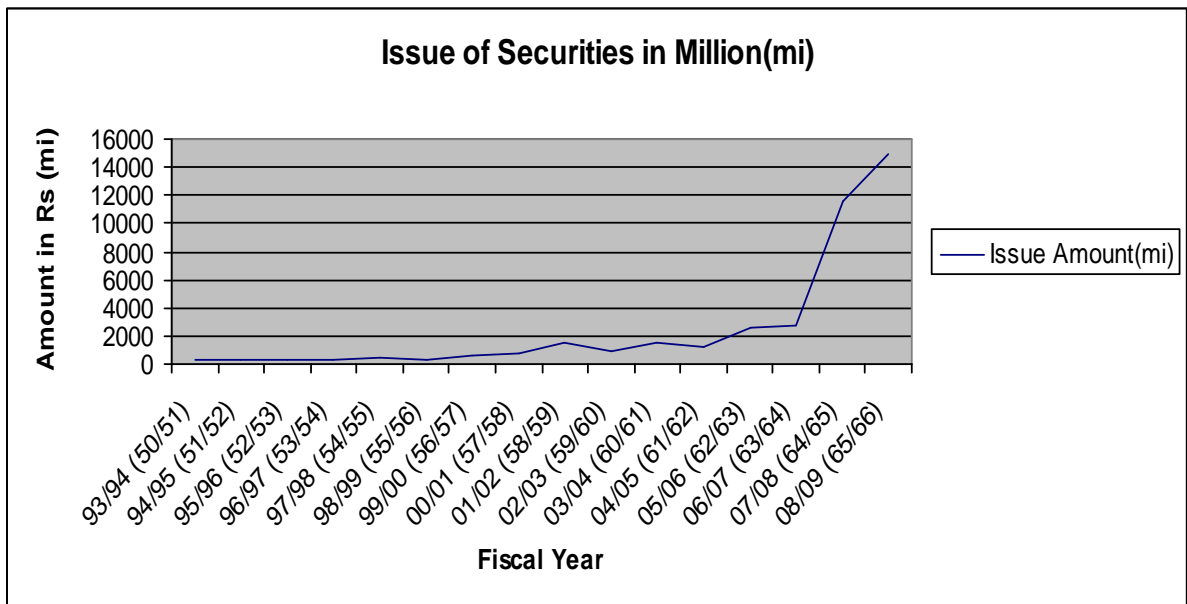
**Public Issue of securities
(1993/1994 to 2008/2009)**

Chart No 4.1



**Public Issue of securities
(1993/1994 to 2008/2009)**

Chart No4. 2



Above Table, bar diagram, trend analysis shows the fluctuation of public issue of securities on different fiscal year. Total 342 issues were held during last 16 years of various amounting Rs. 40267.81 million till 1993/1994 to 2008/2009. The trend and bar diagram implies that on the year 1993/1994 only 17 issue of amount 344.4 million, on 1994/1995 only 12 issues of amount 254.21 million, on 1995/1996 only 12 issues of amount 293.74 million, on 1996/1997 only 5 issues of amount 332.20 million, on 1997/1998 only 12 issues of amount 462.36 million, on 1998/1999 only 5 issues of amount 258.00 million, on 1999/2000 only 9 issues of amount 630.31 million including citizen investment trust scheme of amount 93.25 million, on 2000/2001 only 9 issues of amount 717.2 million including citizen unit scheme of rs 82.91 million, on 2001/2002 only 16 issues of amount 1555.11 million including citizen unit scheme of rs 138.48 million ,on 2002/2003 only 17 issues of amount 853.83 million including citizen unit scheme of Rs 40.09 million, on 2003/ 2004 only 16 issues of amount 1547.79 million including citizen unit scheme of Rs 62.87million, on 2004/2005 only 12 issues of amount 1270.31 million and on 2005/2006 only 34 issues of amount 2547.87 million, on 2006/2007 only 31 issues held of amount 2757.50 million, on 2007/2008 only 72 issues of amount 11567.86 million and of 2008/2009 only 63 issues of amount 14875.12 of public issue were held. On 16 years period total 342 of amount 40267.81 million of public issue on the primary market.

However on average 21 issues during the 16 years were held. 5 is the lowest issues and 72 is the highest issues. Similarly, lowest amount is Rs 254.21 million and highest amount is 14875.12 million during 16 years period. Thus the trend of primary market is increase smoothly. If the government stability and the suitable policies formulated and implied the primary market can increase healthy.

4.2.2 Institution/Sector wise and Instrument wise analysis of Public issue

On Nepalese prospective, there the corporations listing are categorized under eight groups they are namely Commercial banks, Development banks, Financial Company, Insurance Company, Hotel, Manufacturing, and Processing Company, Trading Company and Others. There are only 159 company listed with 342 transactions were held during the period of 16 years where as one Mutual Fund and one Unit Trust are existing on the Nepalese secondary market.

The institution wise analysis of public issues has been conducted to find out the sectors, which are benefited through issue managers activities in the process of public issues of securities. Similarly, instrument wise public issue analysis helps to find out the instruments that have been during the issues of securities.

**Institution wise Issue of Securities
1993/1994 to 2008/2009**

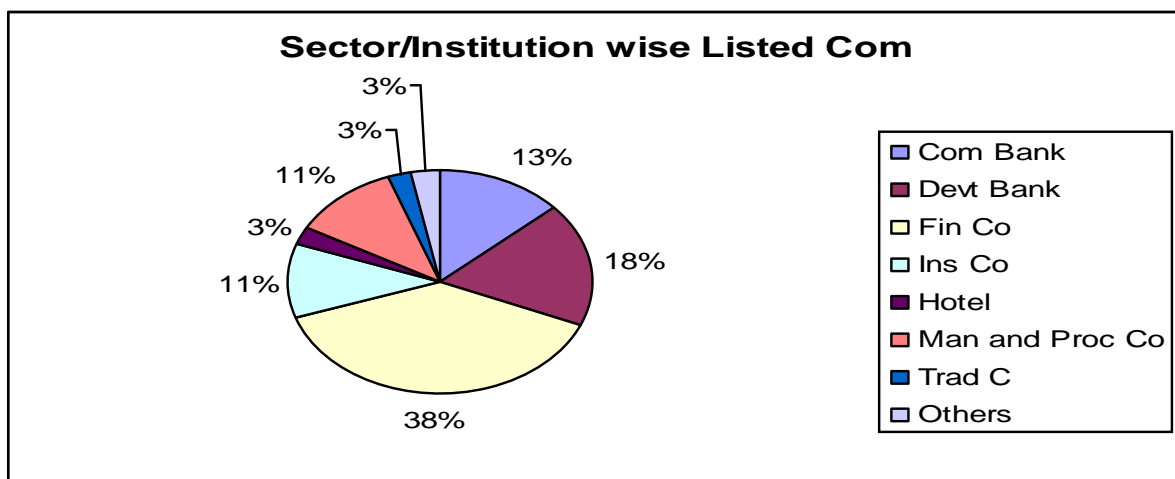
Table No 4.2

S.N	Sector/ Institution	No of Listed	% of Listed	Issue Amount	% of Issue Amount
1	Commercial Bank	21	13.21	14667.3	49.78
2	Development Bank	29	18.24	2322.7	7.88
3	Finance Company	61	38.36	4317.3	14.65
4	Insurance Company	17	10.69	1669.7	5.67
5	Hotel	4	2.52	1552.9	5.27
6	Man and Proc Company	18	11.32	2539.7	8.62
7	Trading Company	4	2.52	78.4	0.27
8	Others	5	3.14	2317.8	7.87
Total		159	100	29465.8	100

SEBON Annual Report 2007/2008

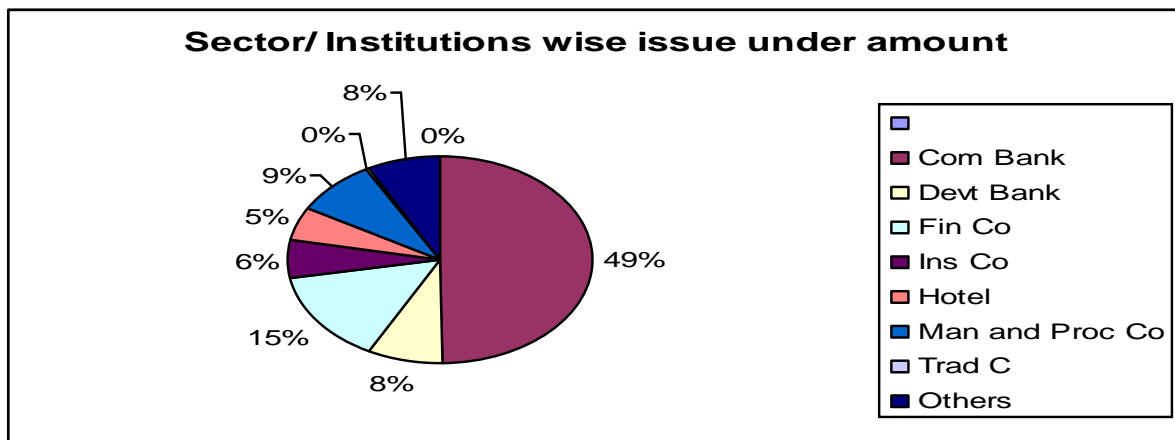
Institution/Sector wise Issue on Percentage

Chart No4. 3



Institutions/Sector wise issue on Amount Basis

Chart No 4.4



From above table no 4.2 and chart no 4.3 & 4.4 clearly defines about the sector wise issue on percentage basis and on amount basis. Where financial institutions have enclosed major part on the basis of no of companies register to share or listing as where commercial banks are adopted major role on the basis of amount.

4.2.3 Market Capitalization

By the end of fiscal year 2007/2008 the market capitalization of the listed securities reached to Rs 366247.5 Million. The capitalization was Rs. 186301.3 Million in the fiscal year 2006/2007 The highest market capitalization in the fiscal year 2007/2008 was Rs 26192.5 million on June 19 2008 and the lowest was Rs 148173.4 on July 30 2007. The percentage contributions of market capitalization on nominal Gross Domestic Product is estimated to be 44.62.

Market Capitalization Fiscal Year 2007/2008

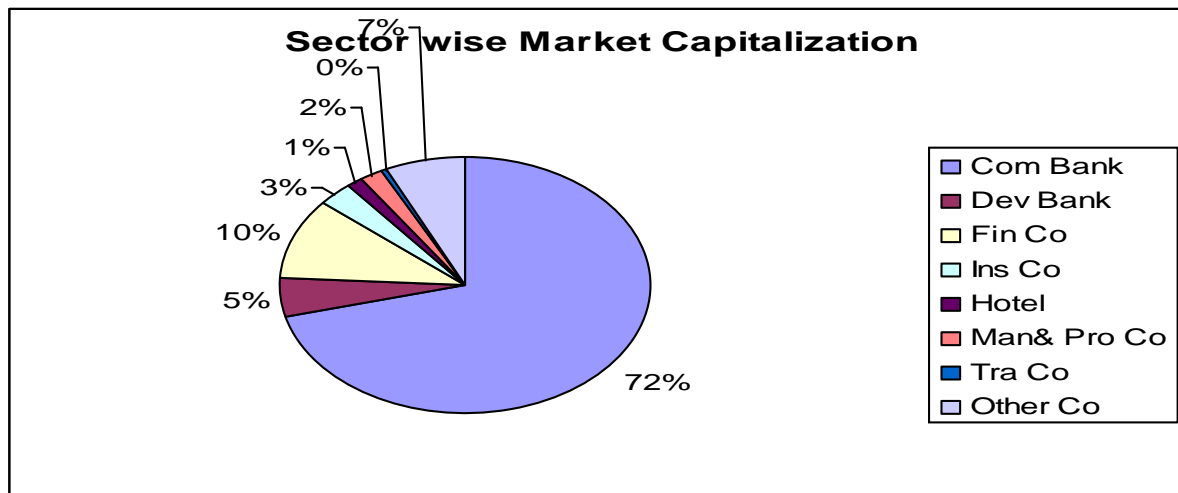
Table No 4.3

S.N	Sector/Institutions	Market Capitalization	Percent
1	Commercial Bank	259955.3	70.98
2	Development Bank	17997.8	4.91
3	Finance Companies	37674.4	10.29
4	Insurance companies	11241.4	3.07
5	Hotel	4809.6	1.31
6	Manufacturing & Processing Company	7516.9	2.05
7	Trading Company	1170.2	0.32
8	Other Company	25881.9	7.07
		366247.5	100

SEBON Annual Report 2007/2008

Market Capitalization Fiscal Year 2007/2008

Chart No4.5



Above table No 7 and chart no 4.5 implies that major part of market capitalization is adopt by commercial Banks where commercial banks adopt 70.98 % , Similarly

Development Banks, Finance Companies, Insurance Companies, Hotel, Manufacturing & Processing Companies, Trading Companies and other are 4.91%, 10.29%, 3.07%, 1.31%, 2.05%, 0.32% and 7.07% respectively.

4.2.4 Instrument wise Public issue

There are so many instruments for raising funds. However, on Nepalese prospective only ordinary share, right share, preference share, debenture are used. Mutual funds and unit scheme also exist on Nepalese capital and primary market.

**Instrument wise Issue
1993/1994 to 2008/2009**

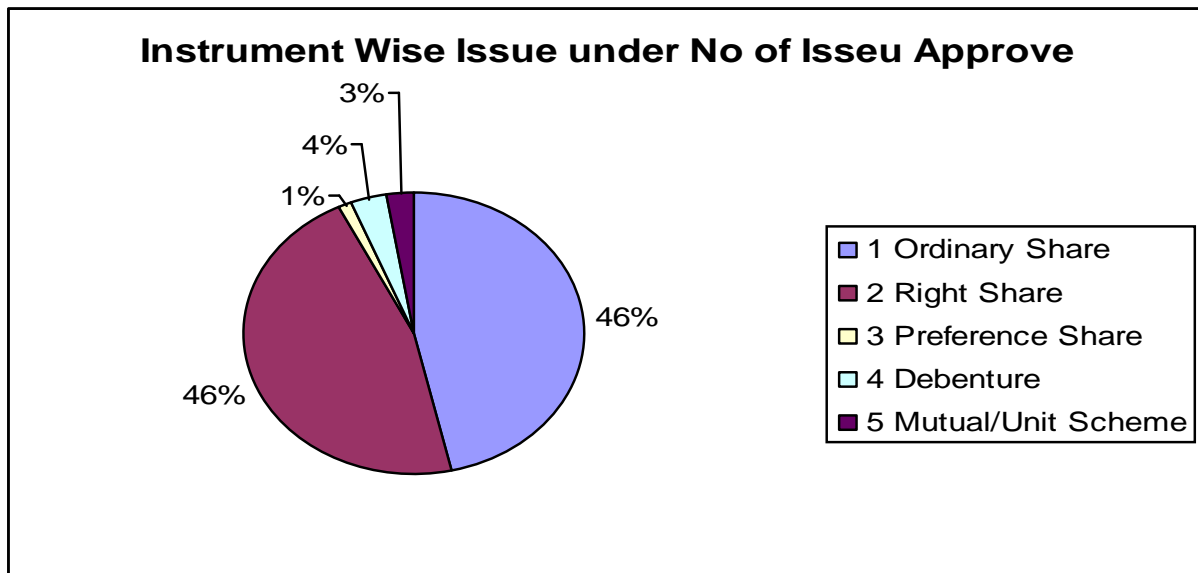
Table No 4.4

S.N	Instrument	No of Issue	% of Issue	Amt in million	% of Amt
1	Ordinary Share	159	46.49	78047.5	19.35
2	Right Share	158	46.20	250584.6	62.14
3	Preference Share	4	1.17	6340.00	1.57
4	Debenture	12	3.51	61630.00	15.28
5	Mutual/Unit Scheme	9	2.63	6676.00	1.66
Total		342	100	403278.1	100

Source: Annual Report of SEBON 2008/2009

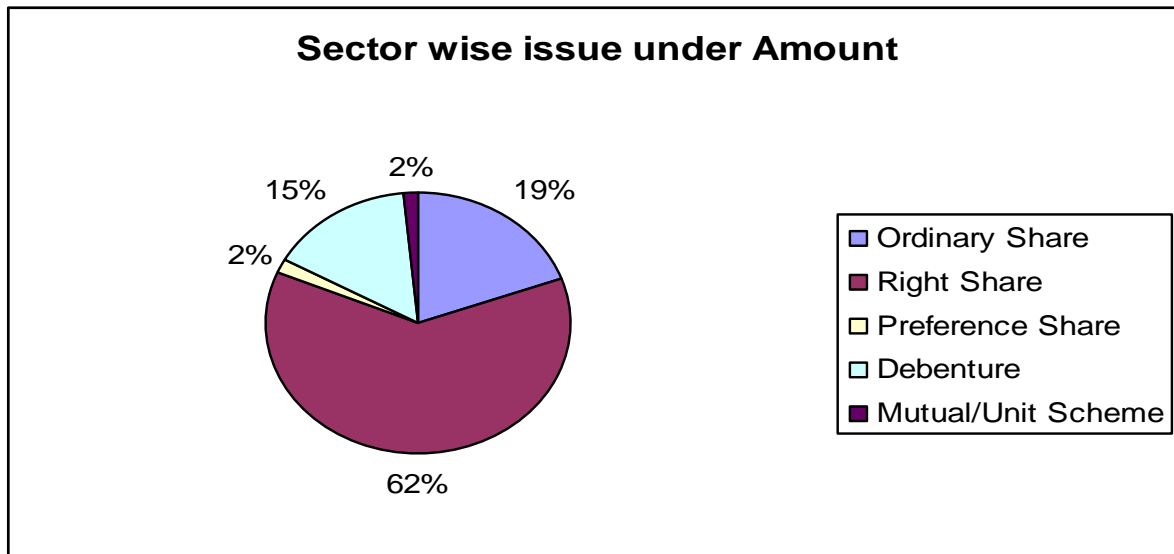
**Instrument wise Issue
1993/1994 to 2008/2009**

Chart No 4.6



**Instrument wise Issue
1993/1994 to 2008/2009**

Chart No4. 7



Above table 4.6 and chart No 4.6,4.7 are clearly defines about the instrument wise public issue of no of issue and amount basis where Ordinary share 159, Right Share 158 , Preference Share 4, Debenture 12 and Mutual/Unit Scheme 9 which is 46.49%, 46.20%, 1.17%,3.51%,and 2.63% respectively . On the basis of amount Ordinary Share Rs 78047.5 million, Right Share Rs.250584.6 million, Preference Share Rs. 6340.00 million, Debenture Rs. 61630.00 million, and Mutual/Unit Scheme Rs 6676.00 million this is 19.35%, 62.14%,1.57%,15.28% and 1.66% respectively.

4.3 Issue Management Undertaken by Individual Issue Manager

4.3.1 NIDC Capital Market

NIDC capital Markets Limited was incorporated in 1992 under the Company Act 1964 with the objectives of carrying out financial activities under the Finance Company Act, 1985 and Securities Exchange Act 1983.

The company from the very beginning of its establishment is carrying out capital market activities such as issue management, underwriting securities register, portfolio management etc. The company, which was working as a market maker for listed corporate securities until December 1996, changed its membership into Securities Dealer (Primary Market) in January 1997 giving up the market making function. The company has also taken license of Securities Dealer (Secondary Market) to work as portfolio manager in January 1997.

NIDC Capital market is the first market maker or market maker established in Nepal under the contribution of NRB. It is the first issue manager in Nepal. On the initiating period the main objective was to render the issue managing facilities between Issue Company and general investors. As an issue manager it provides various services to the issuing company and general investors. The activities of NIDC Capital Market are to act as an issue and sales manager, to provide advice for issue, arrange underwriting for public and private issues to encourage public participation in the ownership of industrial and commercial institutions, collecting medium and long term funds from public for the establishment and the expansion of industry. Besides these activities, it also has an active role to provide liquidity to the securities as a market maker involving itself actively in buying and selling of securities, as a secondary and primary market maker.

As the leading issue manager, NIDC Capital Market is providing various services to the clients. The main services besides issue management provided by NIDC Capital Market are underwriting services, registration of shares, portfolio management, research and development, and project planning, corporate counseling and management consultancies.

Briefly analysis of Public issue managing by NIDC Capital Market via Table No 4.9
Amount on Million

**Briefly Public Issue handled by NIDC Capital Market
1993/1994 to 2008/2009**

Table No 4.5

S. N	Name of the Company (Issuer)	Types of Securities	Issued Amount	Sub %	Issue Date
Fiscal year 1993/1994					
1	Nepal Share Market & Finance Ltd	Ordinary Share	4.00	495.30	06/10/1993
2	Himalayan General Insurance Ltd	Ordinary Share	12.00	188.13	09/12/1993
3	Harisiddhi Brick & Tiles Factory Ltd	Ordinary Share	53.20	289.83	
4	Nepal Lever Ltd	Ordinary Share	13.8	653.51	05/01/1994
5	United Insurance Company (Nepal) Ltd	Ordinary Share	24.00	440.15	0-02/1994
6	Nepal Film Development Company Ltd	Ordinary Share	21.90	506.22	19/06/1994
7	Birat Shoe Ltd	Ordinary Share	5.00	394.30	03/07/1994
8	Birat Shoe Ltd	Preference Share	2.50	194.30	03/07/1994
Fiscal year 1994/1995					
9	Premier Insurance Company Ltd	Ordinary	12.00	1936.	30/08/1994

		Share		45	
10	Everest Insurance Company Ltd	Ordinary Share	12.00	1084.64	18/10/1994
11	Nepal Bangladesh Bank Ltd	Ordinary Share	36.00	2219.62	26/10/1994
12	Kathmandu Finance Ltd	Ordinary Share	8.00	772.26	10/02/1995
13	Letherage BansbariTannery&ShoeF.Ltd	Ordinary Share	15.00	71.15	27/03/1995
14	Everest Bank Ltd	Ordinary Share	36.00	514.35	07/06/1995
Fiscal year 1995/1996					
15	HISEF Finance Ltd	Ordinary Share	24.00	104.16	14/04/1996
16	Yeti Finance Company Ltd	Ordinary Share	8.00	106.09	28/04/1996
17	Fluer Himalayan Company Ltd	Ordinary Share	12.30	63.38	14/05/1996
Fiscal Year 1996/1997					
18	Bank of Kathmandu	Ordinary Share	45.00	536.33	17/11/1996
Fiscal Year 1997/1998					
19	Shree Ram Sugar Mill Ltd	Ordinary Share	46.50	52.90	20/11/1997
20	Shree Ram Sugar Mill Ltd	Debebture	93.00	18.42	20/11/1997
21	Lalitpur Finance Company Ltd	Ordinary Share	9.50	146.75	04/05/1998
22	Goodwill Fin &Inv. Co(Nepal)Ltd	Ordinary Share	10.00	116.06	26/06/1998
Fiscal Year 2000/2001					
23	Oriental Hotels Ltd	Ordinary Share	150.00	628.60	25/07/2000
24	Sagarmatha Insurance Company Ltd	Ordinary Share	10.20	3322.17	17/08/2000
25	Nepal Merchant Banking & Fin. Ltd	Ordinary Share	50.00	4705.09	15/01/2001
Fiscal year 2001/2002					
26	Bank of Kathmandu	Right Share	234.00	98.30	31/08/2001
27	Himalayan Distillery Ltd	Ordinary Share	173.46	10.57	13/09/2001
28	Union Finance Company Ltd	Ordinary Share	24.00	878.39	15/01/2002
Fiscal year 2002/2003					
29	Life Insurance Corporation(Nepal)Ltd	Ordinary	50.00	1743.	05/08/2002

		Share		44	
30	Nepal SriLanka Merchant Bank Ltd	Ordinary Share	40.00	615.41	28/08/2002
31	Nepal Investment Bank Ltd	Right Share	57.24	97.42	27/09/2002
32	Central Finance Company Ltd	Ordinary Share	8.00	852.41	15/11/2002
33	Premier Finance Comapany Ltd	Ordinary Share	8.00	1026.36	06/01/2003
34	People Finance Ltd	Right Share	20.00	56.69	03/06/2003
Fiscal year 2003/2004					
35	Pasmanchal Development Bank Ltd	Ordinary Share	6.00	2023.28	10/06/2004
Fiscal year 2004/2005					
36	Annurpurna Finance Company Ltd	Right Share	20.00	97.33	05/11/2004
37	National Finance Company Ltd	Right Share	43.20	97.06	15/06/2005
Fiscal year 2005/2006					
38	Prudential Bitya Sasta Ltd	Ordinary Share	24.50	113.34	11/09/2005
39	Srijana Finance Ltd	Ordinary Share	4.00	121.08	22/09/2005
40	Kumari Bank Ltd	Right Share	125.00	153.46	21/12/2005
41	Business Dev. Financial Institute Ltd	Ordinary Share	12.00	2188.34	22/01/2006
42	Goodwill Finance Company Ltd	Right Share	25.00	94.96	03/03/2006
43	Central Finance Ltd	Right Share	12.00	98.32	26/03/2006
44	TaraGuan Regency Hotel Ltd	Right Share	446.45	57.45	26/03/2006
45	Gueheswori Merchant Ban.& Fin. Ltd	Ordinary Share	10.50	274.36	26/03/2006
46	Bhajuratna Fin.& Saving Company Ltd	Ordinary Share	20.00	213.54	02/04/2006
47	Bhrikuti Development Bank Ltd	Ordinary Share	6.42	214.42	21/05/2006
Fiscal Year 2006/2007					
48	Lumbini Bank Limited	Right Share	100.00	100.00	13/08/2006
49	Paschimanchal Bikas Bank Ltd	Right Share	28.00	76.00	20/08/2006

50	Peoples Finance Ltd	Right Share	40.00	56.00	28/09/2006
51	Sayogi Bikas Bank	Ordinary Share	6.00	1917.00	10/10/2006
52	Nepal Development Bank Ltd	Right Share	160.00	54.00	25/12/2006
53	Ace Finance Ltd	Right share	194.00	99.00	31/01/2007
54	Himchuli Bikas Bank Ltd	Ordinary Share	12.00	13362.00	05/03/2007
55	Yeti Finance Ltd	Right Share	6.30	83.00	29/04/2007
56	Nepal Express Finance Ltd	Ordinary Share	15.00	782.00	11/05/2007
57	Kist Merchant Banking & Finance Ltd	Right Share	100.00	99.00	23/05/2007
58	Birat Luxmi Bikas Bank ltd	Ordinary Share	20.00	1340.00	10/06/2007
Fiscal Year 2007/2008					
59	Global Bank Ltd	Ordinary Share	300.00	34.25	09/07/2008
60	Nabil Bank Ltd	Debenture	300.00	1.0	13/07/2008
61	NIC Bank Ltd	Right Share	158.40	0.96	14/03/2008
62	Kumari Bank Ltd	Right Share	180.00	0.99	24/04/2008
63	Nepal Credit & Commercial Bank	Right Share	700.00		07/08/2008
64	Bhrikuti Bikas Bank Ltd	Right Share	30.00	0.97	10/12/2007
65	Sanima Bikas Bank Ltd	Right Share	64.00	0.99	07/05/2008
66	Ace Development Bank Ltd	Right Share	96.00		25/05/2008
67	Himchuli Bikas Bank	Right Share	60.00	0.99	30/05/2008
68	Premier Finance Ltd	Right Share	14.40	0.98	27/01/2008
69	Nirdhan Utthan Bankl Ltd	Right Share	39.50		16/11/2007
70	Central Finance Ltd	Right Share	24.00		11/09/2007
71	United Finance Ltd	Right Share	75.00	0.98	30/05/2008
72	Nepal Express Finance Ltd	Right Share	30.00	0.99	02/06/2008

73	International Leasing Finance Ltd	Right Share	504.00	0.92	09/06/2008
74	Standard Finance Ltd	Right Share	72.60	1.01	30/06/2008
75	Guheswori Merchant Banking &Fin Ltd	Right Share	37.00		15/07/2008
Fiscal Year 2008/2009					
76	Union Finance Ltd	Right Share	72.52		
77	Srijana Finance Ltd	Right Share	14.00		
78	Nepal SriLanka Merchant Bank Ltd	Right Share	200.00		
79	Samjhana Finance Ltd	Right Share	27.84		
80	Nepal Development Bank Ltd	Right Share	320.00		
81	Api Finance Ltd	Ordinary Share	18.00		
82	Premier Finance Ltd	Right Share	47.52		
83	United Insurance Co Ltd	Right Share	28.8		
84	Imperial Finance Ltd	Right Share	50.00		
85	Patan Finance Ltd	Right Share	50.00		
86	Standard Finance Ltd	Right Share	834.90		
87	Bhrikuti Bikas Bank Ltd	Right Share	140.99		
88	Public development Bank Ltd	Ordinary Share	60.00		
89	General Finance Ltd	Right Share	24.40		
90	Nepal Express Finance Ltd	Right Share	24.00		
91	Lumbeni Bank Ltd	Right Share	300.00		

Yearly wise Public Issue Managed by NIDC Capital Market limited.

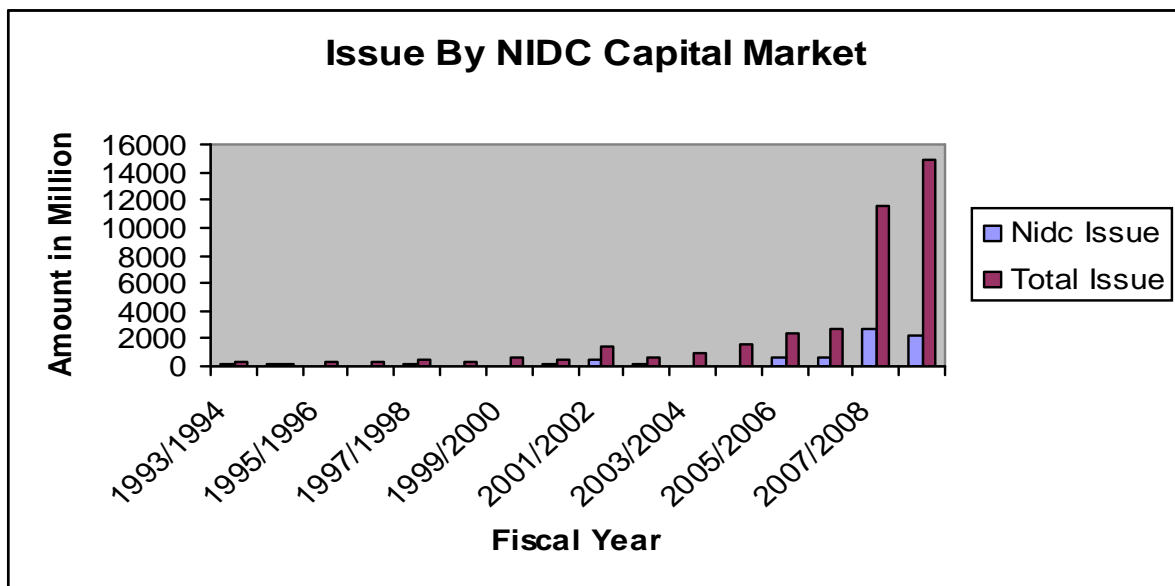
**NIDC Capital Market
1993/1994 to 2008/2009**

Table No 4.6
Amount on Million

SN	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	1993/1994	8	236.40	344.40	68.64
2	1994/1995	6	119.00	173.96	68.41
3	1995/1996	3	44.28	293.74	15.07
4	1996/1997	1	45.00	332.20	13.54
5	1997/1998	4	159.00	462.36	34.39
6	1998/1999	-	-	258.00	-
7	1999/2000	-	-	630.31	-
8	2000/2001	3	210.20	410.49	51.21
9	2001/2002	3	431.46	1441.33	29.93
10	2002/2003	6	183.24	556.54	32.92
11	2003/2004	1	6.00	1027.50	0.0058
12	2004/2005	2	63.20	1626.82	0.039
13	2005/2006	10	658.87	2443.28	26.97
14	2006/2007	11	681.30	2757.50	24.71
15	2007/2008	17	2684.90	11567.86	23.21
16	2008/2009	16	2212.97	14875.12	14.88
Total		91	7735.82	442479.51	17.48

**NIDC Capital Market
1993/1994 to 2008/2009**

Chart No4. 8



From the above table 4.9 and chart 4.8 , it is clear that it has handled public issue of forty seven companies amounting and single mutual fund approved through SEBO and NRB amounting Rs 7735.82 million which is 17.48 percentage of total issue . It has managed public issue of Rs 236.4 million of 9 companies in fiscal year 1993/1994 that is 68.64 percentage of total issue of that fiscal year. Similarly it has managed 68.41% ,15.07%, 13.53% , 34.39%, 51.21%, 29.93%, 32.92%, 0.0058%, 0.039%, 26.97%, 24.71%, 23.21 and 14.88% in the fiscal year 1994/1995, 1995/1996, 1996/1997, 1997/1998, 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 , 2005/2006, 2006/2007, 2007/2008, 2008/2009 respectively and the chart shows the same amount issued by NIDC Capital Market Limited during the all fiscal years. Above table clearly mentioned about the companies whose public issue were held where 43 Ordinary Share, 1 Preference Share, 1 Debenture and 45 Right Share till this date 2008/2009 Fiscal Year.

4.3.1.1 NMC Mutual Fund

The NCM first mutual fund 2050 which the SEBO approved in the fiscal year 1993/1994 has terminated by the end of the fiscal year 2000/2001. The fund at the time of its termination offered two options to its participants, either to refund or to participate in the another new scheme to be operated and managed by NIDC Capital Market Limited in the name of “NCM Mutual Fund 2059”. SEBO approved this new mutual fund on August 09 2002. The fund has 10 million units with Rs. 10 face value amounting Rs 100.00 million. Out of the total units it distributed 1.5 million units to its manager and trustee. It is a close ended fund and its maturity period is 10 years. Each units of the fund has a par value of Rs 10. The scheme is listed in the stock exchange. NIDC Capital Market Limited is the fund manager of the scheme and Nepal Industrial Development Corporation is the trustee.

As per the provision made in the prospectus of the fund, NIDC Capital Market Limited , the fund manager, has been regularly reporting the performance of the fund to SEBON. The performance of the fund is given below on table.

Performance of NCM Mutual Fund

Table No 4.7 (Rs. in Million)

S.N	Particular	Fiscal Year			
		2004/2005	2005/2006	2006/2007	2007/2008
1	Investment	157.74	210.71	198.30	194.82
	a) Share/Debenture	126.21	183.53	86.0	90.71
	b)Government Bond	10.00	10.00	10.0	10.0
	c)Bank Deposit	16.54	13.68	93.3	81.90
2	Net Income	11.47	13.89	23.2	47.74
	a)Dividend in Share	1.90	2.82	3.5	3.34
	b)Interest in Gov Bond/Debenture	0.81	0.81	0.8	0.8
	c)Bank Interest	0.35	0.54	3.9	10.71
	d)Income from Sale of Shares	8.42	9.71	14.9	32.9

3	Net Assets Value	144.93	189.14	314.0	488.9
4	Outstanding Unit (In thousand)	10,000	10,000	10000.00	10000.00
5	Net Assets Value per unit (Rs.)	14.49	18.91	31.40	48.89
6	Per unit Market Price (Rs.)	10.00	11.00		24.00
7	Number of Unit holder	2,882		2,559	2,481
	a) Institutional	19		20	20
	b) Individual	2,863		2,539	2,461
8	Dividend (Percentage)	5		5	6-7

Source Annual Report of SEBO Fiscal Year 2007/2008

As reported by NIDC Capital Market Ltd, total investment of the fund reached Rs. 210.71 million by the end of the fiscal year 2005/2006 and net assets value (NAV) increased to Rs189.14 million. Total number of unit holders of the fund by the end of the fiscal year 2005/2006 was 2481 consisting of 2461 individual and 20 institutions.

The fund has been listed in the stock exchange. The market price of each unit by the end of the fiscal year 2007/2008 was quoted at Rs. 24.00. As per the reporting of the NIDC Capital Markets Limited. Net Assets Value (NAV) per unit of the fund is Rs. 48.89.

4.3.2 Citizen Investment Trust (CIT)

CIT was established in 1991 under the Citizen Investment Trust Act 1991. The main objectives of the trust is to encourage general public to save by creating opportunities to invest in varied financial instrument and also to contribute in the dynamism in the capital market development by acting as issue manager. CIT is basically the saving and investment institution and statutorily derives a special status and privileges, which adds up its strength to emerge as a national institution reaching wider spectrum of the population. CIT achieves a high professionalism in the financial intermediaries and has ability by providing varied capital market services in primary and secondary market.

Securities Exchange Board Nepal has permitted Citizen Investment Trust to operate the Citizen Unit Scheme in the Fiscal year 1994/1995. The objectives of the Scheme are to collect capital from the small and medium savers to make investment in a professional and effective way and distribute the returns earned there on. Citizen Investment Trust has a great role in the function of saving mobilization, investment financing, and capital market services. Under capital market services, it provides trustee services and corporate finance services and issue managing services consists under corporate finance services.

Briefly analysis of Public issue managing by Citizen Investment Trust (CIT) via Table No 4.12

**Citizen Investment Trust (CIT)
1993/1994 to 2008/2009**

Amount in Million
Table No 4.8

S.N	Name of the Company (Issuer)	Types of Securities	Issued Amount	Subscription %	Issue Date
Fiscal year 1993/1994					
1	Nepal Med Ltd	Ordinary Share	2.70	111.47	30/08/1993
2	Nimrod Pharmaceuticals Ltd	Ordinary Share	18.00	188.31	19/12/1993
3	Necon Air Ltd	Ordinary Share	16.50	356.61	20/01/1994
4	Necon Air Ltd	Preference Share	14.00	-	20/01/1994
5	Nepal SBI Bank Ltd	Ordinary Share	36.00	1404.56	03/03/1994
6	People Finance Company Ltd	Ordinary Share	9.80	1620.69	30/05/1994
7	Agro Nepal Ltd	Ordinary Share	9.00	859.06	26/06/1994
Fiscal year 1994/1995					
8	Himgiri Textile Industries Ltd	Ordinary Share	19.20	156.85	24/11/1994
Fiscal year 1995/1996					
9	Brikuti Pulp & Paper Nepal Ltd	Ordinary Share	105.00	104.87	21/02/1996
10	Colour Scan Nepal Ltd	Ordinary Share	14.34	7.19	11/06/1996
11	Universal Fin&CapitalMarketLtd	Ordinary Share	15.00	44.96	14/05/1996
Fiscal year 1996/1997					
12	Bottlers Nepal Ltd	Right Share	225.20	-	14/04/1997
Fiscal year 1997/1998					
13	Nepal Bank Ltd	Right Share	241.95	-	25/12/1997
Fiscal year 1998/1999					
14	Alliance Insurance Company Ltd	Ordinary Share	20.00	62.63	11/11/1998
15	Pokhara Finance Company Ltd	Ordinary Share	8.00	265.75	04/04/1999
Fiscal year 1999/2000					
16	Universal Fin&CapitalMarketLtd	Ordinary Share	3.26	451.84	28/09/1999
17	Necon Air Ltd	Right Share	89.60	95.31	03/03/2000
Fiscal year 2000/2001					
18	Everest Bank Ltd	Right Share	119.21	27.17	11/07/2001
Fiscal year 2001/2002					
19	NIDC Capital Market Ltd	Right Share	40.00	95.00	08/04/2002
Fiscal year 2002/2003					
20	Nirdhan Utthan Bank Ltd	Ordinary Share	3.30	388.12	05/08/2002
21	Shree Investment&FinanceCoLtd	Ordinary Share	16.00	1868.89	02/09/2002
22	Nepal Share Market& Fin Ltd	Right Share	60.00	85.35	29/01/2003
23	N.B Insurance Company Ltd	Ordinary Share	20.00	-	28/02/2003
Fiscal year 2003/2004					
24	Laxmi Bank Ltd	Ordinary Share	192.50	251.35	04/08/2003

Fiscal year 2004/2005					
25	Lumbini Bank Ltd	Ordinary Share	150.00	721.24	26/07/2004
26	Everest Bank Ltd	Debenture	300.00	100.00	20/04/2005
27	Capital Merchant Banking&FinLtd	Ordinary Share	28.00	202.49	06/06/2005
Fiscal year 2005/2006					
28	Chilime Hydro Power Co Ltd	Ordinary Share	237.41	509.84	28/08/2005
29	Royal Merchant Banking &Fin Ltd	Ordinary Share	17.50	458.46	16/05/2006
30	Nepal Share Market & Fin Ltd	Right Share	40.00	100.00	04/06/2006
31	Nepal SBI Bank Ltd	Debenture	200.00	101.20	04/07/2006
Fiscal year 2006/2007					
32	Capital Merchant Banking Fin. Ltd	Right Share	84.00	80.00	27/04/2007
33	Everest Bank Ltd	Per. Share	400.00	147.37	04/07/2007
Fiscal year 2007/2008					
34	Sagarmatha Mer Ban& Fin Ltd	Ordinary Share	20.00	25.78	06/07/2008
35	Gorkha Bikas Bank Ltd	Right Share	160.00	1.23	26/05/2008
36	Nepal Share Market & Finance Ltd	Right Share	240.00	0.99	19/11/2007
37	Gorkha Finance Ltd	Right Share	30.00	1.06	13/07/2008
Fiscal year 2008/2009					
38	National Life Insurance Co Ltd	Right Share	132.00		
39	Prime Commercial Bank Ltd	Ordinary Share	300.00		
40	Sanima Bikas Bank Ltd	Right Share	384.00		
41	Nepal Share Markets Ltd	Right Share	1567.73		
42	Sagarmatha Mer Ban & Fin Ltd	Right share	75.00		

Yearly wise Public issue managed by Citizen Investment Trust

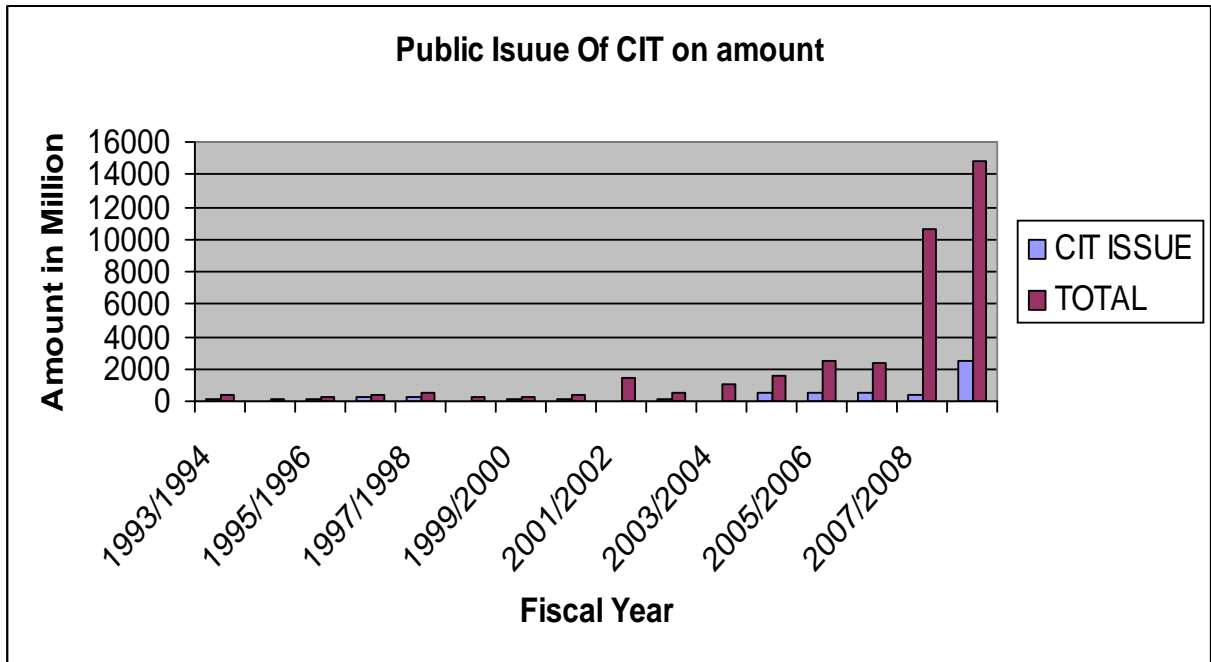
Citizen Investment Trust (CIT)

1993/1994 to 2008/2009 Amount in Million Table No 4.9

S.N	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	1993/1994	7	106.00	344.40	30.78
2	1994/1995	1	19.20	173.96	11.04
3	1995/1996	3	134.34	293.74	45.73
4	1996/1997	1	225.20	332.20	67.80
5	1997/1998	1	241.95	462.36	52.34
6	1998/1999	2	28.00	258.00	10.85
7	1999/2000	2	92.86	326.86	28.41
8	2000/2001	1	119.21	410.49	29.04
9	2001/2002	1	40.00	1441.33	2.75
10	2002/2003	4	99.30	556.54	17.84
11	2003/2004	1	192..50	1027.50	18.73
12	2004/2005	3	478.00	1626.82	29.38
13	2005/2006	4	494.91	2443.28	20.25
14	2007/2007	2	484.00	2295.50	21.08
15	2007/2008	4	450.00	10668.20	4.22
16	2008/2007	5	2458.73	14875.12	16.53
Total		42	5471.70	37536.30	14.57

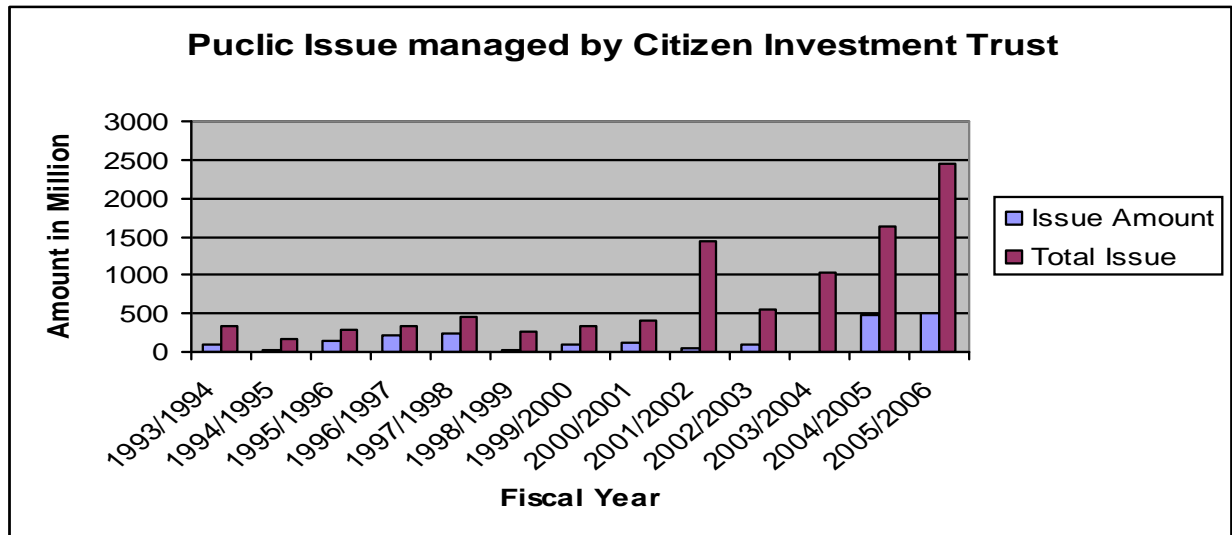
**Citizen Investment Trust (CIT)
1993/1994 to 2008/2009**

Chart no4. 9



**Citizen Investment Trust (CIT)
1993/1994 to 2008/2009**

Chart no 4.10



Above table 4.13 and chart No 4.9, 4.10 clearly mentioned about the companies whose public issue were held where 23 Ordinary Share, 1 Preference Share, 2 Debenture and 14 Right Share and chart show the performance of Citizen Investment Trust as an issue manager of different companies during fiscal year from 1993/1994 to 2008/2009. During the sixteen years period the company has managed to raised Rs. 5471.70 million capital raises of 42 different issuing companies that are 14.57 percentage of aggregate public issue. The management of public issue was greatest in the fiscal year 1996/1997 that covers 67.80 percentage of the total issue approved in the fiscal year. It is clear that it has handled public issue of forty seven companies amounting and single Unit Trust approved through SEBO and NRB amounting Rs 2271.71 million which is 23.67 percentage of total issue . It has managed public issue of Rs 106.00 million of 7 companies in fiscal year 1993/1994 which is 30.78 percentage of total issue of that fiscal year. Similarly it has managed 11.04% ,45.73%, 67.80% , 52.34%, 10.85%, 28.41%, 29.04%, 2.75%, 17.84%, 18.73%, 29.38%, ,20.25%, 21.08% , 4.22% & 16.53% in the fiscal year 1994/1995, 1995/1996, 1996/1997, 1997/1998, 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 , 2005/2006 ,2006/2007, 2007/2008, & 2008/2009 respectively and the chart shows the same amount issued by Citizen Investment Trust during the all fiscal years.

4.3.2.1 Citizen Unit Scheme

SEBON had permitted Citizen Investment Trust (CIT) to operate the Citizen Unit Scheme in the fiscal year 1994/1995. The objective of the scheme is to collect capital from the small and medium savers to make investment in a professional and efficient way and distribute the returns earned there on. This is an open ended scheme with the face value of Rs. 100.00 per unit. CIT itself has been performing the function of selling and repurchasing the unit of the scheme. CIT has been regularly reporting SEBON on the performance of the scheme. The performance of Citizen Unit Scheme as reported by CIT is given under table.

Performance of Citizen Unit Scheme

Table No 4.10
Amount in Million (Rs)

S N	Particular	Fiscal Year				
		2003/04	2004/05	2005/06	2006/07	2007/08
1	Total amount of unit sold	1003.87	1215.62	1486.34	1702.3	1984.1
2	Total amount of unit repurchased	536.27	702.53	829.01	1004.1	1204.3
3	Investment	417.04	567.57	645.14	752.2	798.3
	a)Government Bond	182.00	184.60	169.80	93.2	93.2
	b)Bank Deposit (Fixed)	92.00	100.00	310.00	490.6	522.5
	c)Share/Debenture	26.54	22.80	28.34	28.9	43.1
	d)Loan & Advances	116.50	260.17	137.00	139.5	139.5
4	Net Income	36.26	41.92	50.31	49.0	49.1
5	Dividends (Percentage)	7	7	7	6.25	6.25
6	Number of Units Holders	9871	2651	2840	2840	2426
	a) Individual	-	2579	2747	2747	2326
	b)Institutional	-	72	93	93	100

Source : Annual Report of SEBO 2007/2008

As reported by Citizen Investment Trust, by the end of the fiscal year 2007/2008, it sold units amounting to Rs 1984.1 million and repurchase the units amounting to Rs 1204.3 million. By the end of the fiscal year, its total investment was Rs. 798.3 million and the profit of the scheme in the fiscal year was Rs. 49.1 million. The total number of participants of the scheme reached 2426. In the fiscal year the scheme distributed 6.25 percent dividend to its unit holders.

4.3.3 Nepal Merchant Banking & Finance Limited (NMBFL)

NMBL was commencing business in December 1996 under the company act 1964 and Finance Company Act 1985 and carry out capital market activities. The company is one of the most active market intermediaries operating in the primary and secondary market. It organizes different functions as financial companies as well as market dealer. The main objectives of this limited is to motivate general public to save their income and providing opportunity to invest in varied financial instruments and contribute on capital formation acting as issue manager. The company is trying to become a leader in the market for financial services and merchant banking activities. NMBL is involved in both primary and secondary markets.

Briefly analysis of Public issue managing by Nepal Merchant Banking & Finance Limited (NMBFL)

Nepal Merchant Banking & Finance Limited (NMBFL) 1993/1994 to 2008/2009

Amount in million
Table No4. 11

S. N	Name of the Company (Issuer)	Types of Securities	Issued Amount	Subs %	Issue Date
Fiscal Year 2000/2001					
1	Siddhartha Finance Ltd	Ordinary Share	8.00	1771.88	05/12/2000
Fiscal Year 2001/2002					
2	Development Credit Bank Ltd	Ordinary Share	48.00	1409.71	23/02/2002
3	Nepal S B I Bank Ltd	Right Share	287.87	97.26	25/03/2002
4	United Finance Ltd	Ordinary Share	24.00	1055.73	30/05/2002
5	Himalayan Bank Ltd	Debenture	360.00		18/06/2002
6	Nepal Life Insurance Co Ltd	Ordinary Share	50.00	756.08	24/10/2002
Fiscal Year 2002/2003					
7	Int. Leasing & Fin Co. Ltd	Ordinary Share	30.00	2170.67	29/07/2002
8	Machhapuchhre Bank Ltd	Ordinary Share	165.00	198.35	13/01/2003
9	Butwal Finance Ltd	Ordinary Share	20.00	803.74	05/06/2003
Fiscal Year 2003/2004					
10	Standard Finance Ltd	Ordinary Share	24.00	362.54	07/08/2003
11	Cosmic Merchant Banking & Fin Ltd	Ordinary Share	24.00	717.83	11/11/2003
12	Fewa Finance Ltd	Ordinary Share	8.00	2335.00	23/02/2004
13	Prudential Insurance Company Ltd	Ordinary Share	20.00	956.81	14/04/2004

14	Chhimek Bikas Bank Ltd	Ordinary Share	3.00	139.27	03/06/2004
15	Kist Merchant Banking & Fin. Ltd	Ordinary Share	20.00	179.60	21/06/2004
Fiscal Year 2004/2005					
16	World Merchant Banking & Fin. Ltd	Ordinary Share	24.00	965.17	03/09/2004
17	Birgunj Finance Ltd	Ordinary Share	24.00	704.48	22/11/2004
18	Deprosc Development Bank Ltd	Ordinary Share	3.48	259.34	27/01/2005
19	Nirdhan Uttan Bank Ltd	Right Share	15.00	65.92	25/04/2005
20	Nepal S.B.I Bank Ltd	Right Share	215.93	96.50	03/05/2005
21	Everest Finance Ltd	Ordinary Share	8.00	540.46	17/05/2005
Fiscal Year 2005/2006					
22	Development Credit Bank Ltd	Right Share	80.00	95.87	24/08/2005
23	Bank of Kathmandu Ltd	Debenture	200.00	133.31	22/09/2005
24	Gandaki Dev. Fin. Institution Ltd	Ordinary Share	15.00	397.51	13/01/2006
25	Fewa Finance Company Ltd	Right Share	30.00	97.40	18/01/2006
26	Om Finance Company Ltd	Right Share	30.00	99.66	18/01/2006
27	Siddratha Bikash Bank Ltd	Ordinary Share	20.00	222.43	07/05/2006
28	I.M.E. Financial Institution Ltd	Ordinary Share	17.50	458.46	16/05/2006
29	Machhapuchere Bank Ltd	Right Share	165.00	87.13	25/05/2006
30	Kist Merchant Banking& Fin. Ltd	Right Share	50.00	78.01	30/05/2006
Fiscal Year 2006/2007					
31	Pokhara Finance Ltd	Right Share	20.00	99.00	20/07/2006
32	Sanima Bikash Bank	Ordinary Share	96.00	4031.00	09/08/2006
33	Bageshwori Bikas Bank Ltd	Ordinary Share	9.00	448.00	27/08/2006
34	Emporial Financial Institution Ltd	Ordinary Share	19.50	2568.00	20/02/2007
35	Swabalamban Bikash Bank Ltd	Ordinary Share	6.00	9623.00	04/03/2007
36	ICFC Financial Institution Ltd	Ordinary Share	24.40	3506.00	06/05/2007
37	Laxmi Bank Ltd	Right Share	122.00	98.00	25/04/2007
38	Malika Bikash Bank Ltd	Ordinary Share	15.00	5484.00	15/06/2007
39	Excel Development Bank Ltd	Ordinary Share	6.00	1897.00	24/06/2007
Fiscal Year 2007/2008					
40	Lumbini General Insurance Co Ltd	Ordinary Share	25.00	71.73	24/08/2007
41	Siddhartha Insurance Ltd	Ordinary Share	25.00	60.63	02/09/2007
42	Infrastructure Dev Bank Ltd	Ordinary Share	24.00	93.55	30/10/2007
43	Kuber Merchant Bittyia Sanstha Ltd	Ordinary Share	22.50	44.47	14/11/2007
44	Prabhu Finance Co Ltd	Ordinary Share	48.00	77.30	22/11/2007
45	Clean Energy Dev. Bank Ltd	Ordinary Share	96.00	36.46	19/06/2008
46	Kaski Finance Ltd	Ordinary Share	20.00	26.71	27/06/2008
47	Nepal Electricity Corporation	Debenture	1500.00	1.11	14/02/2008
48	Kumari Bank Ltd	Debenture	400.00	1.01	15/05/2008
49	Siddhartha Bank ltd	Right Share	138.00	0.99	25/02/2008
50	Laxmi Bank Ltd	Right Share	183.00	0.99	24/04/2008
51	Development Credit Bank Ltd	Right Share	806.40	0.99	03/01/2008
52	IME Financial Institution Ltd	Right share	50.00	0.99	26/11/2007
53	ICFC Bittiya Sanstha Ltd	Right Share	224.80	0.85	10/06/2008
54	Shree Investment Finance Ltd	Right Share	16.80	0.99	23/06/2008

Fiscal Year 2008/2009					
55	Laxmi Bank Limited	Debenture	350.00		
56	Swabalamban Dev Bank Ltd	Right Shares	35.00		
57	National finance Ltd	Right Shares	35.00		
58	Nepal Bangladesh Bank Ltd	Right Shares	1116.89		
59	Bageswori Bikas Bank Ltd	Right Share	16.50		
60	Pokhara Finance Ltd	Right Share	180.00		
61	IME Financial Institutions Ltd	Right Share	125.00		
62	Bank of Asia Nepal Ltd	Ordinary Share	300.00		
63	Infrastructure Dev Bank Ltd	Right Share	240.00		
64	Sunrise Bank Ltd	Ordinary Share	375.00		
65	World Mer. Banking & Finance Ltd	Right Share	72.00		
66	DCBL Bank Ltd	Right Share	553.73		
67	Arun Valley Hydropower Dev Ltd	Ordinary Share	94.76		
Total			9381.06		

Yearly wise Public issue managed by Nepal Merchant Banking and Finance Limited

**Nepal Merchant Banking & Finance Limited (NMBFL)
1993/1994 to 2008/2009**

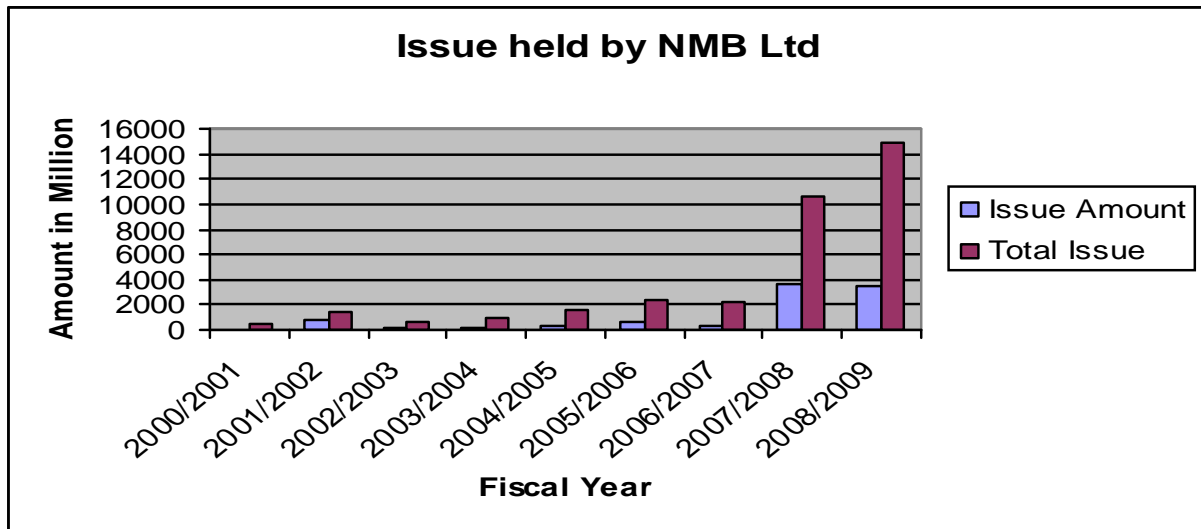
Table No 4. 12
Amount in million

S.N	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	2000/2001	1	8.00	410.49	1.94
2	2001/2002	5	769.87	1441.33	53.41
3	2002/2003	3	215.00	556.54	38.63
4	2003/2004	6	99.00	1027.50	9.64
5	2004/2005	6	290.41	1626.82	17.83
6	2005/2006	9	607.50	2443.28	24.86
7	2006/2007	9	317.90	2295.50	13.85
8	2007/2008	15	3579.50	10668.20	33.55
9	2008/2009	13	3493.88	14875.12	23.49
Total		67	9381.06	35344.78	26.54

Source: Annual Report of SEBON 2008/2009

**Nepal Merchant Banking & Finance Limited (NMBFL)
1993/1994 to 2008/2009**

Chart No 4.11



Above table 16 and chart no 11 clearly mentioned about the companies whose public issue were held where 37 Ordinary Share, 5 Debenture and 25 Right Share. Table No and chart show the performance of Nepal Merchant Banking and Finance Limited. It has managed public issue of Rs 8.00 million of 1 company in fiscal year 2000/2001 which is 1.94 percentage of total issue of that fiscal year. Similarly it has managed 53.41%, 38.63%, 9.64%, 17.83% , 24.86%, 13.85%, 33.55% and 23.49% in the fiscal year 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006, 2006/2007, 2007/2008 and 2008/2009 respectively. It clearly defines that on those years on aggregate 26.54% of total issue was held and the chart shows the same amount issue managed by Nepal Merchant Banking and Finance Limited.

4.3.4 Nepal Share Markets Limited (NSML)

NSML was establishing in 1993 under the Company Act 1964. The main objective of the company is to collect deposits and to provide loans, advances, and other financial services under the Finance Company Act 1985 and carry out capital market activities under the Securities Exchange Act 1983. The company is one of the most active market intermediaries operating in the primary and secondary market since the inception of Nepal Stock Exchange in January 1994.

Briefly analysis of Public issue managing by Nepal Share Markets Limited (NSML) via
Nepal Share Markets Limited (NSML)
1993/1994 to 2008/2009

TableNo 4.13 Amount in Million

SN	Name of the Company (Issuer)	Types of Securities	Issued Amount	Subscription %	Issue Date
Fiscal Year 1993/1994					
1	Annupurna Finance Ltd	Ordinary Share	2.00	2803.95	22/05/1994
Fiscal Year 1994/1995					
2	Balaju Textile Industries Ltd	Ordinary Share	7.50	100.00	04/12/1994
Fiscal Year 1995/1996					
3	Ace Finance Company Ltd	Ordinary Share	12.00	120.73	07/05/1996
Fiscal Year 1996/1997					
4	Nepal Housing&Merchant Fin.Ltd	Ordinary Share	12.00	117.20	22/09/1996
Fiscal Year 1997/1998					
5	Nepal Bitumin& Barel Udyog Ltd	Ordinary Share	7.40	99.40	08/09/1997
6	General Finance Ltd	Ordinary Share	8.00	100.00	16/09/1997
7	Paschimanchal Finance Co. Ltd	Ordinary Share	8.00	171.80	25/01/1998
Fiscal Year 1999/2000					
8	Paschimanchal Finance Co. Ltd	Right Share	20.00	129.65	14/03/2000
9	Ace Finance Co. Ltd	Right Share	15.00	100.00	11/04/2000
10	Lumbini Fin.& Leasing Co. Ltd	Ordinary Share	24.00	1156.29	30/04/2000
Fiscal Year 2000/2001					
11	Narayani Finance Ltd	Right Share	12.58	122.02	28/03/2001
Fiscal Year 2001/2002					
12	Nepal Housing&Merchant Fin.Ltd	Right Share	15.00	100.00	07/01/2002
13	Ace Finance Company Ltd	Right Share	45.00	100.00	25/02/2002
14	Gorkha Finance Ltd	Ordinary Share	10.00	864.45	15/09/2002
Fiscal Year 2002/2003					
15	Everest Bank Ltd	Perf. Share	140.00	141.68	28/10/2002
Fiscal Year 2003/2004					
16	NB Financ % Leasing Co Ltd	Right Share	30.0	66.84	15/06/2004
Fiscal Year 2004/2005					
17	Nepal Bangladesh Bank Ltd	Right Share	359.92	95.26	16/07/2004
Total			338.48		

Source: Annual Report of SEBON 2008/2009

Yearly wise Public issue managed by Nepal Share Markets Limited (NSML)
Nepal Share Markets Limited (NSML)
1993/1994 to 2008/2009

TableNo 4.14
Amount in Million

S.N	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	1993/1994	1	2.00	244.40	0.81
2	1994/1995	1	7.5	173.96	4.31
3	1995/1996	1	12.00	293.74	4.08
4	1996/1997	1	12.00	332.20	3.61
5	1997/1998	3	23.4	462.36	5.61
6	1999/2000	3	59.00	326.86	18.05
7	2000/2001	1	12.58	410.49	3.06
8	2001/2002	3	200.00	1441.33	13.88
9	2002/2003	1	10	556.54	1.79
10	2003/2004	1	30.00	1027.50	2.91
11	2004/2005	1	359.92	1626.82	22.12
Total		17	727.92	3210.86	22.67

Above table clearly mentioned about the companies whose public issue were held where 9 Ordinary Share, 1 Preference Share and 7 Right Share. Table No and chart show the performance of Nepal Share Markets Limited (NSML). It has managed public issue of Rs 2.00 million of 1 company in fiscal year 1993/1994 which is 0.81 percentage of total issue of that fiscal year. Similarly it has managed 4.31%, 4.08%, 3.61%, 5.061% , 18.05%, 3.06%, 13.88% , 1.79%, 2.91% and 22.12% in the fiscal year 1993/1994, 1994/1995 , 1995/1996 , 1996/1997 ,1999/2000, 2001/2002, 2002/2003, 2003/2004 and 2004/2005 respectively. It clearly defines that on those years on aggregate 22.67% of total issue was held and the chart shows the same amount issue managed by by Nepal Share Markets Limited (NSML).

4.3.5. Nepal Finance Company Limited (NFCL)

NFCL was establish in 1992 under the Company Act 1963 with an objectives of mobilizing scattered savings through various schemes and deploy them in different sectors of the economy for the economic development of the country.

The company commenced its operation on May 1993 in accordance with Finance Company Act 1985. Besides accepting deposits and providing loans and advances the company undertook the job of market making for listed corporate securities, issue management, underwriting and other capital market activities as a market maker till December 1996. However, in January 1997 the company changed its membership into Securities Dealer (Primary Market) going up the market making functions.

Briefly analysis of Public issue managing by Nepal Finance Company Limited (NFCL) via table4.19

Nepal Finance Company Limited (NFCL)
1993/1994 to 2008/2009

Table No 4. 15
Amount in Million

S.N	Name of Company (Issuer)	Types of Securities	Issued Amount	Subscri ptio %	Issue Date
Fiscal Year 1994/1995					
1	Ace Laboratories Nepal Ltd	Ordinary Share	12.26	100.00	14/09/1994
2	Citizen Investment Trust	Ordinary Share	16.00	331.13	27/04/1995
Fiscal Year 1995/1996					
3	Narayani Finance Company Ltd	Ordinary Share	4.00	220.25	29/10/1995
Fiscal Year 1997/1998					
4	Nepal United Company Ltd	Right Share	3.01	44.41	18/02/1998
5	Mahalaxmi Finance Ltd	Ordinary Share	10.00	188.52	18/01/1998
6	Annupurna Finance Co. Ltd	Right Share	5.00	81.72	03/03/1998
Fiscal Year 2002/2003					
7	Mahalaxmi Finance Ltd	Right Share	25.00	-	29/02/2003
Total			75.27		

Source: Annual Report of SEBON 2008/2009

Yearly wise Public issue managed by Nepal Finance Company Limited (NFCL)

Nepal Finance Company Limited (NFCL)
1993/1994 to 2008/2009

TableNo 4.16
Amount in Million

S.N	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	1994/1995	2	28.26	173.96	16.09
2	1995/1996	1	4.00	293.74	1.36
3	1997/1998	3	18.01	462.36	6.86
4	2002/2003	1	25.00	556.54	4.50
Total		7	75.27	1486.60	5.1

Above table No 4.18 & 4.19 clearly mentioned about the companies whose public issue were held where 4 Ordinary Share, and 3 Right Share. Table No and chart show the performance of Nepal Finance Company Limited (NFCL). It has managed public issue of Rs 28.00 million of 2 company in fiscal year 1994/1995 , 1 ,3, issue manage in the fiscal year 1995/1996 ,1997/1998, and 2002/2003 respectively. Since 2003/2004 it has not manage any issue on the primary market.

4.3.6 Nepal Finance and Saving Company Limited (NEFINSCO)

NEFINSCO was established in 1992 under the Company Act 1964. The main objective of the company is to collect deposit unvaried from and provide loans and advances under Finance Company Act 1985. Besides accepting deposits and providing loans and advances, the company undertook the job of market making for listed corporate securities, issue management, underwriting, and other capital market activities as a market maker and getting license of Securities Dealer. It organizes different functions as financial companies as well as market dealer. The main objectives of this limited is to motivate general public to save their income and providing opportunity to invest in varied financial instruments and contribute on capital formation acting as issue manager.

Briefly analysis of Public issue managing by Nepal Finance and Saving Company Limited (NEFINSCO) via table 4.20

Nepal Finance and Saving Company Limited (NEFINSCO) 1993/1994 to 2008/2009

Table No 4. 17 Amount in Million

S.N	Name of Company (Issuer)	Types of Securities	Issued Amount	Subscription %	Issue Date
Fiscal Year 2000/2001					
1	Alpic Everest Finance Ltd	Ordinary Share	5.00	4217.62	05/02/2001
Fiscal Year 2002/2003					
2	Janaki Finance Co. Ltd	Ordinary Share	8.00	1583.89	21/09/2002
3	Nabadurga Finance Co. Ltd	Ordinary Share	8.00	1451.55	19/12/2002
4	Om Finance Company Ltd	Ordinary Share	8.00	1637.83	01/07/2003
Fiscal Year 2003/2004					
5	Alpic Everest Finance Ltd	Right Share	20.00	100.51	04/09/2003
6	Siddratha Finance Ltd	Right Share	20.00	88.84	09/12/2003
Fiscal Year 2005/2006					
7	Janaki Finance Co. Ltd	Right Share	10.00	98.33	15/03/2006
8	Patan Finance Ltd	Ordinary Share	20.00	116.06	03/07/2006
Fiscal Year 2006/2007					
9	Narayani Ind Bik Bank Ltd	Ordinary Share	6.00	614.00	27/07/2006
10	Annuparna Bik Bank Ltd	Ordinary Share	29.40	2194.00	11/03/2007
11	Civil Mer. Fin. Ins Ltd	Ordinary Share	20.00	1500.00	16/04/2007
Fiscal Year 2007/2008					
12	Merchant Finance Com Ltd	Ordinary Share	12.00		13/08/2007
13	Sikhar Bitty Satha Ltd	Ordinary Share	20.00	26.78	22/06/2008
14	Annupurna Bik Bank Ltd	Right Share	150.00		10/06/2008
Fiscal Year 2008/2009					
15	Om Finance Ltd	Right Share	14		
16	Universal Finance Ltd	Right Share	60.22		
17	Civil Mer Bit Sanstha Ltd	Right Share	50.00		
18	Madhanchal R Dev Bank	Ordinary Share	30.00		
Total			99.00		

Yearly wise Public issue managed by Nepal Finance and Saving Company Limited (NEFINSCO)

**Nepal Finance and Saving Company Limited (NEFINSCO)
1993/1994 to 2008/2009**

Table No 4.18
Amount in Million

S.N	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	2000/2001	1	5.00	410.49	1.21
2	2002/2003	3	24.00	556.54	4.31
3	2003/2004	2	40.00	1027.50	3.90
4	2005/2006	2	30.00	2443.28	1.23
5	2006/2007	3	55.40	2295.50	2.41
6	2007/2008	3	182.00	10668.20	1.71
7	2008/2009	4	154.22	14875.12	1.04
Total		18	490.00	32276.63	1.52

Above table No 4.20 and 4.21 clearly mentioned about the companies whose public issue were held where 11 Ordinary Share, and 7 Right Share. Table No show the performance of Nepal Finance and Saving Company Limited (NEFINSCO). It has managed public issue of Rs 5.00 million of 1 company in fiscal year 2000/2001 which is 1.21 percentage of total issue of that fiscal year. Similarly it has managed 4.31%, 3.90%, 1.23%, 2.41% , 1.71%, and 1.04 % in the fiscal year 2002/2003, 2003/2004 , 2005/2006 , 2006/2007 ,2007/2008 ,and 2008/2009 respectively. It clearly defines that on those years on aggregate 1.52% of total issue was held and the chart shows the same amount issue managed by Nepal Finance and Saving Company Limited (NEFINSCO).

4.3.7 Ace Development Bank Limited (Ace Development Bank Ltd)

AFCL was establishing in 1994 under the Company Act 1964 with the objectives of collecting deposits and providing loans and advances under the Finance Company Act 1985. In addition to those, the company has objectives of acting capital market intermediaries under the Securities Exchange Act 1983. As a issue manager it provides various service to the issuing company and general investors. The activities of AFCL is to act as an issue and sales manager, to provide advice for issue, arrange underwriting for public and primitive issues to encourage public participation in the ownership of industrial and commercials institution, collecting medium and long term funds from public for the establishment and the expansion of industry. Besides these activities, it also has an active role to provide liquidity to the securities as a market maker involving it self actively in buying and selling of securities, as primary market maker.

Briefly, analysis of Public issue managing by Ace Finance Company Limited (AFCL) via
table22. **Ace Development Bank Lyd**
1993/1994 to 2008/2009

Table No. 4.19
Amount in Million

S N	Name of Company (Issuer)	Types of Securities	Issue Amount	Subscrip tion %	Issue Date
Fiscal Year 1996/1997					
1	Nepal Share Market & Finance Ltd	Right Share	20.00	100.00	06/07/197
2	Himalayan General Insurance CoLtd	Right Share	30.00	-	-
Fiscal Year 1998/1999					
3	Nepal Share Market Ltd	Right Share	30.00	-	09/06/1999
Fiscal Year 2003/2004					
4	Nepal Investment Bank Ltd	Debenture	300.00	102.28	03/11/2003
Fiscal Year 2004/2005					
5	Nepal Investment Bank Ltd	Right Share	295.29	99.04	13/05/2005
Fiscal Year 2005/2006					
6	Nepal Investment Bank Ltd	Debenture	250.00	100.00	09/06/2006
7	Nepal Ind.& Com. Bank Ltd	Debenture	200.00	100.00	12/06/2006
Fiscal Year 2006/2007					
8	Business Development Bank Ltd	Right Share	30.00	100.00	11/05/2007
9	Siddhartha Bank Ltd	Right Share	100.00	99.00	04/06/2007
10	Nepal Investment Bank Ltd	Debenture	250.00	100.00	12/06/2007
11	Lumbeni Bank Ltd	Right Share	150.00		19/06/2007
Fiscal Year 2007/2008					
12	Agriculture Bikas Bank Ltd	Ordinary Share	125.00		30/11/2007
13	Nepal Dev. & Emp Bank Ltd	Ordinary Share	128.00	35.05	11/03/2008
14	Subechha Development Bank Ltd	Ordinary Share	12.00	61.83	25/06/2008
15	Lord Buddha Fin. Institutions Ltd	Ordinary Share	22.50	16.73	29/06/2008
16	Himalayan Bank Ltd	Debenture	500.00	1.00	22/06/2008
17	Nepal Investment Bank Ltd	Debenture	250.00	1.00	13/07/2008
18	Nepal Investment Bank Ltd	Right Share	138.00	0.99	29/01/2008
19	Lumbeni Bank Ltd	Right Share	250.00	0.85	31/03/2008
20	Pashmanchal Bikas Bank	Right Share	47.50	0.89	02/12/2007

	Ltd				
21	Siddhartha Bank Ltd	Right Share	50.00		10/02/2008
22	Business Dev Bank Ltd	Right Share	150.00	0.67	29/05/2008
23	Capital Mer. Ban. & Fin. Ltd	Right Share	161.00	0.77	09/07/2008
24	Prudential Bittyta Sanstha Ltd	Right Share	50.00	0.86	14/03/2008
25	Kist Mer. Ban. & Fin. Ltd	Right Share	600.00	0.85	16/05/2008
26	Goodwill Fin Ltd	Right Share	27.80	0.97	19/05/2008
27	Royal Mer. Ban. & Fin Ltd	Right Share	60.60	0.99	01/06/2008
28	Nepal Hou. & Mer Fin Ltd	Right Share	80.40	0.83	25/06/2008
29	Sagarmatha Insurance Co Ltd	Right Share	23.60	0.96	20/02/2008
30	Premier Insurance Company Ltd	Right Share	39.00	0.86	26/06/2008
31	Himalayan General Insurance Ltd	Right Share	37.80		07/07/2008
Fiscal Year 2008/2009					
32	Kist Merchant & Fin Ltd	Right Share	1200.00		
33	Siddhartha Bank Ltd	Debenture	400.00		
34	People Finance Ltd	Right Share	168.00		
35	Citizen Bank Ltd	Ordinary Share	300.00		
36	Siddhartha Dev Bank Ltd	Right Share	537.86		
37	Lumbeni Finance & Leasing Com Ltd	Right Share	45.00		
38	Excel Development Bank Ltd	Right Share	60.00		
39	Central Finance Ltd	Right Share	120.00		
40	Gorkha Development Bank Ltd	Right Share	25.38		
41	Nepal Dev & Employment Bank Ltd	Right Share	160.00		
42	Everest Finance Ltd	Right Share	20.00		
43	Annupurna Finance Ltd	Right Share	419.32		
44	Kaski Finance Ltd	Right Share	100.00		
45	Lord Buddha Finance Ltd	Right Share	37.5		
Total			1125.29		

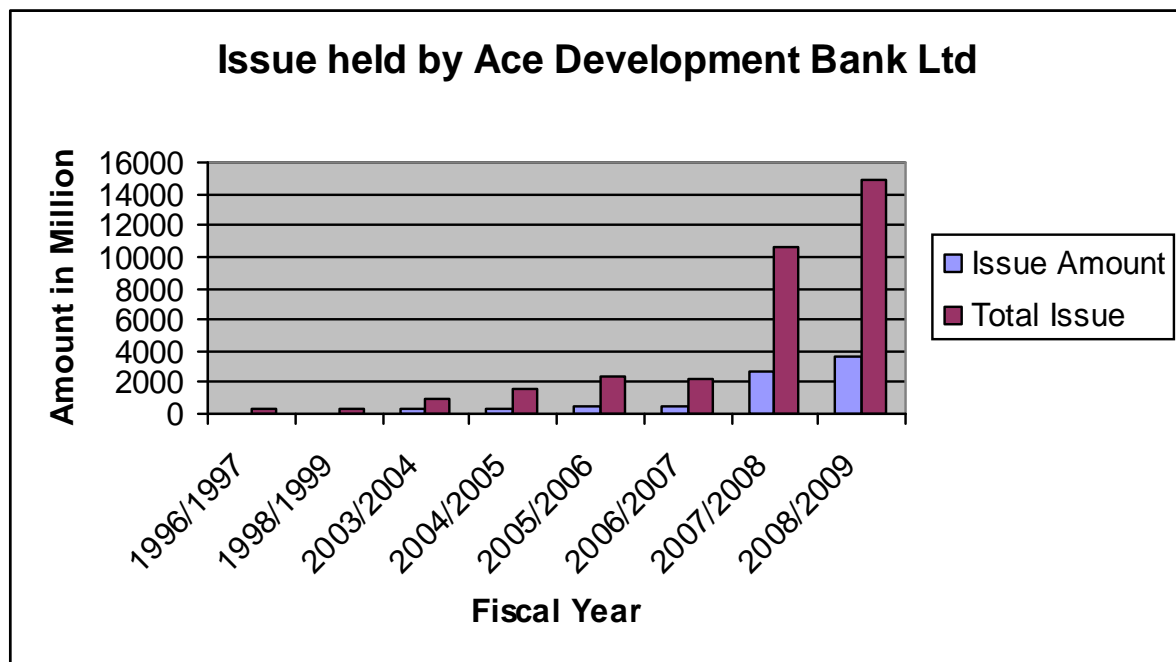
Yearly wise Public issue managed by Ace Finance c/o Ace Development Bank Ltd
Ace Development Bank LTD
1993/1994 to 2008/2009

Table No4. 20
 Amount in Million

S.N	Fiscal Year	No of Issue held	Issue Amount	Total Issue	Percentage
1	1996/1997	2	50.00	332.20	15.05
2	1998/1999	1	30.00	258.00	11.62
3	2003/2004	1	300.00	1027.50	29.20
4	2004/2005	1	295.29	1626.82	18.15
5	2005/2006	2	450.00	2443.28	18.41
6	2006/2007	4	530.00	2295.50	23.10
7	2007/2008	20	2751.7	10668.2	25.79
8	2008/2009	14	3593.06	14875.12	24.16
Total		45	8000.05	33526.62	23.86

Ace Development Bank Ltd
1993/1994 to 2008/2009

Chart No4.12



Above table 4.23 and chart 4.12 clearly mentioned about the companies whose public issue were held where 5 Ordinary Share, 7 Debenture, and 33 Right Share. and chart show the performance of Ace Development Bank as an issue manager of different companies during fiscal year from 1996/1997 to 2008/2009. During the twelve years period the company has managed to raised Rs. 8000.05 million capital raises of 45 different issues that are 23.86 percentage of aggregate public issue. The management of public issue was greatest in the fiscal year 2007/2008 that covers 25.79 percentage of the total issue approved in the fiscal year. It is clear that it has handled public issue of 45 issues on different period. It has managed public issue of Rs 50.00 million of 2 companies in fiscal year 1996/1997 which is 15.05 percentage of total issue of that fiscal year. Similarly it has managed 11.62% , 29.20%, 18.15% , 18.41%, 23.10%, 25.79%, 24.16% in the fiscal year 1996/1997, 1998/1999, 2003/2004, 2004/2005 , 2005/2006 ,2006/2007, 2007/2008, & 2008/2009 respectively and the chart shows the same amount issued by Ace Development Bank during the all fiscal years.

4.3.8 Nepal Srilanka Merchant Bank Limited (NSMBL)

NSMBL was establishing in 1996 under the company Act 1964 with the objectives of collecting deposits and providing loans and different financial activities under the Finance Company Act 1985. In addition, the company has objectives of acting capital, primary market intermediaries under the Securities Exchange Act 1983. . Besides accepting deposits and providing loans and advances, the company undertook the job of market making for listed corporate securities, issue management, underwriting, and other capital market activities as a market maker and getting license of Securities Dealer. It organizes different functions as financial companies as well as market dealer. The main objectives of this limited is to motivate general public to save their income and providing opportunity to invest in varied financial instruments and contribute on capital formation acting as issue manager. It has managed only two public issues which is mentioned below table:

Briefly, analysis of Public issue managing by Nepal Srilanka Merchant Bank Limited (NSMBL)

Nepal Srilanka Merchant Bank Limited 1993/1994 to 2008/2009

Table No 4. 21
Amount in million

S N	Name of Company (Issuer)	Types of Securities	Issue Amount	Subscription %	Issue Date
Fiscal Year 2003/2004					
1	N.B Finance & Leasing Co. Ltd	Right Share	30.00	66.84	15/06/2004
Fiscal Year 2004/2005					
2	Nepal Bangladesh Bank Ltd	Right Share	359.92	95.26	16/07/2004
Total			389.92		

Above table clearly mentioned about the companies whose public issue were held where 2 Right Share. Above table show the performance of Nepal Srilanka Merchant Bank Limited (NSMBL) as an issue manager but it has managed only two issues till this date. It has managed public issue of Rs 30.00 million of 1 companies in fiscal year 2003/2004 and 1 issues amount 359.92 million in fiscal year 2004/2005.

4.3.9 Combine managed of public issue on different period

Some of the public issues are managed jointly under the certain criteria under the understanding made between issue managers. They are mentioned below via table:

Combine manage of Public Issue 1993/1994 to 2008/2009

Table no 4. 22
Amount in Million Rs.

S N	Name of Company (Issuer)	Types of Sec	Issue Amount	Subs %	Issue date	Issue Mana ger
Fiscal year 1997/1998						
1	Neco Insurance Ltd	Ordinary Share	20.00	121.05	23/11/1997	CIT & RBB
Fiscal Year 1998/1999						
2	Taragoan Regency Hotels Ltd	Ordinary Share	120.00	247.12	31/01/1999	NCM L & NMBF L
3	Taragoan Regency Hotels Ltd	Preference Share	80.00	135.17	31/01/1999	NCM L & NMBF L
Fiscal Year 1999/2000						
4	Nepal Industrial & Commercial Bank Ltd	Ordinary Share	175.00	815.92	02/12/1999	NCM L & NMBF L
Fiscal Year 2000/2001						
5	Nepal Bangladesh Fin. & Leasing Company Ltd	Ordinary Share	7.50	3257.1 2	14/03/2001	NSML & NS MBL
6	Nepal Development Bank Ltd	Ordinary Share	48.00	29.06	03/07/2001	NMBF L & CIT
Fiscal Year 2003/2004						

7	Kumari Bank Ltd	Ordinary Share	150.00	811.35	18/12/2003	CIT& NCM L
8	NepalCredit& Commerce Bank Ltd	Ordinary Share	210.00	122.10	31/03/2004	CIT& NCM L
Fiscal Year 2004/2005						
9	National Hydro Power Company Ltd	Ordinary Share	140.00	21.55	03/09/2004	NCM L&NS ML
Fiscal Year 2005/2006						
10	Siddhartha Bank Ltd	Ordinary Share	150.00	1865.33	15/09/2005	NCM L& NMBF L
11	Shikhar Insurance Co. Ltd	Ordinary Share	25.00	4375.86	22/05/2006	NCM L& NMBF L
Fiscal Year 2006/2007						
12	Gorkha Development Bank (Nepal) Ltd	Ordinary Share	96.00	10832.0	12/01/2006	NCM L&N MB
Fiscal Year 2007/2008						
13	Reliable Investment Financial Institutions Ltd	Ordinary Share	24.80	31.52	07/07/2008	NMB &NC ML
Total			1246.3			

Above table shows that Thirteen public issues were held under the conciliation between two-issue managers. Where NIDC Capital market Ltd and Nepal Merchant Banking Finance Ltd held seven of thirteen issues amounting Rs 670.80 million which is 53.77% of total combine issue. Similarly NCML Capital Market Ltd and Citizen Investment Trust held two public issue of thirteen issues amounting Rs.360.00 million that is 28.90% of total combine issue. Citizen Investment Trust and Rastriya Banajya Bank, Nepal Share Market Ltd and Nepal Srilanka Merchant Bank, Citizen Investment Trust and Nepal Merchant Banking Finance Ltd, Nepal Share Market Ltd and NIDC Capal Market and Citizen Investment Trust and NIDC Capital Market handled issue amounting Rs 20.00 mi, 7.50 mi, 48.00 , 140.00 and 360.00 mi that is 1.60%, 0.60%, 3.85 % ,11.24 % and 28.90% of total issue respectively.

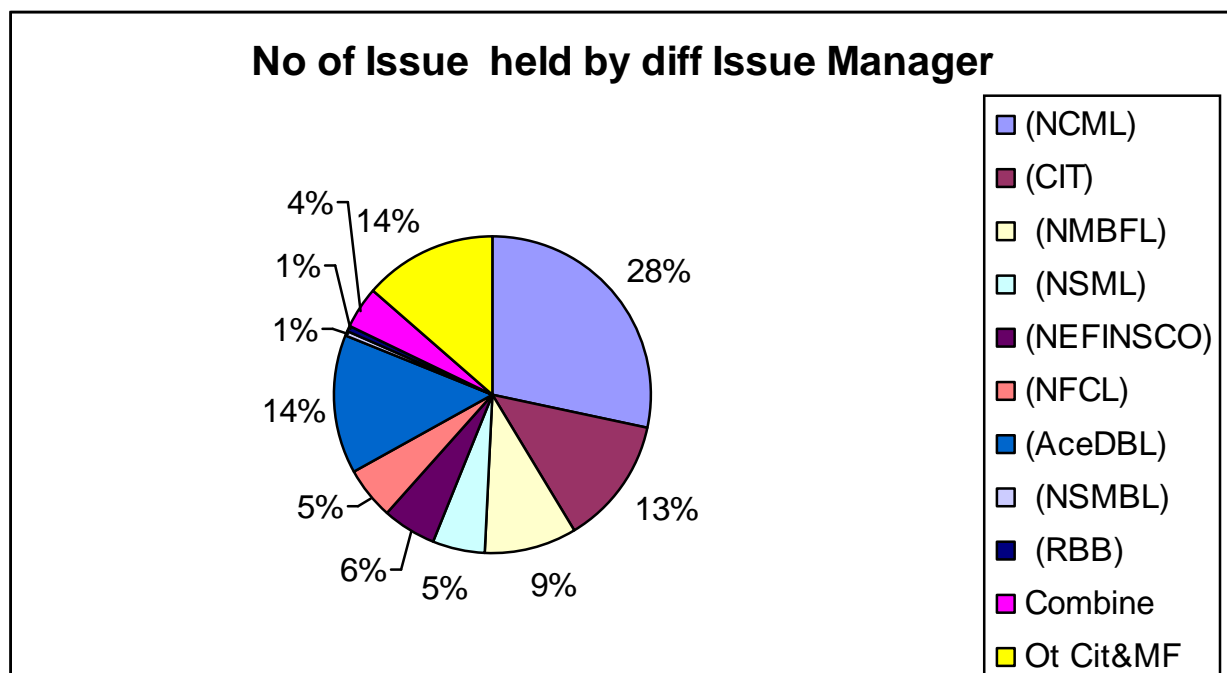
4.3.10. Combinable Analysis of issue managing activities by different issue managers
Combine manage of Public Issue
1993/1994 to 2008/2009

Table no 4. 23

Amount in Million Rs.

S.N	Name of Issue Manager	No of Issue held	No Issue %	Issue Amount	Amount %
1	NIDC Capital Market Ltd (NCML)	91	28.35	7735.82	19.20
2	Citizen Investment Trust (CIT)	42	13.08	5471.70	13.58
3	Nepal Merchant Banking & Finance Ltd (NMBFL)	30	9.35	9381.06	23.30
4	Nepal Share Market Ltd (NSML)	17	5.30	727.92	1.81
5	Nepal Finance and Saving Company Limited (NEFINSCO)	18	5.61	490.00	0.19
6	Nepal Finance Company Limited (NFCL)	17	5.30	75.27	0.75
7	Ace Finance Company Limited (AFCL)	45	14.02	8000.05	19.87
8	Nepal Srilanka Merchant Bank Limited (NSMBL)	2	0.62	389.29	0.97
9	Rsatrya Banijya Bank (RBB)	2	0.62	30.12	0.07
10	Combine Issue Held	13	4.05	1246.30	3.10
11	Others , CIIt, Mutual Fund	44	13.71	6780.28	16.84
Total		342	100.00	40267.81	100.00

Chart No.4.13



Above table 4.26 and chat 4.13 implies clearly about the issue handled by individual issue manager during 16 years period. NIDC Capital market had handled 91 issue that is 28.35% on no of issue approved and amount Rs.7735.82 million that is 19.20 % of total amount issue. Similarly, Citizen Investment Trust, Nepal Merchant Banking & Finance Ltd, Nepal Share Market Ltd, Nepal Finance & Saving Ltd, Nepal Finance Company Ltd, Ace Finance Company Ltd, Nepal Srilanka Merchant Bank Ltd, Rastrya Banajya Bank , Combine issue and Citizen unit Scheme, Mutual Fund and others held is 42, 30, 17, 18, 17,45, 2, 2, 13 and 44 that is 13.08%, 9.05%, 5.30%, 5.61%, 5.30%, 14.02%, 0.62%, 0.62%, 4.05% and 13.71% of no of issue approved and amount Rs 5471.70 mi,9381.06 mi, 727.92 mi, 490.00 mi, 75.27mi, 8000.05 mi, 389.29 mi, 30.12 mi, 1246.30 and 6780.25 mi, that is 13.58%, 23.30%, 1.81%, 0.19%, 0.75%, 19.87%, 0.97%, 0.07, 3.10 and 16.84% of total amount of issue respectively.

4.4 Over and Under Subscription of Primary Issues on Different Fiscal Year

Demand of securities on the primary market ration is analysis as a Subscription Ratio. When the demand of securities ratio is higher than issued securities or announced securities , the situation is called the case of over subscription but if the demand of securities is lower than issue or announced securities that situation is called under subscription .

Over and Under Subscription of Public Issue 1993/1994 to 2007/2008

Table No 4.24

Year	No of issue	Over Subs		Under Subs		Constant	
		No	%	No	%	No	%
93/94 (050/051)	16	16	100	-	-	-	-
94/95 (051/052)	10	8	80	-	-	2	20
95/96 (052/053)	12	6	50	6	50	-	-
96/97 (053/054)	5	5	100	-	-	-	-
97/98 (054/055)	12	6	50	5	41.6	1	8.4
98/99 (055/056)	5	3	60	1	20	1	20
99/00 (056/057)	6	4	66.66	1	16.66	1	16.66
00/01 (057/058)	9	8	88.88	1	11.12	-	-
01/02 (058/059)	12	5	41.66	4	33.34	3	25
02/03 (059/060)	18	14	77.78	3	16.67	1	5.55
03/04 (060/061)	14	12	85.71	2	14.28	-	-
04/05 (061/062)	14	6	42.86	7	50.00	1	7.14
05/06 (062/063)	29	17	58.62	10	34.48	2	6.90
06/07 (063/064)	34	16	47.06	14	41.18	4	11.76
07/08 (064/065)	64	-	-	53	82.81	11	17.18
Total	260	126	48.46	107	41.15	27	10.38

Table No 4.26 shows that during the period of Fiscal Year 1993/1994 to Fiscal Year 2007/2008 out of the total issue among 260 issues 126 issues are over subscribed 107 are under subscribed and 27 issues are constant.

4.5 Presentation and Analysis of Primary Data

Primary data plays the vital role to make the research meaningful. Concrete and fact data are very important for any kind of research as well as study. This study is mainly based on the issue managing activities performed by the different issue manager where as it also implies about the pace of issue managing activities whether they are over subscription or under subscription and about the investors perception about the issue manager.

On this research in the course of availing first hand data, questionnaire analysis, formal and informal interview method have been adoptee to make research meaningful and to revels the present perception of general investors towards issue managing activities as well as issue manager. Under questionnaire analysis important and related question are stated and requested to the concern parties to obtain their opinion, about issue managing activities, issue manager, financial assets, present legal provisions, etc in Nepalese prospective. A number of questions were put up by means of forty copies of questionnaire on those sector who are concerning with securities market. Questionnaire format has been shown in appendix 1. The questionnaire are under the basis on issue managing activities, issue manager are so collected and related to find out the opinion perception of general investors, professional investors about initial public offering, issue managers and issue managing activities.

4.4.1 Identification of sector involving in providing information effectively

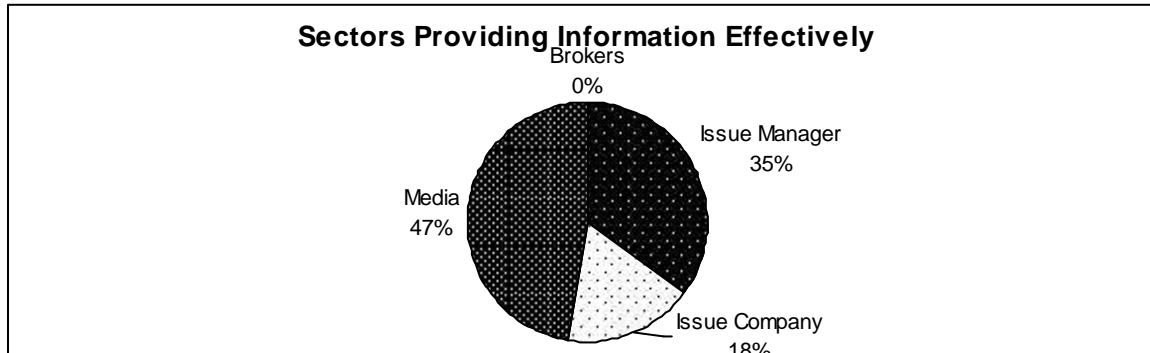
The first question tries to identify the sector which are actively involved in providing information of opportunity to invest in primary market. Regarding this question 47.50% of respondents answered through Media, 35.00% of respondent answered through issue manager, 17.50% of respondent answered through issue company , none of respondents answered through brokers. The table no 4.4.1 and chart 4.4.1 provides the clear figure towards the question.

Table No 4.4.1

S.N.	Research Variable	No of Respondents	% of Respondents
1	Issue Managers	14	35.00
2	Issue Company	7	17.50
3	Media	19	47.50
4	Brokers	-	-
Total		40	100.00

Field Survey

Chart No4.4.1



4.4.2 Basically which factor motives investors to invest in primary market

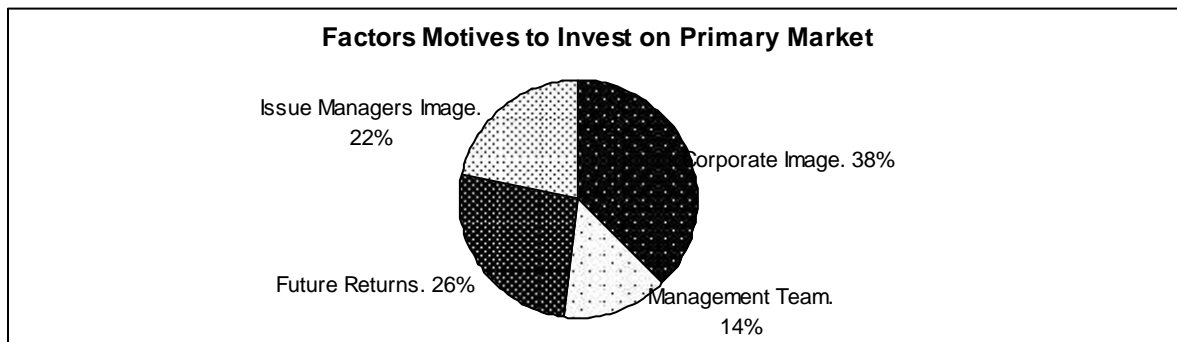
Second question tries to identify the basic factors which motives the investors to invest on primary market. Regarding this question 35% of respondent answered Corporate Image, 27.5% of respondent answered Future Returns, 22.5% of respondent answered Issue Manager Image and rest 15% answered the management team. The table no 4.4.2 and chart 4.4.2 provides the clear figure towards the question.

Table No 4.4.2

S.N,	Research Variable	No of Respondents	% of Respondents
1	Corporate Image	14	35.0
2	Management Team	6	15.0
3	Future Returns	11	27.5
4	Issue Managers Image	9	22.5
Total		40	100

Field Survey

Chart No4.4.2



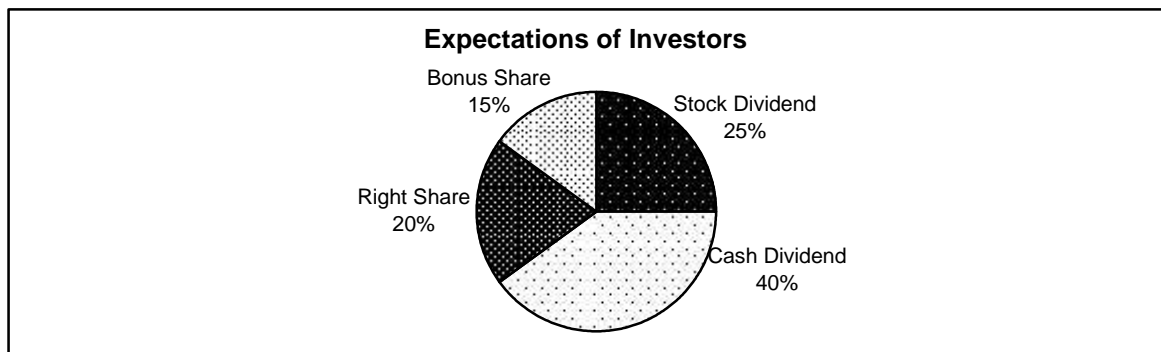
4.4.3 Expectations of Investors when Investing on Financial Assets

Third questions tries to identify the expectations of investors when they invest their funds on financial assets. Regarding this question 40% of respondents answered Cash Dividend, 25% of respondent answered Stock Dividend, 20% of respondents answered Right Share, and rest 15% of respondents answered Bonus Share. The table no 4.4.3 and chart No 4.4.3 provides the clear figure towards the question.

Table No 4.4.3

S.N.	Research Variables	No of Respondents	% of Respondents
1	Stock Dividend	10	25
2	Cash Dividend	16	40
3	Right Share	8	20
4	Bonus Share	6	15
Total		40	100

Chart No 4.4.3



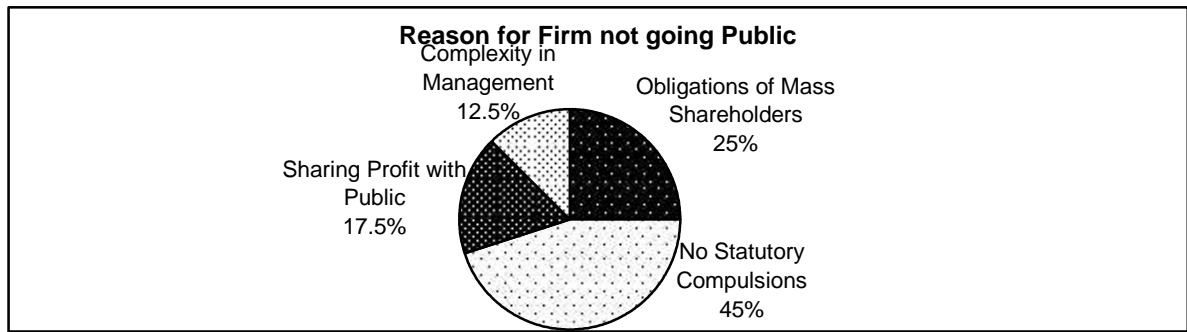
4.4.4 Reasons for Firm not going Public

Fourth question tries to identify about the reasons of firms not to going public. Regarding this question 45% of respondents answered No Statutory Compulsion, 25% of respondents answered Obligation of Mass Shareholders, 17.5% of respondents answered Sharing Profit with People, and rest 12.5% of respondents answered Complexity in Management. The table no and chart provides the clear figure towards the question.

Table No 4.4.4

SN	Research Variable	No of Respondents	% of Respondents
1	Obligations of Mass Shareholders	10	25
2	No Statutory Compulsions	18	45
3	Sharing Profit with Public	7	17.5
4	Complexity in Management	5	12.5
Total		40	100

Chart No4.4.4



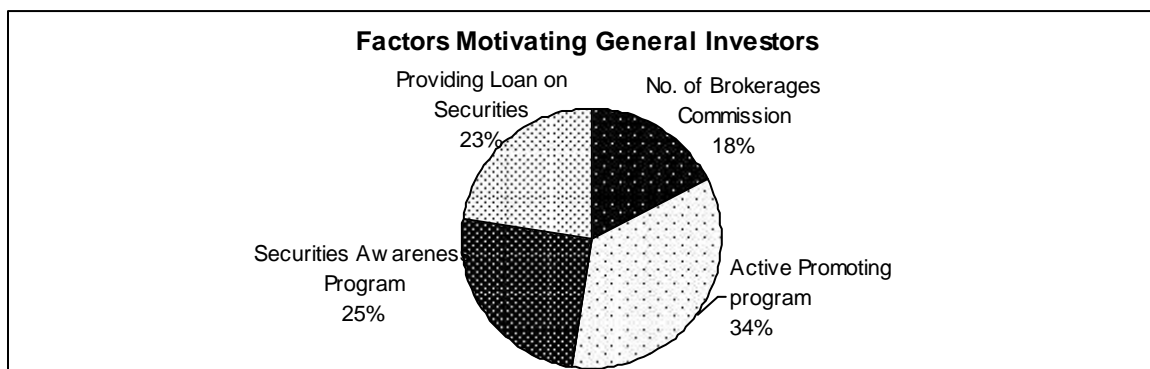
4.4.5 Factors that Motives General Investors to Invest on Financial Assets

Fifth question tries to identify about the motivating factors, which can motive general investors to invest on financial assets. Regarding this question, 35% of respondents answered Active Promoting Program, 25% of respondents answered Securities awareness Program, 22.5% of respondents answered Providing Loan on Securities and rest 17.5% of respondents answered No Brokerages Commission. . The table no4.4.5and chart 4.4.5 provides the clear figure towards the question.

Table No 4.4.5

S.N.	Research Variable	No. of Respondent	% of Respondent
1	No. of Brokerages Commission	7	17.5
2	Active Promoting Program	14	35
3	Securities Awareness Program	10	25
4	Providing Loan on Securities	9	22.5
Total		40	100

Chart No4.4.5



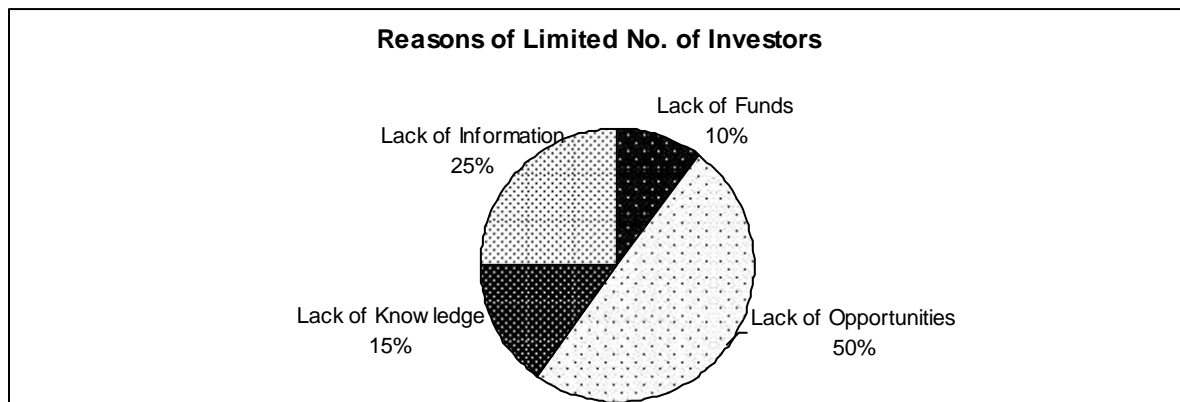
4.4.6 Reasons for Limited Number of People Involving in Investing Activities

Sixth question tries to identify about the reasons for limited number of people involving in investing activities on primary market. Regarding this question 50% of respondents answered Lack of Opportunities, 25% of respondent answered Lack of Information, 15% of respondents answered Lack of Knowledge and rest 10% of respondents answered Lack of Funds. The table no and chart provides the clear figure towards the question.

Table No 4.4.6

S.N.	Research Variable	No. of Respondent	% of Respondent
1	Lack of Funds	4	10
2	Lack of Opportunities	20	50
3	Lack of Knowledge	6	15
4	Lack of Information	10	25
Total		40	100

Chart No4.4.6



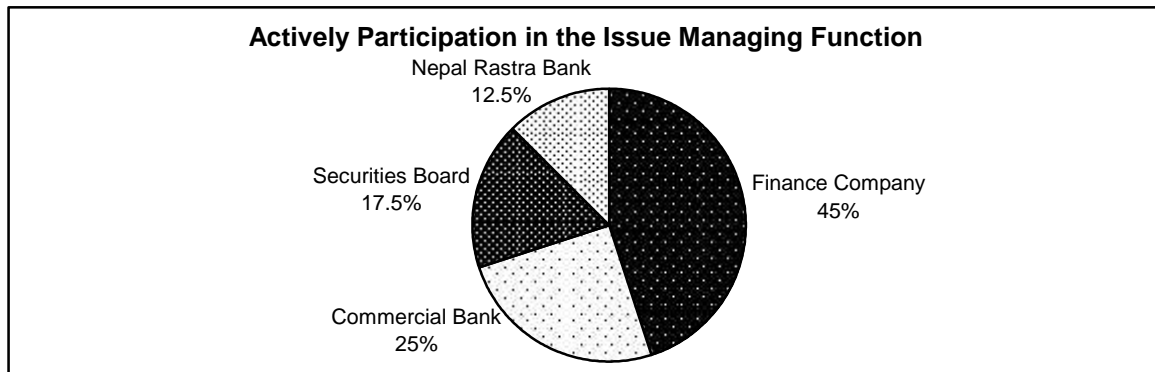
4.4.7 Actively Participate in the Issue Managing Function

Seventh question tries to identify the institutions which are actively involved in issue managing activities, Regarding this question 45% of respondents answered Finance Company, 25% of respondents answered Commercial Bank, 17.5% of respondents answered Securities Board, rest 12.5 % of respondents answered Nepal Rastra Bank. The table no 4.4.7 and chart 4.4.7 provides the clear figure towards the question.

Table No 4.4.7

S.N.	Research Variables	No. of Respondent	% of Respondent
1	Finance Company	18	45
2	Commercial Bank	10	25
3	Securities Board	7	17.5
4	Nepal Rastra Bank	5	12.5
Total		40	100

Chart No4.4.7



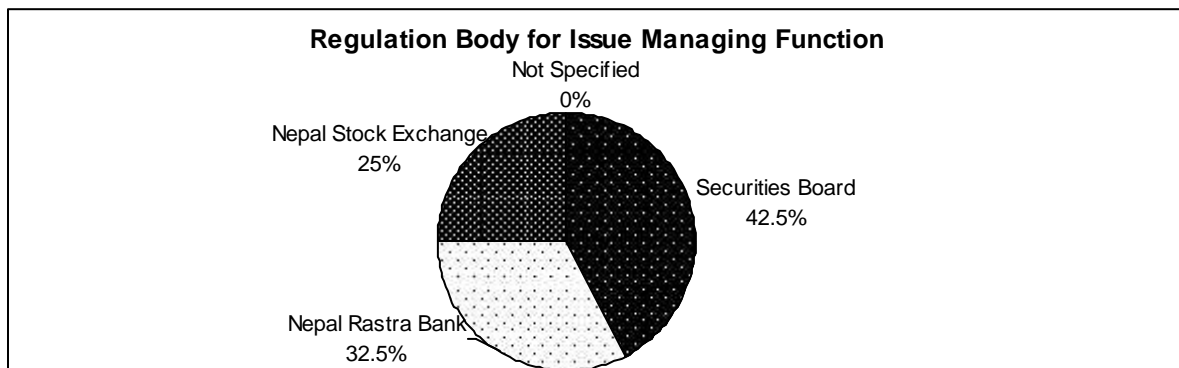
4.4.8. Regulation Body for Issue Managing Function

Eighth question tries to obtain the regulatory body for issue managing activities on Nepalese Prospective. Regarding this question 42.5% of respondents answered Securities Board, 32.5% of respondents answered Nepal Rastra Bank, 25% of respondents answered Nepal Stock Exchange and none of respondents answered Not Specified. The table no 4.4.8 and chart 4.4.8 provides the clear figure towards the question.

Table No 4.4.8

S.N.	Research Variable	No. of Respondent	% of Respondent
1	Securities Board	17	42.5
2	Nepal Rastra Bank	13	32.5
3	Nepal Stock Exchange	10	25
4	Not Specified	-	-
Total		40	100

Chart No4.4.8



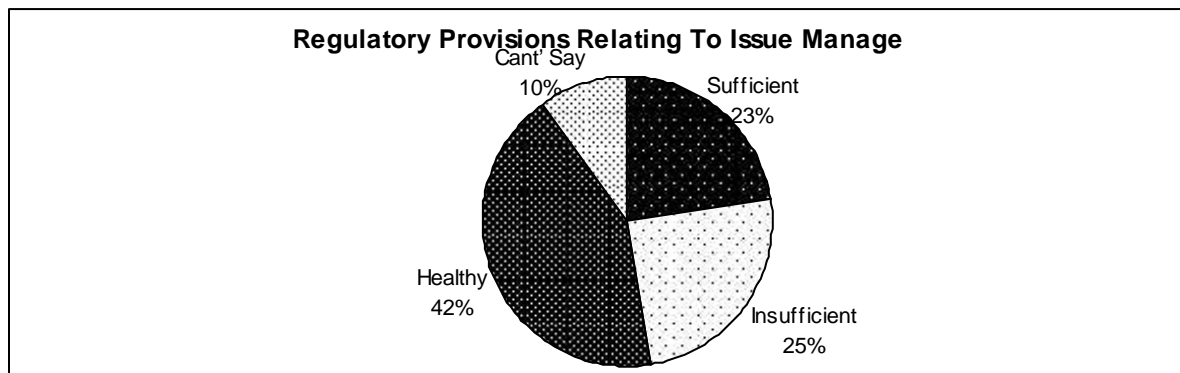
4.4.9. Regulatory Provisions Related to Issue Managing Activities

Ninth question had been stated to trace the specific rules, guidelines, provisions issued by Securities Board of Nepal and Nepal Rastra Bank about the issue managing activities. Regarding this question 42.4% of respondents answered Healthy, 25% of respondents answered Insufficient, 22.5% of respondents answered Sufficient, rest 10% of respondents answered Cant' Say. The table no 4.4.9 and chart 4.4.9 provides the clear figure towards the question.

Table No 4.4.9

S.N	Research Variable	No. of Respondent	% of Respondent
1	Sufficient	9	22.5
2	Insufficient	10	25
3	Healthy	17	42.5
4	Cant' Say	4	10
Total		40	100

Chart No4.4.9

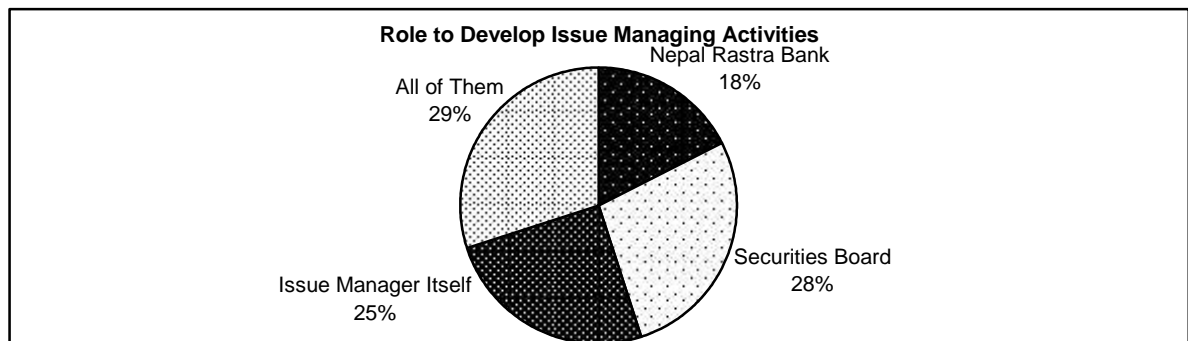


4.4.10 Role to Develop Issue Managing Activities

Tenth question had been stated to find out the main body that has to play a major role for the development of issue managing activities in Nepalese prospective. Regarding this question 30% of respondents answered All of Them, 27.5% respondents answer Securities Board, 25% of respondents answered Issue Manager Itself, and rest 17.5% of respondents answered Nepal Rastra Bank. The table no 4.4.10 and chart 4.4.10 provides the clear figure towards the question.

Table No 4.4.10

S.N.	Research Variable	No of Respondents	% of Respondents
1	Nepal Rastra Bank	7	17.5
2	Securities Board	11	27.5
3	Issue Manager Itself	10	25
4	All of Them	12	30
Total		40	100



4.4.11 Contribution of Issue Manager in developing the securities Market in Nepal

This question has been developed to know the view of respondents regarding the contribution of issue manager towards the development of securities market in Nepalese prospective. Many Respondents viewed that there is the great significance of issue manager towards the development of capital market as well as securities market. According to them public issue management is synonymous with issue managing in Nepalese prospective. Issue Manager play vital role in performing different capital market activities be fond of issue management, corporate counseling, underwriting, project planning, etc.

Many of the respondents viewed that issue manager foster to growth and development of capital market and securities market through many services. The capital market would not be developed unless there is no perfect competition in issue management services. According to the respondents, the high competition in issue management services is only possible when there is a strong economic environment . Thus, the respondents viewed that there is the significance contribution of issue manager towards the development of securities market as well as capital market.

4.4.12 Problems in the Performance of Issue Managing Activities

Generally, that many finance Companies in Nepal are performing the function of issue management. It is surprising that the so-called issue managers are not performing the function of issue management. This question has been set to find out why many finance companies are performing the function of issue managing rather then issue manager, and what kind of problems are on the managing of issue approval exist on the time of issue management . Regarding this question, various responses have been obtained from different respondents.

According to the most respondents, there is lack of specific Acts, policies, or regulations regarding issue management activities and most important difficulties in the performing of lack of professionalism in issue management. Conservative management style is also the big problems in the performing the issue management activities. On Nepalese act, there is lack of definition, which institutions should involve in issue management function.

As per many respondents, the problems and difficulties in issue managing is only because of the lack of proper guideline but also unclear policies and insufficient regulatory framework. The problem is created due to the lack of co-ordination between different regulatory bodies and issue manager it self.

Many respondents pointed out towards the underdeveloped capital market and they point out that being only a issue manager, no any institutions can survive. Thus, different finance companies are performing activities of issue management. The respondents also pointed out towards various problems like current political situation, unconscious investors, underdeveloped industrial sectors, lack of strategic policies, planning and implementation etc.

4.4.13 Reasons for availability of very few Issue Managing Services

As issue managing and issue manager are in infancy stage in Nepalese prospective, this question had been stated to find out the reasons for availability of few issue manager. According to the many respondents, the reasons for availability of very few issue-managing services are due to the petite capital market , lack of industrial sector, lack of knowledge among the corporate about the issue managing services and where by only acting issue manager they cannot survive on the environment is the main cause of few issue managers in Nepalese prospective.

Many of the respondents blame to the government, as government is also not playing important role, there is lack of proper regulation and specific body to develop capital market and issue managing activities. Similarly, some respondents pointed out toward the slackness of economic and business activities in the country resulting low volume of business and opportunities and lack of modern technology, research development, related activities, etc.

4.4.14 Improvement Required for the Improvement of Issue Management Activities

The last question has been proposed to gather suggestions for the improvements of issue management sectors. Respondents provide a lot of suggestions for the improvement required for boosting up issue managing activities in Nepal. According to most of the respondents, there should be specific acts, rules and regulations, policies, guideline regarding issue managing activities. Regulatory authority should define the role of issue manager in the capital market. The capital market should be more strong and wide and it should play crucial role for the development of issue managing sector. Besides that, issue manager should have clear business vision, financial discipline and good corporate culture. Level of specialization should be developed in the areas of issue managing services and capital market. There should be provisions of incentives to invest in capital market and institutions to float their shares and other financial tools in the market.

Respondents also gave various suggestions like government should play promotional role for improvement in overall economic conditions and open capital market to foreign investors. There should also be proper planning and commitment for development. The respondents also stressed for political stability, public awareness program to train more people and create awareness among businessmen about issue managing activities.

4.6 Findings of Secondary Data

The term issue managers has come to emergence in Nepal from few years before but the people are not still familiar with issue manager, merchant banking , portfolio managers and their activities and their function on raising the funds from general public. While analyzing the activities of issue managers, it is found that issue managing activities are concentrated on floating the public issues of securities. The underwriting , sale of government securities, register to the share are secondary for most of the firms and other issue managing activities like consultancy services, portfolio management etc are being performed rarely. Analysis of institution and instrument wise public issue reveals that the most of the issuing companies are banks and the issuing companies prefer to issue ordinary share most of the times. Analysis of public issue shows that the public issues of securities are in increasing trend. This increasing trend of public issue indicates the importance of issue manager, merchant banker and primary market activities refers the development of capital market development and growth of securities market also.

NIDC Capital Market Ltd (NCML) is found to be the leading merchant banker or issue manager in Nepal . While studying the activity performed of NIDC Capital Markets Ltd as a issue manager, it is not only found to be performing public issue management but also the functions of underwriter and syndicate underwriter of public issue from fiscal year 1993/1994. NCML is also providing services of register of share of various companies. It has started up NCM mutual fund from 1993/1994 (2050) NCML was also participated in portfolio management of its customer from fiscal year 1993/1994 (051/052) to till this date. NCML provides services of research and development of listed companies and prepare macro economic sector analysis as well as the scenario of primary market in different poetical instability situation.

While analyzing the activity performed of issue management activities NIDC Capital Market is the leading issue managers among nine issue managers. It has managed 91 no of issues among 321 issues till date 2008/2009 of amount Rs. 7735.82 million which is 28.35 % on no of issue and 19.20% on amount basis.

While studying the activity performed of Citizen Investment Trust (CIT), it is also providing services of public issue management, underwriting, syndication of underwrite ring of public issue, register to share , market maker of corporate and government securities and consultancy services for designing the capital structure, pricing of securities , corporate acts like merger and acquit ion , privatization and other related activities. It plays the vital role of creating primary market by providing services of public issue management as well as it

operate Citizen Investment Scheme in fiscal year 1993/1994 which was approved by SEBON Nepal. Which main objective is collecting capital from the small and medium severs to make investment in professionals on efficient way and distribute the returns earned there on. On Issue management activities it was involving on 42 issues among 321 issues amounting Rs 5471.70 million among Rs 40267.81 which is 13.58% and 23.30 % respectively.

While analyzing the activity performance of Nepal Merchant Banking and Finance Limited (NMB) as a issue manager, merchant banker, it is also providing issue management as major issue manager among the issue managers . NMB is also providing register of share in different fiscal year. NMB was involving on issue management of 30 among 321 issues amounting 9381.06 among 40267.81 million which is 9.35 % and 23.30% respectively. On amount basis it plays the major role among the issue managers.

While analyzing the activity performed of Ace Development Bank (Ace DBL) as a issue manager it plays the vital role on primary market. This institution has started as a D classed financial institution and till this date it has increase theirs authorized capital, Paid up capital and becoming national level development Bank. It has major role on issue management activities till this date .This institution has managed 45 among 321 issues amounting Rs. 8000.05 million which is 14.02 % of total no of issue and 19.87 % of amount basis.

While analyzing the activity performed of Nepal Share Market Ltd (NSML) , Nepal Finance and Saving Company Limited (NEFINSCO), Nepal Finance Company Limited (NFCL) , Nepal Srilanka Merchant Bank Limited (NSMBL) Rastriya Banijya Bank (RBB) are also involving in the issue management activities of public issue. They have least role on primary market then others issue managers although they are also a part of primary market creation . NSML has managed 17 issues among 321 issues amounting Rs 727.92 million which is 5.30% on no of issue held and 1.81% on amounting. Similarly 18, 17, 2,2 issues amounting Rs. 490.00, Rs. 75.27 million, Rs. 389.29million and Rs. 30.12 million which is 5.61%, 5.30%, 0.62%,0.62% and 1.81%, 0.19%, 0.75% ,0.97% and 0.07 % respectively.

4.7 Findings of Primary Data

Primary data provides the attitude of public towards the issue managers, responsible institutions and the study will be meaning full. This study is mainly focus about the information provider to general public, motivators of primary market, expectations of public investors , firm does not going to public issue , invest on financial institutions etc.

From the analysis of response of questionnaire, it comes to know that most of the issue management activities are performed by financial institutions. Nepalese Primary market, securities market and capital market is still underdeveloped in our country and according the most of the respondents are financial institutions due to the regulatory provisions of nation and central bank have to go public. Studying the view of respondents' knowledge about the financial assets or securities are unknown on general public. Only 10 % have knowledge about the securities expectations and 5% of total citizens are involving on securities offers. If the knowledge of securities can provide to general public the primary market can growth smoothly and healthy.

On Primary data collection this study have organize the questions about the sector involving in providing information of public issue effectively, basis of invest of primary market, what expectations does the primary market investors expects, motivation factors that general investors motives to invest on financial as well as primary market, what the reasons of few investors are involving in securities market, which sector should participate actively in creation primary market, ,regulations institutions , is existing guidelines and regulations are sufficient to run effective primary market who should play the major role to develop primary market in Nepal, contributions of issue managers, difficulties of issue managers, reasons of few issue manager and what shall be doing the issue managing activities . The respondents answers are through Media, Corporate Image, Cash Dividend, No Statutory compulsion, Active promoting Program, Lack of Opportunities, Finance Company, Securities Board, Healthy and all of them and on subjective reasons of availability of few issue managers are Poetical instability, infancy stage of securities markets, low public response, lack of knowledge about the financial assets and related activities, regulatory provisions clear business vision, financial discipline and good corporate culture etc.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Chapter Out Line

Summary

Conclusion

Recommendation

The preceding chapter have discussed and explored the facts and matters required for the various parts of study. Having completed the basic analysis required for the study, the final and most important of the study is to enlist findings issues and gaps of the study and provide suggestions for the further improvement.

This part is complete suggestive package, which contains summary, conclusion, and recommendations or actionable plans . Summary provides the brief introduction of all chapter of the study, and shows the actual facts that have been taken from the analytical part. Findings are based on the consequences of the analysis of relevant data. Actionable plans and presented in the terms of suggestions , which are prepared on the basis of the findings.

This is the last chapter or unit of the study. This chapter presents the summary and conclusion drawn by the study and recommendations provides the further actionable plans to make effective financial market, primary market.

5.1 Summary

The main objective of the study is to evaluate the performance of issue manager, its relationship towards the development of securities industry through primary market to analyze its problems and prospects in Nepal. Issue managers is bridge the huge gap between demand of funds by the institutions and supply of untapped public savings. They are the intermediaries for the growth of primary market , capital market and securities market. Thus the issue manager could be one major supporting mechanism for any ongoing business organization.

While doing study work, primary as well as secondary data has been used as per the requirement of the study. Various methods like structured questionnaires, formal and informal interviews, field survey, annual reports public by concerned institutions, securities exchange board and Nepal Rastra Bank etc were used to meet the objective of the study and to make study more meaningful. Secondary data were collected from Securities Exchange Board of Nepal, Non bank financial statistics of Nepal Rastra Bank, Library search , daily newspapers, magazines, bulletin, and other journals etc.

The issue manager consists of financing the required funds from external financing sources are public or general. These sources can be used by using different kinds of securities .Mainly they: are Equity financing, Preference stock financing, and Debt financing

Among which the equity/common stock financing is the compulsion and important financing source of the corporations. Due to not having any maturity period, these funds bears less risk and can be used as the whole period of the company operation thus these holders get dividend where as on debt and preference share they have some maturity period and rate exist thus the company has risk for issue debenture, bonds, thus the equity or common stocks are permanent long term sources and the holders hold the ownership certificate through company's management and they stay for the best returns. That certified paper means securities. The term security is used to refer to a legal representation of the right to receive prospective future benefit under conditions.

The primary market is that markets where by corporations acquire the needed capital by Initial Public Offering (IPO) , right issue , debenture, preference Share. Thus primary markets plays vital role for create the capital through the public investment. Normally these markets create through the underwriting services with the help of issue manager, thus issue manager plays vital role for creating securities market, primary market and capital marker. Issue manager creates the general investor by issuing the different securities that securities secondary converted to secondary markets.

The obtained information were tabulated and presented as per the requirement of the study. The data obtained are analyzed through different elements and with different headings like public issue analysis, activity performance of issue manager, market capitalization, over and under subscription, analysis of questionnaires etc by using bar diagram, pie chart and percentage methodology to meet the objective of the research.

The analysis starts from analyzing the instrument wise public issue, institution / sector wise public issue. It has been conducted from the perspective of findings out the significance of issue manager towards the development of securities industry in Nepal. There have been 159 Initial Public Offerings, 158 Right Share, 4 Preference Share , 12 Debenture and 9 Mutual Funds/Unit Scheme of different companies amounts Ordinary Share amounting Rs 78047.5 million , Right Share amounting Rs.250584.6 million, Preference Share amounting Rs. 6340.00 million , Debenture amounting Rs 61630.00 million and Mutual / Unit Scheme Rs. 6676.00 million from total amounting Rs 403275.10 million from fiscal year 1993/1994 (2050/2051) to 2008/2009 (2065/2066) where on the basis of no of issue 46.49%, 46.20% 1.17%, 3.51% and 2.63% and on the basis of amounting 19.35 % , 62.14%, 1.57%, 15.28% and 1.66 % adopted respectively .

Out of the total initial public issue of securities among 159 listed companies where 21 commercial banks, 29 Development Banks, 61 Financial institutions, 17 Insurance companies, 4 Hotels, 18 Manufacturing and Processing Companies and 5 Others are listed on Nepalese securities market which is 13.21%, 18.24%, 38.36%, 10.69%, 2.52% and 3.14 % respectively on the basis of amount of instrument wise initial public offerings from total amounting Rs.29465.8 million Rs 14667.30 million , Rs. 2322.70 million, Rs 4317.3 million, Rs.1669.7 million, Rs. 1552.9 million, rs. 2539.7 million, Rs. 78.4 million and Rs 2317.8 million which is 49.78%, 7.88%, 14.65%, 5.67%, 5.27%, 8.62%, 0.27% and 7.87% respectively from fiscal year 1993/1994 (2050/2051) to fiscal year 2007/2008 (2064/2065) where commercial Banks are standing in major section under institutions/ sector wise issue.

The analysis of activities performance by issue managers has been done by the help of secondary data as well as primary data. To admittance the performance of financial institutions in relation to issue managing activities, the analysis has been selected those which are approved as issue manager or as registered / licensed merchant banker under Merchant Banking Regulation 2007.it provides services like public issue management, underwriting, register to share, portfolio management, research and development etc.

NIDC Capital Market Ltd is the first issue manager in Nepal. It provides services as issue management, register of share, underwriting , portfolio management , research and development etc. Under total issues it has handled 91 issues and raised amounting million from fiscal year Rs 7735.82 million from fiscal year 1993/1994 (2050/2051) to fiscal year 2008/2009(2065/2066). This is 28.35 % of no of issue and 19.20% of on amount basis. Thus on the basis of no held it is the major issue manager till this date.

CIT Investment Trust is one of the pioneers in issue managing activities . It provides service of share issue management, underwriting and register of share and consultancy services. It has handled 42 issues among total issues and raised amount Rs. 5471.70 million from fiscal year 1993/1994 (2065/2066) .This is 13.08 % of total issue and 13.58% on amount basis. Similarly Nepal Merchant Banking and Finance Ltd, Nepal Share market Ltd, Nepal Finance Company Ltd, Ace Development Bank, Nepal Srilanka Merchant Bank Ltd are managing 30, 17,18,17,45,2 issues this is 9.35%, 5.30%, 5.61%, 5.30%,14.02% 0.62 % under no of issues and 23.30%, 1.81%, 0.19%, 0.75%, 19.87%,0.97% respectively on the basis of amount.

The analysis of subscription ratio : Demand of securities on the primary market ratio is analysis as a Subscription Ratio. When the demand of securities ratio is higher than issued securities or announced securities, the situation is called the case of over subscription but if the demand of securities is lower than issue or announced securities that situation is called under subscription. From analysis total issues 126 are over subscribed, 107 are under subscribed, 27 are constant which is 48.46%, 41.15% and 10.38 % respectively.

The analysis of primary data response of questionnaire, it comes to know that most of the issue management activities are performed by financial institutions. Nepalese Primary market, securities market and capital market is still underdeveloped in our country and according the most of the respondents are financial institutions due to the regulatory provisions of nation and central bank have to go public. Studying the view of respondents' knowledge about the financial assets or securities are unknown on general public. Only 10 % have knowledge about the securities expectations and 5% of total citizens are involving on securities offers. If the knowledge of securities can provide to general public the primary market can growth smoothly and healthy.

On Primary data collection this study have organize the questions about the sector involving in providing information of public issue effectively, basis of invest of primary market, what expectations does the primary market investors expects, motivation factors that general investors motives to invest on financial as well as primary market, what the reasons of few investors are involving in securities market, which sector should participate actively in creating primary market, ,regulations institutions , is existing guidelines and regulations are sufficient to run effective primary market who should play the major role to develop primary market in Nepal, contributions of issue managers, difficulties of issue managers, reasons of few issue manager and what shall be doing the issue managing activities . The respondents answers are through Media, Corporate Image, Cash Dividend, No Statutory compulsion, Active promoting Program, Lack of Opportunities, Finance Company, Securities Board, Healthy and all of them and on subjective reasons of availability of few issue managers are Poetical instability, infancy stage of securities markets, low public response, lack of knowledge about the financial assets and related activities, regulatory provisions clear business vision, financial discipline and good corporate culture etc.

5.2 Conclusion

Most of the general investors in Nepal do not have sufficient information regarding the primary market but still some are interested to invest money in the primary market. This is the good signal of securities and primary market but due to the unclear rules and regulations of government and concern sections and poetical instability has played the inverse role on public or general investors.

As per the study, almost every sector is getting good response from general public. Specifically financial institutions and insurance companies are more on securities market and general public are also more preferable than non financial sector. Pace of the public offering in Nepal seems to be irregular but the issue is on growth trend. The no of companies in the first fiscal year is only 16 and in single year varies of public offerings are less 5 and more 72 issues till this date. The highest amount of issue approved by board was Rs 14875.12 million while lowest amount of issue was Rs 254.21 million.

Even through the organizations process of public offerings is quite long: thus the service provided to the investors seems to be satisfactory. If raising interest of the public issue in the primary market is one of the objectives, than the primary market of Nepal is fulfilling this role progressively.

5.3 Recommendations

There is lack of legal obligations that abides the companies have to go public when they are running as widely. There is not any clear vision and regulations about the issue of securities in Act. On the basis of area covered as well as capital there should be regulation for going to public issue, if accordance of area covered and capital invest the company should go to public on that case only most of the companies will be on public sectors and the securities market can efficient.

During this period the market price of securities are declining in high ratio due to poetical instability and awareness about share. Thus on the nation if the poetical stability able the economic growth can increase as well as securities market also.

There is unrealistic price of share thus during this period most of public issue are under subscribe thus to regulate the securities market there should efficient rules and regulations conduct by concern sectors. If it can not maintain on short period the securities market will be crammed nearly. Basically companies are issuing only long term capital share by ordinary share and right share they should strenuous about the maturity style funds which can generate awareness about securities to general public.

Generally the investors expect higher return from securities market past duration that was success but during this period most of investors are being passive. General public are not aggressive to invest during the duration of return of un subscribe amount. Till this date some interest are provided for un subscribe amount and the investors are going to invest on securities instruments.

-) Because of heavy over subscription of issues and unrealistically low flotation pricing of issues by existing company, post issue management has become a difficult task in Nepal. The problems are accompanied by rigid rules of allotment prescribed by Stock exchange that favor small applicants and therefore increase the number of applicants. The banking system is extensively used for this propose but it seems very hard to cope with the load.
-) Merchant bankers should ensure to the investor that all possible information about the issue is given, and that post issue management i.e. allotment of shares etc and refund are affected with utmost expedition. In the pre-issue phase, merchant banker should ensure the investor's that the issuer is having a good track record and thus merchant banker should give a clean cheat to the issuer. In case the issuer is found guilty then merchant banker ultimately suffers and should face the public or investors.
-) Due to the lack of adequate legal an regulatory framework, merchant banking serve has become more challenging for the monitoring system of Nepal specially for the central bank.
-) To the issuing company, merchant banker should render high standards of professional services and perform their role with due diligence.
-) Sound financial market is needed to adopt the different merchant banking services. Due to the limitation of financial market, the services rendered by merchant banking are also limited in Nepal.
-) There should not be confusion about the customer in any business. However, in merchant banking services, especially in issue management, some problems can be prevailed. Merchant banker received funds invest by public and paid the raising funds to the issuing company according to the memorandums of underwriting through issuing the share/ debentures. Apparently, the issuing company is a customer of the merchant bankers. However, the fee receive by the issue manager comes from the investors of the share and debentures. Thus, it is not wrong to say that the fees to issue manager are ultimately paid by the prospective investors of the shares/ debentures. Thus, it is very hard for issue manager to serve for the best interest of both investors and issuing company.
-) According to comprehensive guidelines formulated by Stock Exchange, a company either should be already listed or should be listed in Stock Exchange with in three months of the closure of the issue. However, generally listing is being done lately due to large numbers of shareholders, and provision regarding transferability.

) In implementing self-regulatory mechanism, merchant banker would have to monitor the performance of other agencies that also provides services to the issuer. There fare advertising agencies, register to issue and other financial institutions. But in Nepal merchant bankers do not have any control over these agencies, although merchant banker are held responsible for the performance or lack of it by the associated agencies.

Annex Table

Public Issue Approval (From Fiscal Year 1993/94 to 2005/06)

Fiscal Year 1993/94				(in million)	
S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / Fund Manager	Over/Under Subscription
1	Nepal Med Ltd.	Ordinary Shares	2.70	CIT	Over Subscription
2	Nepal Share Market Co. Ltd.	Ordinary Shares	4.00	NCML	Over Subscription
3	Himalayan General Insurance Co. Ltd.	Ordinary Shares	12.00	NCML	Over Subscription
4	Nimrod Pharmaceuticals Ltd.	Ordinary Shares	18.00	CIT	Over Subscription
5	Harisiddhi Brick and Tiles Factory Ltd.	Ordinary Shares	53.20	NCML	Over Subscription
6	Nepal Lever Ltd.	Ordinary Shares	13.80	NCML	Over Subscription
7	Necon Air Ltd.	Ordinary Shares	16.50	CIT	Over Subscription
8	Necon Air Ltd.	Preference Shares	14.00	CIT	
9	United Insurance Co.(Nepal) Ltd.	Ordinary Shares	24.00	NCML	Over Subscription
10	Nepal S.B.I. Bank Ltd.	Ordinary Shares	36.00	CIT	Over Subscription
11	Peoples Finance Ltd.	Ordinary Shares	9.80	CIT	Over Subscription
12	Annapurna Finance Ltd.	Ordinary Shares	2.00	NSML	Over Subscription
13	Nepal Film Development Co. Ltd.	Ordinary Shares	21.90	NCML	Over Subscription
14	Agro Nepal Ltd.	Ordinary Shares	9.00	CIT	Over Subscription
15	Birat Shoe Ltd.	Ordinary Shares	5.00	NCML	Over Subscription
16	Birat Shoe Ltd.	Preference Shares	2.50	NCML	Over Subscription
17	NCM First Mutual Fund		100.00		
Total			344.40		

Fiscal Year 1994/95

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / Fund Manager	Over/Under Subscription
18	Premier Insurance Co. Ltd.	Ordinary Shares	12.00	NCML	Over Subscription
19	Ace Laboratories (Nepal) Ltd.	Ordinary Shares	12.26	NFCL	Over Subscription
20	Everest Insurance Co. Ltd.	Ordinary Shares	12.00	NCML	Over Subscription
21	Nepal Bangladesh Co. Ltd.	Ordinary Shares	36.00	NCML	Over Subscription
22	Himgiri Textile Industry Ltd.	Ordinary Shares	19.20	CIT	Over Subscription
23	Balaju Testile Industry Ltd.	Ordinary Shares	7.50	NSML	Over Subscription
24	Kathmandu Finance Ltd.	Ordinary Shares	8.00	NCML	Over Subscription
25	Letherage Bansbari Tannery and Shoe Factory Ltd.	Ordinary Shares	15.00	NCML	Under Subscription
26	Citizen Investment Trust	Ordinary Shares	16.00	NFCL	Over Subscription
27	Everest Bank Ltd.	Ordinary Shares	36.00	NCML	Over Subscription
28	Kosh Byabashapan Co. Ltd.	Ordinary Shares(not issued)	30.25	NFCL	
29	Citizen Unit Scheme		50.00		
Total			254.21		

Fiscal Year 1995/96

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
30	Nepal Abbas Bikash Bitra Co. Ltd.	Ordinary Shares	20.00	RBB	Under Subscription
31	Narayani Finance Co. Ltd.	Ordinary Shares	4.00	NFCL	Over Subscription
32	Nepal Finance and Saving Co. Ltd	Right Shares	2.00		
33	Shree Brikuti Pulp and Paper Nepal Ltd.	Ordinary Shares	105.00	CIT	Over Subscription

34	Color Scan Nepal Ltd.	Ordinary Shares	14.34	CIT	Under Subscription
35	HISEF Finance Co. Ltd.	Ordinary Shares	24.00	NCML	Over Subscription
36	Yeti Finance Co. Ltd.	Ordinary Shares	8.00	NCML	Over Subscription
37	Ace Finance Co. Ltd.	Ordinary Shares	12.00	NSML	Over Subscription
38	Universal Finance and Capital Markets Ltd.	Ordinary Shares	15.00	CIT	Under Subscription
39	Fleur Himalayan Co. Ltd.	Ordinary Shares	12.28	NCML	Under Subscription
40	Samjhana Finance Ltd.	Ordinary Shares	10.12	RBB	Under Subscription
41	Seti Cigarette Factory Ltd.	Right Shares	67.00		Under Subscription
Total			293.74		

Fiscal Year 1996/97

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
42	Nepal Housing and Merchant Finance Ltd.	Ordinary Shares	12.00	NSML	Over Subscription
43	Bank of Kathmandu Ltd.	Ordinary Shares	45.00	NCML	Over Subscription
44	Himalayan General Insurance Ltd.	Right Shares	30.00	AFCL	
45	Bottlers Nepal Ltd.	Right Shares	225.20	CIT	
46	Nepal Share Markets Co. Ltd.	Right Shares	20.00	AFCL	Exactly
Total			332.20		

Fiscal Year 1997/98

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
47	Nepal Bitumin and Barrel Udyog Ltd.	Ordinary Shares	7.40	NSML	Under Subscription
48	General Finance Co. Ltd.	Ordinary Shares	8.00	NSML	Exactly
49	Shreeram Sugar Mills Ltd.	Ordinary Shares	46.50	NCML	Under Subscription

50	Shreeram Sugar Mills Ltd.	Debenture	93.00	NCML	Under Subscription
51	Neco Insurance Ltd.	Ordinary Shares	20.00	CIT, RBB	Over Subscription
52	Nepal United Co. Ltd.	Right Shares	3.01	NFCL	Under Subscription
53	Nepal Bank Ltd.	Right Shares	241.95	CIT	
54	Mahalaxmi Finance Co. Ltd.	Ordinary Shares	10.00	NFCL	Over Subscription
55	Pashimanchal Finance Ltd.	Ordinary Shares	8.00	NSML	Over Subscription
56	Annapurna Finance Co. Ltd.	Right Shares	5.00	NFCL	Under Subscription
57	Lalitput Finance Co. Ltd.	Ordinary Shares	9.50	NCML	Over Subscription
58	Goodwill Finance and Investment Co. (Nepal) Ltd.	Ordinary Shares	10.00	NCML	Over Subscription
Total			462.36		

Fiscal Year 1998/99

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
59	Alliance Insurance Co. Ltd.	Ordinary Shares	20.00	CIT	Under Subscription
60	Taragaon Regency Hotels Ltd.	Ordinary Shares	120.00	NCML, NMB	Over Subscription
61	Taragaon Regency Hotels Ltd.	Preference Shares	80.00	NCML, NMB	Over Subscription
62	Pokhara Finance Co. Ltd.	Ordinary Shares	8.00	CIT	Over Subscription
63	Nepal Share Market Co. Ltd.	Right Shares	30.00	AFCL	
Total			258.00		

Fiscal Year 1999/00

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
64	Universal Finance and Capital Market Ltd.	Ordinary Shares	3.26	CIT	Over Subscription
65	Nepal Industrial and Commercial Bank Ltd.	Ordinary Shares	175.00	NCML, NMB	Over Subscription
66	Necon Air Ltd.	Right Shares	89.60	CIT	Under Subscription

67	Lumbini Finance and Leasing Co. Ltd.	Ordinary Shares	24.00	NSML	Over Subscription
68	Paschimanchal Finance Co. Ltd.	Right Shares	20.00	NSML	Over Subscription
69	Ace Finance Co. Ltd.	Right Shares	15.00	NSML	Exactly
70	Nepal Merchant Banking and Finance Ltd.	Ordinary Shares(not issued)	50.00	NCML	---
71	Sagarmatha Insurance Co. Ltd.	Ordinary Shares	10.20	NCML	Over Subscription
72	Oriental Hotels Ltd	Ordinary Shares	150.00	NCML	Over Subscription
	Citizen Unit Scheme	Additional Sales	93.25		---
Total			630.31		

Fiscal Year 2000/01

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
73	Siddhartha Finance Ltd.	Ordinary Shares	8.00	NMB	Over Subscription
74	Nepal Merchant Banking and Finance Ltd.	Ordinary Shares	50.00	NCML	Over Subscription
75	Alpic Everest Finance Ltd.	Ordinary Shares	5.00	NEFINSCO	Over Subscription
76	Nepal Bangladesh Finance and Leasing Co. Ltd.	Ordinary Shares	7.50	NSML, NSMB	Over Subscription
77	Narayani Finance Ltd.	Right Shares	12.58	NSML	Over Subscription
78	Nepal Development Bank Ltd.	Ordinary Shares	48.00	CIT, NMB	Over Subscription
79	Nepal Bank of Ceylon Ltd	Ordinary Shares (not issued)	150.00	NCML, NSMB, CIT	---
80	Everest Bank Ltd.	Right Shares	119.21	CIT	Under Subscription
81	Bank of Kathmandu Ltd.	Right Shares	234.00	NCML	Under Subscription
	Citizen Unit Scheme	Additional Sales	82.91		
Total			717.20		

Fiscal Year 2001/02

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
80	Himalayan Distillery Ltd.	Ordinary Shares	173.46	NCML	Under Subscription
81	Nepal Housing and Merchant Finance Ltd.	Right Shares	15.00	NSML	Exactly
82	Union Finance Co. Ltd.	Ordinary Shares	24.00	NCML	Over Subscription
83	Development Credit Bank Ltd.	Ordinary Shares	48.00	NMB	Over Subscription
84	Ace Finance Ltd.	Right Shares	45.00	NSML	Exactly
85	Nepal SBI Bank Ltd.	Right Shares	287.87	NMB	Under Subscription
86	NIDC Capital Markets Ltd.	Right Shares	40.00	CIT	Under Subscription
87	Nepal Bank of Ceylon Ltd	Ordinary Shares	150.00	NCML, NSMML, CIT	---
88	United Finance Ltd.	Ordinary Shares	24.00	NMB	Over Subscription
89	Himalayan Bank Ltd.	Debenture	360.00	NMB	
90	Nepal Life Insurance Co. Ltd.	Ordinary Shares	50.00	NMB	Over Subscription
91	Everest Bank Ltd.	Preference shares	140.00	NSML	Over Subscription
92	Nirdhan Utthan Bank	Ordinary Shares	3.30	CIT	Over Subscription
93	International Leasing and Finance Co. Ltd.	Ordinary Shares	30.00	NMB	Over Subscription
94	Shree Investment and Finance Co. Ltd	Ordinary Shares	16.00	CIT	Over Subscription
95	Gorkha Finance Ltd.	Ordinary Shares	10.00	NSML	Over Subscription
	Citizen Unit Scheme	Additional Sale	138.48		
Total			1555.11		

Fiscal Year 2002/03

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
96	Life Insurance Corporation (Nepal) Ltd.	Ordinary Shares	50.00	NCML	Over Subscription

97	Nepal SriLanka Merchant bank Ltd.	Ordinary Shares	40.00	NCML	Over Subscription
98	NIDC Capital Markets Ltd.	Mutual Fund	100.00	Mgmt:NCML Trusty:NIDC	Over Subscription
99	Janaki Finance Co. Ltd.	Ordinary Shares	8.00	NEFINSCO	Over Subscription
100	Nepal Investment Bank Ltd.	Right Shares	57.24	NCML	Under Subscription
101	Central Finance Co. Ltd.	Ordinary Shares	8.00	NCML	Over Subscription
102	Nawadurga Finance Co. Ltd.	Ordinary Shares	8.00	NEFINSCO	Over Subscription
103	Premier Finance Co. Ltd.	Ordinary Shares	8.00	NCML	Over Subscription
104	Machhapuchhere Bank Ltd.	Ordinary Shares	165.00	NMB	Over Subscription
105	Nepal Share Markets and Finance Co. Ltd.	Right Shares	60.00	CIT	Under Subscription
106	Mahalaxmi Finance Co. Ltd.	Right Shares	25.00	NFCL	
107	NB Insurance Co. Ltd.	Ordinary Shares	20.00	CIT	Over Subscription
108	Peoples Finance Co. Ltd.	Right Shares	20.00	NCML	Under Subscription
109	Butwal Finance Co. Ltd.	Ordinary Shares	20.00	NMB	Over Subscription
110	Om Finance Co. Ltd.	Ordinary Shares	8.00	NEFINSCO	Over Subscription
111	Laxmi Bank Ltd.	Ordinary Shares	192.50	CIT	Over Subscription
112	Standard Finance Ltd.	Ordinary Shares	24.00	NMB	Over Subscription
	Citizen Unit Scheme	Additional Sale	40.09		
Total			853.83		

Fiscal Year 2003/04

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
113	Alpic Everest Finance Ltd.	Right Shares	20.00	NEFINSCO	Over Subscription
114	Nepal Investment Bank Ltd.	Debenture	300.00	AFCL	Over Subscription
115	Cosmic Merchant Banking and Finance Ltd.	Ordinary Shares	24.00	NMB	Over Subscription

116	Kumari Bank Ltd.	Ordinary Shares	150.00	NCML, CIT	Over Subscription
117	Siddhartha Finance Ltd.	Right Shares	20.00	NEFINSCO	Under Subscription
118	Fewa Finance Co. Ltd.	Ordinary Shares	8.00	NMB	Over Subscription
119	Nepal Credit and Commercial Bank Ltd.	Ordinary Shares	210.00	NCML, CIT	Over Subscription
120	Prudential Insurance Co. Ltd.	Ordinary Shares	20.00	NMB	Over Subscription
121	NB Finance and Leasing Co. Ltd.	Right Shares	30.00	NSMBL	Under Subscription
122	Chhimake Development Bank Ltd.	Ordinary Shares	3.00	NMB	Over Subscription
123	Pashchimanchal Development Bank Ltd.	Ordinary Shares	6.00	NCML	Over Subscription
124	Lumbini Bank Ltd.	Ordinary Shares	150.00	CIT	Over Subscription
125	NB Bank Ltd	Right Shares	359.92	NSMBL	Under Subscription
126	World Merchant Banking and Finance Co. Ltd.	Ordinary Shares	24.00	NMB	Over Subscription
127	National Hydro Power Co. Ltd.	Ordinary Shares	140.00	NCML, NSMBL	Under Subscription
128	Kist Merchant Banking and Finance Ltd.	Ordinary Shares	20.00	NMB	Over Subscription
	Citizen Unit Scheme	Additional Sales	62.87		
Total			1547.79		

Fiscal Year 2004/05

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
129	Annapurna Finance Company Ltd.	Right Shares	20.00	NCML	Under Subscription
130	Birgunj Finance Ltd.	Ordinary Shares	24.00	NMB	Over Subscription
131	Diproc Bikash Bank Ltd.	Ordinary Shares	3.48	NMB	Over Subscription
132	Everest Bank Ltd.	Debenture	300.00	CIT	Exactly
133	Nirdhan Udthan Bank Ltd.	Right Shares	15.00	NMB	Under Subscription
134	Nepal SBI Bank Ltd.	Right Shares	215.93	NMB	Under Subscription

135	Nepal Investment Bank Ltd.	Right Shares	295.29	AFCL	Under Subscription
136	Everest Finance Ltd.	Ordinary Shares	8.00	NMB	Over Subscription
137	Capital Merchant Banking and Finance Ltd.	Ordinary Shares	28.00	CIT	Over Subscription
138	National Finance Ltd. (Bittiya Sanathan)	Right Shares	43.20	NCML	Under Subscription
139	Development Credit Bank Ltd.	Right Shares	80.00	NMB	Under Subscription
140	Chilime Hydropower Co. Ltd. (for staffs including retired directors, ex-director of Nepal Bidhut Pradhikaran and staffs of the issuing companies)	Ordinary Shares	237.41	CIT	Over Subscription
Total			1270.31		

Fiscal Year 2005/06

(in million)

S.N.	Name of Issuing Company	Types of Securities	Amount of Issue Approved	Issue / fund Manager	Over/ Under Subscription
141	Prudential Financial Institute Ltd.	Ordinary Shares	24.50	NCML	Over Subscription
142	Siddhartha Bank Ltd.	Ordinary Shares	150.00	NMB, NCML	Over Subscription
143	Bank of Kathmandu Ltd.	Debenture	200.00	NMB	Over Subscription
144	Srijana Finance Ltd (Bittiya Sanathan)	Ordinary Shares	4.00	NCML	Over Subscription
145	Merchant Finance Co. Ltd.	Ordinary Shares	12.00	NEFINSCO	
146	Kumari Bank Ltd.	Right Shares	125.00	NCML	Over Subscription
147	Nepal Development Bank Ltd.	Right Shares	160.00	NCML	
148	Fewa Finance Co. Ltd.	Right Shares	30.00	NMB	Under Subscription
149	Om Finance Co. Ltd.	Right Shares	30.00	NMB	Under Subscription
150	Gandaki Development Financial Institution Ltd.	Ordinary Shares	15.00	NMB	Over Subscription
151	Goodwill Finance Co. Ltd.	Right Shares	25.00	NCML	Under Subscription
152	Business Development Financial Institution Ltd.	Ordinary Shares	12.00	NCML	Over Subscription
153	Royal Merchant Banking and	Ordinary	17.50	CIT	Over

	Finance Ltd.	Shares			Subscription
154	Bajuratna Finance and Saving Co. Ltd.	Ordinary Shares	10.50	NCML	Over Subscription
155	Central Finance Ltd.	Right Shares	12.00	NCML	Under Subscription
156	Taragaon Regency Hotels Ltd.	Right Shares	446.45	NCML	Under Subscription
157	Janaki Finance Co. Ltd. (Bittiya Sansthan)	Right Shares	10.00	NEFINSCO	Under Subscription
158	Guheshwori Merchant Banking and Finance Ltd.	Ordinary Shares	20.00	NCML	Over Subscription
159	Siddhartha Bikash Bank Ltd. (Bittiya Sansthan)	Ordinary Shares	20.00	NMB	Over Subscription
160	IME Financial Institution Ltd.	Ordinary Shares	17.50	NMB	Over Subscription
161	Shikhar Insurance Co. Ltd.	Ordinary Shares	25.00	NMB, NCML	Over Subscription
162	Machhapuchhere Bank Ltd.	Right Shares	165.00	NMB	Under Subscription
163	Bhrikuti Bikash Bank Ltd. (Bittiya Sansthan)	Ordinary Shares	6.42	NCML	Over Subscription
164	Nepal Share Market and Finance Ltd	Right Shares	40.00	CIT	Under Subscription
165	Kist Merchant Banking and Finance Ltd.	Right Shares	50.00	NMB	Under Subscription
166	Patan Finance Ltd.	Ordinary Shares	20.00	NEFINSCO	Over Subscription
167	Nepal Investment Bank Ltd.	Debenture	250.00	AFCL	Exactly
168	Nepal Industrial and Commercial Bank Ltd.	Debenture	200.00	AFCL	Exactly
169	Nepal SBI Bank Ltd.	Debenture	200.00	CIT	Over Subscription
170	Pokhara Finance Ltd	Right Share	20.00	NMB	Under Subscription
171	Narayani Ind Biksh Bank Ltd	Ordinary Share	6.00	NEFINSCO	Over Subscription
172	Sanima bikas Bank Ltd	Ordinary Share	96.00	NMB	Over Subscriptions
173	Lumbeni Bank Ltd	Right Share	100.00	NCML	Exactly
174	Pachimanchal Bikas Bank ltd	Right Share	28.00	NCML	Under subscriptions
175	Bageshwori Bikas Bank ltd	Ordinary Share	9.00	NMB	Over Sbscriptions

176	Alpic Everest Finance Ltd	Right Share	20.00	NMB	Under Subscriptions
177	Peoples Finance Ltd	Right Share	40.00	NCML	Under Subscriptions
178	Shayogi Bikas Bank Ltd	Ordinary Share	6.00	NCML	Over Subscription
179	Chhimak Bikash Bank Ltd	Right Share	20.00	NMB	Under Subscriptions
180	Nepal Development Bank Ltd	Right Share	160.00	NCML	Under Subscriptions
181	Gorkha Development Bank Ltd	Ordinary Share	96.00	NCML & NMB	Over Subscriptions
182	Ace Finance Co Ltd	Right Share	194.00	NCML	Under Subscriptions
183	Navadurga Finance Co Ltd	Right Share	11.00	NEFINSCO	Under Subscriptions
184	Annupurna Finance Co Ltd	Right Share	80.00	NCML	Under Subscriptions
185	Emporial Fin Institutions Ltd	Ordinary Share	19.50	NMB	Over Subscriptions
186	Swabalamban Bikas Bank Ltd	Ordinary Share	6.00	NMB	Over Subscriptions
187	Himchuli Bikas Bank Ltd	Ordinary Share	12.00	NCML	Over Subscriptions
188	ICFC Financial Ins Ltd	Ordinary Share	24.40	NMB	Over Subscriptions
189	Annupurna Bikash Bank Ltd	Ordinary Share	29.40	NEFINSCO	Over Subscriptions
190	Laxmi Bank Ltd	Right Share	122.00	NMB	Under Subscriptions
191	Civil Merchant Fin Ins Ltd	Ordinary Share	20.00	NEFINSCO	Over Subscriptions
192	Capital Mer Ban & Fin Ltd	Right Share	84.00	CIT	Under Subscriptions
193	Yeti Finance Ltd	Right Share	6.30	NCML	Under Subscriptions
194	Business Development Bank Ltd	Right Share	30.00	AFC	Exactly
195	Nepal Express Finance Ltd	Ordinary Share	15.00	NCML	Over Subscriptions
196	Kist Merchat Ban & Fin Ltd	Right Share	100.00	NCML	Under Subscriptions
197	Siddhartha Bank Ltd	Right Share	100.00	AFC	Under Subscriptions
198	Birat Laxmi Bikash Bank Ltd	Ordinary Share	20.00	NCML	Over Subscriptions

199	Nepal Investment Bank Ltd	debenture	250.00	AFC	Exactly
200	Malika Bikas Bank Ltd	Ordinary Share	15.00	NMB	Over Subscriptions
201	Lumbeni Bank Ltd	Right Share	150.00	AFC	Exactly
202	Excel Development Bank Ltd	Ordinary Share	6.00	NMB	Over Subscriptions
203	Everest Bank Ltd	PReference Share	400.00	CIT	Over Subscriptions
Total			2295.50		
204	Merchat Finance Ltd	Ordinary Share	12.00	NEFINSCO	Exactly
205	Lumbeni Gen Ins Co Ltd	Ordinary Share	25.00	NMB	Under Subscriptions
206	Siddhartha Insurance Ltd	Ordinary Share	25.00	NMB	Under Subscriptions
207	Infrastructure Dev Bank Ltd	Ordinary Share	24.00	NMB	Under Subscriptions
208	Kuber Mer Bittiya Sanstha Ltd	Ordinary Share	22.50	NMB	Under Subscriptions
209	Prabhu Finance Co Ltd	Ordinary Share	48.00	NMB	Under Subscriptions
210	Agriculture Bikas Bank Ltd	Ordinary Share	125.00	ACe	
211	Nepal Dev & Emp Bank Ltd	Ordinary Share	128.00	ACE	Under Subscriptions
212	Sikhar Bittiya Sanstha Ltd	Ordinary Share	20.00	NEFINSCO	Under Subscriptions
213	Clean Energy Development Bank Ltd	Ordinary Share	96.00	NMB	Under Subscriptions
214	Subecha Dev Bank Ltd	Ordinary Share	12.00	ACE	Under Subscriptions
215	Kaski Finance Ltd	Ordinary Share	20.00	NMB	Under Subscriptions
216	Lord Buddha Fin Ins Ltd	Ordinary Share	20.00	ACE	Under Subscriptions
217	Sagarmatha Mer Ban & Fin Ltd	Ordinary Share	20.00	CIT	Under Subscriptions
218	Reliable Inv Fin Ins Ltd	Ordinary Share	24.80	NMB & NCML	Under Subscriptions
219	Global Bank LTd	Ordinary Share	300.00	NCML	Under Subscriptions
220	Nepal Electricity Corporation	Debenture	1500	NMB	Under Subscriptions

221	Kumari Bank Ltd	Debenture	400.00	NMB	Under Subscriptions
222	Himalayan Bank Ltd	Debenture	500.00	ACE	Under Subscriptions
223	Nepal Investment Bank Ltd	Debenture	250.00	ACE	Under Subscriptions
224	Nabil Bank Ltd	Debenture	300.00	NCML	Under Subscriptions
225	Nepal Investment Bank Ltd	Right Share	201.30	ACe	Under Subscriptions
226	Siddhartha Bank Ltd	Right Share	138.00	NMB	Under Subscriptions
227	NIC Bank Ltd	Right Share	158.40	NCML	Under Subscriptions
228	Lumbeni Bank Ltd	Right Share	250.00	ACE	Under Subscriptions
229	Kumari Bank Ltd	Right Share	180.00	NCML	Under Subscriptions
230	Laxmi Bank Ltd	Right Share	183.00	NMB	Under Subscriptions
231	Nepal Credit & Com Bank Ltd	Right Share	700.00	NCML	Under Subscriptions
232	Paschimanchal Bikas Bank Ltd	Right Share	47.50	ACE	Under Subscriptions
233	Bhrikuti Bikas Bank Ltd	Right Share	30.00	NCML	Under Subscriptions
234	Development Credit Bank Ltd	Right Share	806.40	NMB	Under Subscriptions
235	Siddhartha Bikas Bank Ktd	Right Share	50.00	ACE	Under Subscriptions
236	Sanima Bikas Bank Ltd	Right Share	64.00	NCML	Under Subscriptions
237	Ace Development Bank Ltd	Right Share	96.00	NCMI	
238	Gorkha Bikas Bank Ltd	Right Share	160.00	CIt	Under Subscriptions
239	Business Development Bank	Right Share	150.00	ACE	Under Subscriptions
240	Himchuli Bikas Bank Ltd	Right Share	60.00	NCML	Under Subscriptions
241	Annupurna Bikas Bank Ltd	Right Share	10.00	NEFINSCO	Under Subscriptions
242	Sahayogi Bikas Bank Ltd	Right Share	10.00	NCML	Under Subscriptions
243	Capital Merc Ban & Fin Ltd	Right Share	160.00	ACE	Under Subscriptions

244	Premier Finance Co Ltd	Right Share	14.40	NCML	Under Subscriptions
245	Nirdhan Utthan Bank Ltd	Right Share	39.50	NCML	Under Subscriptions
246	Central Finance Ltd	Right Share	24.00	NCMI	
247	Nepal Mer Ban & Fin Ltd	Right Share	800.00	NFC	Under Subscriptions
248	Nepal Share Market & Fin Ltd	Right Share	240.00	CIT	Under Subscriptions
249	IME Fin Ins Ltd	Right Share	50.00	NMB	Under Subscriptions
250	Prudential Bittiya Sanstha	Right Share	50.00	ACE	Under Subscriptions
251	Paschimanchal Fin Co Ltd	Right Share	27.80	NFC	Under Subscriptions
252	Kist Mer Ban & Fin Ltd	Right Share	600.00	ACE	Under Subscriptions
253	Goodwill Finance Ltd	Right Share	50.00	ACE	Under Subscriptions
254	United Finance Ltd	Right Share	75.00	NCML	Under Subscriptions
255	Nepal Express Finance Ltd	Right Share	30.00	NCML	Under Subscriptions
256	Royal Merchar Ban & Fin Ltd	Right Share	60.60	ACE	Under Subscriptions
257	ICFC Bittiya Sanstha Ltd	Right Share	224.80	NMB	Under Subscriptions
258	Int Lea & Fin Ltd	Right Share	504.00	NCML	Under Subscriptions
259	Nepal Hou & Mer Fin Ltd	Right Share	80.40	ACE	Under Subscriptions
260	Shree Investment Finance LTd	Right Share	16.80	NMB	Under Subscriptions
261	Standard Finance Ltd	Right Share	72.60	NCML	Under Subscriptions
262	Gorkha Finance Ltd	Right Share	30.00	Cit	Under Subscriptions
263	Gorkha Finance Ltd	Right Share	30.00	NCML	Under Subscriptions
264	Guheswori MEr Ban & Fin Ltd	Right Share	37.00	NCML	Under Subscriptions
265	Nepal Awas Bikas Bitta Co Ltd	Right Share	70.50	NFC	Under Subscriptions
266	Sagarmatha Insurance Co Ltd	Right Share	23.60	ACE	Under Subscriptions

267	Premier Ins Co Ltd	Right Share	39.00	ACE	Under Subscriptions
268	Himalayan General Insurance Ltd	Right Share	37.80	ACE	Under Subscriptions
Total			10668.20		

SEBO Annual Report 2007/2008

CIT- Citizen Investment Trust
 NCML - NIDC Capital Market Ltd.
 AFCL – ACE Finance Company Ltd.
 NEFINSCO – Nepal Finance and Saving Co. Ltd.
 NMB - Nepal Merchant Banking and Finance Ltd.
 NSML – Nepal Share Markets Co. Ltd.
 NFCL - National Finance Co. Ltd.
 RBB – Rastriya Banijjaya Bank

Dear Respondent,

I am doing a study on the issue of Overview Study of Issue Managers in Nepalese Prospective in Partial Fulfillment of the requirements of degree of Masters of Business Studies. Your genuine and fair response will be highly favorable and as such will be appreciate. The information you provide here by will be kept confidential and be exclusively worn for the research purpose.

Respondent Profile:

Name:

Address:

Occupation:

- 1) How did you get information for opportunity to invest in primary market?
 - i) Through Issue Managers
 - ii) Through Issue Company
 - iii) Through Media
 - iv) Through Broker
- 2) What makes you invest in primary market?
 - i) Corporate Image
 - ii) Management Team
 - iii) Future Returns
 - iv) Issue Managers Image
- 3) In what expectations do you prefer to invest in financial assets?
 - i) Stock Dividend
 - ii) Cash Dividend
 - iii) Right share
 - iv) Bonus Share
- 4) Due which reasons you think the most of the firms does not like to going in public.
 - i) Obligation of Mass Shareholders
 - ii) No Statutory Compulsion
 - iii) Sharing Profit with Public
 - iv) Complexity in Management
- 5) What will be a motivating factor that the general investors motivate to invest on financial assets?
 - i) No Brokerages Commission
 - ii) Active Promoting Program
 - iii) Securities Awareness Program
 - iv) Providing Loan on Securities
- 6) There are limited number of people who invest their funds in the primary market, what do you think the reason of it?
 - i) Lack of Funds
 - ii) Lack of Opportunities
 - iii) Lack of Knowledge
 - iv) Lack of Information
- 7) Which sector should be actively participates in the Issue Managing function?
 - i) Finance Company
 - ii) Commercial Banks
 - iii) SEBON
 - iv) NRB
- 8) Which body should regulate Issue Managing function in Nepal?
 - i) Securities Board
 - ii) Nepal Rastra Bank
 - iii) Nepal Stock Exchange
 - iv) Not Specified
- 9) Is existing guidelines, regulatory provisions issued by SEBON is sufficient for healthy growth of Issue Managing activities ?
 - i) Sufficient
 - ii) Insufficient
 - iii) Healthy
 - iv) Can't Say
- 10) Who has to play the major role to develop Issue Managing activities in Nepal?
 - i) Nepal Rastra Bank
 - ii) Securities Board
 - iii) Issue Manager itself
 - iv) All of them.

11) What is the contribution of Issue Manager, do you think, in performing the development of securities market in Nepal?

.....
.....
.....
.....
.....

12) What are the problems\ difficulties, do you think, in performing Issue Managing activities in Nepal?

.....
.....
.....
.....
.....

13) What are the reasons for availability of few Issue Managing services in practice in our country?

.....
.....
.....
.....
.....

14) In your opinion, what shall be doing to improve Issue-Managing sector?

.....
.....
.....
.....
.....