

CHAPTER-I

INTRODUCTION

1. Background of the Study

An initial public offering (IPO) occurs when a security is sold to the general public for the first time, with the expectation that a liquid market will develop. An IPO can be of any debt or equity security. If venture capital is successful the owners will take the firm public.

Most companies start out by raising equity capital from a small number of investors, with no liquid market existing if these investors wish to sell their stock. If a company prospers and needs additional equity capital, at some point the firm generally finds it desirable to "go public" by selling stock to a large number of diversified investors. Once the stock is publicly traded, this enhances liquidity and allows the company to raise capital on more favourable terms than if it had to compensate investors for the lack of liquidity associated with a privately held company. Existing shareholders can sell their shares in open-market transactions. In particular, there are certain ongoing costs associated with the need to supply information on a regular basis to investors and regulators for publicly traded firms. Furthermore, there are substantial one-time costs associated with initial public offering that can be categorized as direct and indirect costs. The direct costs include the legal, auditing, and underwriting fees. The indirect costs are the management time and effort devoted to conducting the offering, and the dilution associated with selling shares at an offering price that is, on average, below the price prevailing in the market shortly after the IPO. These direct and indirect costs affect the cost of capital for firms going public.

In Nepal the first public issue of ordinary shares took place more than 50 years back with the public issue of Biratnagar Jute Mills and Nepal Bank Ltd. in 1973 A.D. But the development of capital market started in 1976 A.D. after the establishment of Securities Exchange Centre with the objective of facilitating and promoting the capital market in Nepal. It was the only capital market institution, which undertook the job of brokering, underwriting and managing public issue, market making for government bonds and other financial services. Securities Exchange Centre dealt in the securities as

a broker as well as a regulatory body. The Centre used to take; buy and sale only on orders from interested investors and confirm them if a price and quantity matched. There was no time limit within which a deal would take place. It would normally take one day to three weeks. Due to this, general public faced problems while buying and selling shares. The Securities Exchange Center issued 62 companies from the year of its inception to 1999 AD. Among these 23 companies were undersubscribed including Nirmod Pharmaceuticals Ltd, Harisiddi Brick & Tile Ltd. Himgari Textile Ltd, Bansbari Lether and Shoes factory Ltd. Nepal Awas Bikshah Bitta Company Ltd. and Yeti Finance Co. Ltd. etc. Although the secondary market was non-functional and public were not fully aware of on the working of the capital market. The public response to the new issue of shares of selected companies like bank and finance companies were overwhelming.

Security Exchange Centre was converted into Stock Exchange Limited in 1993, and under its support, the broker system of secondary market was establishes. Until today out of 32 brakeage firms 28 firms are doing their job regularly. Nepal Stock Exchange Limited is a non profit organization it operates under Security Exchange Act 1983. The basic objective of the Nepal Stock Exchange Limited is to impart free marketability and liquidity to the government bonds and corporate securities. With the establishment of full fledged Stock Exchange, the shares, which the public had held for decades, become liquid.

Capital market is gaining business attention since last few years. The NEPSE index, which shows the stock price trend of all the listed securities in the stock market, has been increasing in the recent fiscal years. Hence, the general investors are very keen to make investment in the securities of the companies, through both primary and secondary markets. In primary market, the investment is made through public issues of ordinary shares, preference shares, debentures and right shares as well as mutual fund and Units scheme.

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

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

1.1 Statement of the Problem

Dealing in the public issues of the primary market securities is subject to the directives and regulatory framework of the concerned governing bodies. Hence, the study is primarily deals with the process of managing the processes of the public issues 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, 2003/04). However, due to the upgrading performance of the banks and financial institutions, the market price of shares of such firms is raising, whereas those of other industries, particularly, manufacturing and processing companies, are performing poorly in the stock market (SEBO, Annual Report, 2003/04).

In this context, the study is meant to find the perception and preference of the general investors regarding the investment in the securities through primary market. The focus of this 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.

Hence, the study is aimed at revealing those core factors which could be decisive from the investors' view whether to invest or not in a particular company. 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) were to be successful.

There are various types of obstacles existing in initial public offering stage in Nepal. In developed country, generally people are aware of public offering. However, in developing country like Nepal Initial Public Offering is still a new phenomenon. More than 50 percent of people are still uneducated. They don't know what public offering is and why should they invest their money in Stock. Therefore, many problems are found in the field of public offering in Nepalese stock market rather than other developed countries.

There is not any provision to present citizenship at the time of submitting their share application form. So, single investor can apply hundreds of application showing dummy names. As a result they can capture large number of shares. When a single investor captures large number of share, he can influence the company management and stock price too.

Besides these, there are other factors, which slow down the pace of stock market growth in Nepal. They are:

-) Unfavorable macroeconomic conditions,
-) Political instability,
-) Unconfident investors,
-) Weak tax system &
-) Slow privatization process.

1.2 Objectives of the Study

This study focuses on the public response to the primary issue of shares in the perspective of Nepal. The main objectives of this study are as follows:

-) To identify the dealing process of IPO,
-) To analyze the pace of IPO and
-) To analyze the public response to the IPO.

1.3 Significance of the Study

Securities market in Nepal, until the recent past, had all the characteristics of an underdeveloped economy. It was characterized by the absence of professional promoters, underwriting agencies, market intermediaries, organized market, regulatory bodies, and rules and regulations. However, after the restoration of democracy in 1990, a trend towards an organized stock market can be marked with numerous developments in the Nepalese securities market, removing its earlier deficiencies.

This study helps us to find out legal provisions, possibilities, problems and prospects of Initial Public Offering in Nepal.

IPO is one of the crucial factors in every organization and initial public offering decision is one of the most important decisions. This study might serve to be crucial information for these respective institutions taken as sample for the study in IPO procedure. This study helps us to find out legal provisions, possibilities, problems and prospects of Initial Public Offering in Nepal. This research will be significant from the following way:

-) In Nepal, there is still lack of study about initial public offering. Therefore, this study is expected to be helpful for the general investor and the organizations that are directly or indirectly related in Public Offering.
-) This study will assist to formulate the policy. It will help to find out the financial status of publicly going companies. From this research, policy makers will get the knowledge of existing rules and regulations.
-) From this research, the investor might have the clear conception over their investment. They will be able to distinct over the right investment. Thus, the decision for investment might be in right place, right time decision is right or wrong.

1.4 Limitations of the Study:

A research is the vast investigation of the problems and is not far from several limitations that weaken the findings of the study e.g. inadequate coverage of banks, time periods taken, reliability of statistical and financial tools used and other variations. This study will be limited by the following factors.

-) Basically, data are taken from secondary sources. Therefore, the accuracy of research depends upon its reliability.
-) Variations of data in itself are also found when comparing with different sources.
-) Many factors affect the Initial Public Offering Process though it is not possible to study all factors, this study will be limited to the study of only following factors:
 - Z Issuing company,
 - Z Issue managers,
 - Z government body and
 - Z Legal provisions will be analyzed.
 - Z The study is fully based on the student's limited financial resources within a limited period.
 - Z The study is not a final study on the subject.

1.5 Organization of the Study

The study organized into five chapters, each devoted to some aspect of the study of initial public offering in Nepal followed by financial institutions in Nepal. The fields of each of these chapters are as follows:

Chapter I

Chapter I contains the introductory part of the study. This chapter describes the general background of the study, statement of the problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Chapter II

This chapter is devoted to theoretical analysis and brief review of related and pertinent literature available. It includes a discussion on the conceptual framework and review of the major studies.

Chapter III

This chapter describes the research methodology employed in the study. This deals with the nature and sources of data, list of the selected Companies the model of analysis, meaning and definition of Statistical tools.

Chapter IV

This chapter deals with the presentation and analysis of both primary and secondary data by using mathematical & nonmathematical tools and it deals with major finding of the study.

Chapter V

This chapter states summary, conclusion, and major finding of the study. The bibliography, annexes are incorporated at the end of the study.

CHAPTER-II

LITRETURE REVIEW

2. Introduction

This chapter is divided into two parts. In the first part some conceptual framework has been provided and in the second part review of past research works, books, journals and articles has been provided.

2.1 Conceptual Framework

2.1.1 Financial Market

Financial Markets provide a forum in which suppliers of loans and investments can transact business directly. The loans and investments of institutions are made without the direct knowledge of the suppliers of funds (savers), suppliers in the financial markets know where their funds are being lent or invested. The two key of financial markets are the money and the capital market. Transactions in short term debt instruments, or marketable securities, take place in the money market. Long term securities (bonds and stocks) are traded in the capital market. (Gitman, 1988:30)

2.1.2 Money Market

Money market activities include primary and secondary market activities in short-term negotiable instruments such as Treasury Bills, Government Bonds, Certificates of Deposit, Banker's Acceptances and Commercial Paper or Promissory Notes.

In theory, the money market is different from the capital market. In practice, however, in most countries with efficient financial markets (that is, the money market and the capital market combined), the merchant banks are active in both. This is a simple function of the fact that a negotiable money market instrument for all practical purposes is simply a shorter-term capital market instrument. Therefore, the techniques and facilities needed to operate in the money market are essentially the same as those needed to operate in the capital market.

2.1.3 Capital Market

The capital market is defined as a place where finance is raised by companies for meeting their requirement of funds for new projects, modernization and expansion programs, long-term working capital needs and for various other purposes. The capital market mobilizes savings of individuals as investment in shares, debentures, Units of mutual funds and other like financial instruments, which are ultimately deployed for productive purposes in various sectors of the economy.

A place where long term lending and borrowing takes place is known as capital market. The capital market is the market for long-term loans and equity capital. Companies and the government can raise funds for long-term investments via the capital market. The capital market includes the stock market, the bond market, and the primary market. Securities trading on organized capital markets are monitored by the government; new issues are approved by authorities of financial supervision and monitored by participating banks.

Capital market refers to the links between lenders and borrowers of funds, arranging of funds-transfer process to seek each other's benefit.

Capital market consists of the various suppliers and users of long term finance. It is differentiated from the money market which embraces short-term Finance. The capital market serves as a link between suppliers and users of Finance. It is a mechanism for the mobilization of public savings and channeling them in productive investment. In this way, an important constituent of the capital market is the securities market. It has a wide term embracing the buyers and the sellers of securities and all those agencies and institutions which assists the sale and release of corporate securities.

Primary markets are absolutely vital to capitalistic economic if they are to function properly, since they serve to channel funds from savers to borrowers. Furthermore, they provide an important locatives function by channeling the funds to those who can make the best use of them-presumably, the most productive. In fact, the primary function of the capital market is to allocate resources optimally. A securities market with this characteristic is said to be other hand, is one with the lowest possible prices for transactions services.

The capital market is a financial relationship created by a number of institutions and arrangements that allows the suppliers and demanders of long term funds, funds within maturities of more than one year to make transactions. Included among long term funds are securities issue of business and government. The backbone of the capital market is formed by the various securities exchanges that provide a forum for debt and equity transactions. The smooth functioning of the capital market, which is enhanced through the activities of investment bankers, is important to the long run growth of business.

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

2.1.4 Security Market

Security market sets a price for the securities; it trades and makes it easy for people to trade them. Securities market facilitates the sale and 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. Securities market is classified into two; the market in which new securities are sold is called the primary market and the market in which existing securities are resold is called the secondary market. Secondary markets are created by brokers, dealers and market makers. Brokers 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. (Gitman, 1992:457)

Securities are traded in a market called securities markets. Although, securities markets are concerned in few locations, they refer more to mechanism, rather than to place, designed to facilitate the exchange of securities by bringing buyers and sellers of securities together. In other words, people and organizations wanting to borrow money are brought 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 investment bankers and security firms, securities issuing institutions such as government and corporate bodies and the participants of the securities markets. Securities markets major function is to

provide line between saving and investment there by facilitating the creation of new wealth.

Securities markets covers both primary and secondary. The difference between the two markets is, the primary market consists of the companies making the issue of securities and the members of the public subscribing to them. Whereas, secondary market involves the purchase and sale of securities already issued to the general public and is traded in the stock exchange. The primary market also comprises the offer of securities to the existing shareholders of the company on right basis.

This study is only concerned with initial public offerings so, it deals with the process and activities incurred in rising of funds from the primary market. The operation of the secondary market, though is an important operation scope of the merchant banking, is not covered in this manual.

Primary market and the secondary market are present in both the capital market and the money market.

2.1.5 The Primary Market

In the definition of primary market made above an addition is to be made. That is, depending upon the company offering securities for the first time or in succession, primary market can have public offerings as initial public offerings or the successive public offerings or so on.

2.1.6 Public Offerings

It is the raising of long-term funds for governments or corporation from a fund sufficient public group in the primary market. The most important aspect of public offerings is its role as the single most effective means by which government and corporate entities can obtain long-term (debt or equity) on a permanent basis. This not only permits them to broaden their sources of finance beyond the banking system but, because the banking system is usually a short–or medium term floating rate lender, the securities market is often the only means of obtaining large sums of fixed rate, long-term funds.

2.1.6.1 Advantages of an IPO

As discussed above, the primary reasons for conducting an IPO are to raise money and to create liquidity for investors. There are also important incidental benefits to going public. Objective benefits include (i) obtaining a readily ascertainable market value for the company's stock, (ii) the ability to make acquisitions through the payment of securities rather than cash, (iii) greater access to financing through commercial lending, (iv) greater access to the financial markets for follow-up offerings, and (v) heightened name recognition and prestige among customers and suppliers. Less objective benefits are the sense of success and accomplishment that accompanies a successful IPO and becoming a publicly traded company.

2.1.6.2 Disadvantages of an IPO

The major disadvantage to becoming a publicly traded company may be compliance with the act reporting requirements. While registering under the act is quite simple, the periodic and event-based reporting obligations under the act require a significant amount of time and expense. In addition, the act obligations will compel disclosure of information that the issuer, its directors, management and controlling stockholders might otherwise want to keep to themselves. Financial and business information, executive compensation, transactions between the company and its directors, management and major stockholders, and certain employee benefits must all be disclosed in reports filed with the SEC, mailed to the stockholders, and made available to the public upon request. Directors and officers, as well as major stockholders, also must file reports with the SEC disclosing most transactions in the company's securities. Also, the failure to accurately make such reports may result in civil or criminal penalties.

The direct financial costs, including legal, accounting and printing fees, of conducting an IPO and of being a publicly traded company are substantial, as are the indirect costs of the time required to be spent on these matters by management.

Also, the management and governance of a publicly traded company is more difficult and less flexible. The solicitation of stockholder votes on any matter is strictly regulated under the act, and rules of the exchange on which the securities are listed require certain matters to be approved by stockholder vote even if not otherwise

required by state law. Additionally, because of pressure to raise the price of the company's stock, management may feel persuaded to adopt policies aimed at achieving short-term results rather than long-term goals.

2.1.6.3 Timing of an Public Offering

Obviously, not all companies that would like to go public are in a position to do so. Factors relevant to a company's ability to successfully close an IPO include (i) its past financial performance, its financial projections for the future, and its ability to generate consistent increases in revenues and earnings, all of which are crucial for a public company to survive in the market place, (ii) the experience and depth of the company's management team, (iii) a solid product position in the market with growth potential, (iv) a focused mission set forth in a well written business plan to present to prospective underwriters, and (v) attorneys, accountants and public relations firms experienced in working with the SEC. Especially in the case of technology-based companies, the determining factor in the success of an IPO may ultimately be the receptivity of the stock market to new issuances in a Company's particular industry at the time that the IPO is undertaken.

The company will have to satisfy the underwriters that all of the above criteria are met, and even then the underwriter may insist on changes to the company's capital structure as a condition to its engagement. For example, the underwriters might require the company to affect a reverse stock split prior to the closing of the IPO in order to price the shares being offered in a typical IPO price range. If the underwriters do not feel that the company is offering a sufficient number of shares to ensure an acceptable "float" of publicly traded shares, they might require that certain stockholders participate in the offering by selling some of their own shares (a "secondary offering"). The underwriters might also insist on fundamental changes in the company's means of conducting its business as a condition to its engagement, such as the cessation of insider transactions and perceived conflicts of interest and the appointment of outside directors. Companies which are not willing to make such changes may not be able to attract an underwriter willing to manage the IPO.

If the issuer belongs to a certain industry that is particularly attractive to investors at the time of the proposed IPO, it will have more leverage in choosing and negotiating with

an underwriter. Conversely, if market conditions are unfavorable at the time of the offering, the issuer will have less flexibility in how the deal is structured and may have to postpone the IPO altogether.

2.1.7 Types of securities offered in the primary market

Different types of securities offered in the primary market. They are:

2.1.7.1 Common Equity/ Stock offerings

These are the offerings that entitle the holders or the buyers of the offerings the stake on the equity of the issuing company. In addition, they are entitled to:

-) Voting right at the general meetings of the company and have the right to control the management of the company.
-) Right to share the profits of the company in the form of distribution of dividend and bonus shares.
-) In the event of the winding of the company, equity shares capitals are repayable only after repayment of the claims of all the creditors and preference shareholders.

2.1.7.2 Preference Shares/ Preferred Stocks offerings

Preference shares capital mean, in the case of a company limited by shares, that part of the capital of the company which,

-) Carries a preferential right to payment of dividend during the lifetime of the company;
-) Carries, on a winding up, a preferential right to be repaid the amount of capital paid-up.

The different types of preference shares are:

-) Cumulative Preferred stocks
-) Non-cumulative Preferred stocks
-) Redeemable Preferred stocks
-) Non-redeemable Preferred stocks
-) Convertible Preferred stocks

2.1.7.3 Bonds/ Debentures offerings

Debenture includes debentures stock, bonds and any other securities of a company, whether constituting a charge on the assets of the company or not. Debenture is a document that either creates a debt or acknowledges it, and any document, which fulfills either of these conditions, is debenture. The characteristic features of a debenture are as follows,

-) It is issued by the company and is in the form of a certificate of indebtedness.
-) It usually specifies the date of redemption. It also provides for the repayment of principle and interest at specified date or dates.
-) It generally creates a charge on the undertaking or undertakings of the company.

The different types of debentures are:

-) Secured debentures
-) Unsecured debentures
-) Redeemable debentures
-) Perpetual debentures
-) Convertible debentures

2.1.7.4 Warrants

The warrant gives a right 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 in the warrant. The warrant is a tradable and negotiable instrument and is also listed on the stock exchanges. It comes in different forms, mostly:

-) Bonds with warrants
-) Preferred stocks with warrants

Beside these instruments there is other instrumental mix available to the investment bankers to provide to the primary market investors. But, these are beyond the scope of this manual to describe.

2.1.8 Initial Public Offering (IPO) Manual

Initial Public Offerings (IPO) manual is the detail procedure of handling Initial Public Offerings of the companies seeking “going public” for the first time. This manual

outlines all the activities and steps that have to be observed by all issuing companies and issue managers in respect to Initial Public Offerings (IPO). This manual has been prepared with a view to present a detailed, descriptive and step-by-step action sequences in the Initial Public Offerings, relevant to all the companies offering shares to the general public. But, it is subject to periodic amendments and supplements.

The Public Offering is not an easy task. There are many organizations involves during this periods. They are:

2.1.8.1 Issuing company

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

As per the Company Act, only public companies are liable to go for public offerings. The Act specifically states that private companies are not allowed to sell their shares and debentures in the free market. For public company issuing debentures, 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, needs to be approved from the governing bodies.

NRB has made mandatory that financial institutions must go for common stock public offerings within 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 30%; for finance companies, it is 40%; for development bank it is minimum 30% and maximum of 50%. 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 25% 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 obligation.

The Provisions and Conditions for Securities Registration and Issue, 2051 has set the guidelines that before going into public offerings, issuing company should take into consideration that,

a) If the issuing company is industrial institutions

) The institution has bought the land or made other provisions in which necessary infrastructure like factory; office buildings, go downs etc. are already build in or made necessary arrangements for it.

) Necessary technology has been selected for which spare parts of machineries needed have been bought. If not, LC has been opened to buy the necessary technologies.

) Estimated budget has been proposed for the project to be implemented and 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.

b) If the issuing company is financial institutions

) According to the 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 on existing Acts has been taken.

2.1.8.2 Merchant Bankers

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 fund surplus groups, mainly the general public and the concentrated fund deficient groups, mainly the business groups. Funds are raised under different tool names that have long term and short-term maturing period. According to such maturity period of the tools traded, 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 portfolio 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 are basically the service charge they charge to their clients for playing intermediary role in the fund mobilization and their advisory role. Typically, the activities of domestically oriented investment banks can be grouped under,

-) Securities Underwriting
-) The secondary market for securities
-) The money market
-) Corporate advisory services
-) Investment portfolio management services, and also
-) Venture capital
-) Leasing/Hire purchase
-) Other services (insurance, real estate etc.)

The role of merchant Banking in managing the public offerings comes under the heading of securities underwriting. The working process of which would be described comprehensively later.

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 sets of functions. The first set is the non fund-based functions and the second set is fund-based functions.

Fund-based activities identified for the merchant Banking are:

-) Bridging finance

-) Underwriting
-) Project Finance
-) Venture Capital
-) Acquisition & Merger

Non fund-based activities identified for the merchant Banking are:

-) Share issue management
-) Mutual Fund
-) Portfolio Management
-) Corporate Counseling
-) Project Counseling
-) Debenture Trusteeship
-) Arranging International Finance
-) Investment Advisor
-) Advising Corporate Mergers

NRB has set the directives as for non fund-based activities of merchant Banking, for underwriting and for bridging finance it is not necessary to take separate approval from NRB. But, for other fund-based activities of merchant banking, it is necessary to take separate approval from NRB for different activities to be undertaken.

Under the NRB directives of per client loan advancement and facility limit provision, such loan and facility can be provided to a client up to:

-) In maximum of 25% of primary capital in fund-based activities.
-) In maximum of 50% of primary capital in non fund-based activities.

In Nepal there are 7 merchant banks are already established. They are providing issue manager, lead underwriter, Register, Transfer of Shares etc. services to other institutions.

2.1.8.3 Securities Board

Securities board has been formed under the Securities Exchange Act, 2040 Clause 3. This legislation has required for the creation of an independent statutory Board to be an

apex authority for the securities market, thus resulting into the formation of Securities Board.

The need of legislative body is for maintaining healthy and orderly development of the securities markets and to ensure adequate investor protection. Establishment of SEB is necessary to promote markets that ensure:

-) Fairness: The markets must promote integrity in dealings, high standards of conduct and good business practice.
-) Efficiency: The markets should with professionals and be well informed, offering high standards of service at reasonable cost.
-) Confidence: The market must inspire confidence in both investors and issuers to actively participate in and rely more on the securities markets.
-) Flexibility: The markets should be resilient, innovative and be continuously responsive to the needs of all market participants.

With the objective of providing this to the market, in accordance with the Act, the Security Exchange Bylaws 2054 has defined the work, responsibility and the authority of the Board as:

-) To work in safeguarding the interest of investors and help develop capital market.
-) To supervise the work process management and working procedure of those involved in securities exchange to make issue management of securities regular and well managed.
-) To approve registration of securities and issue of securities.
-) To register the name of securities issue dealers and give them approval letter.
-) To formulate clauses to be followed by the securities exchange market and the dealers in security exchange market.
-) To supervise, interrogate the working of securities market, securities dealers and the listed companies and when necessary make needed directions or undertake necessary actions.
-) To develop and implement directives for proper management of securities market and for regular and well managed securities exchange.
-) To approve Securities Market Sub-directives.

- J To collect notices, data and prospectus from the listed companies and companies with securities registered; make above available information to the interested investors.
- J To work for the healthy, competitive, regular and managed operation of the capital market with the objective of safeguarding the interest of the investors for continuous growth of the market.

This Bylaw is the amendment of Securities Exchange Bylaws 2050.

Role of Securities Board in Issue of securities

In its approach to manage public issues of securities, the Board will bear in mind

- a) Protection of rights and interests of the investor, especially,
 - Ñ The right to adequate, true and fair information
 - Ñ The need for liquidity
 - Ñ Prompt, fair and equitable allotment
 - Ñ Easy and efficient service in allotments and transfers
- b) The need to encourage corporate entities to tap the securities markets for their diverse resources needs.

The Board would endeavor to evolve market and institutional structure, a set of instruments and methods of public offerings to cater the above objectives.

The legislative provisions relating to public issues of securities may be classified under:

- a) Capital control, governing issue of securities and the terms of their issues;
 - J To regulate terms of issues of securities from the viewpoint of investor protection, issuers needs and overall development of the securities market; and
 - J To promote sound capital structure of companies.
- b) Prospectus provisions, governing the disclosure of information at the time of issue of any security;
 - Ñ Obligations of regular disclosure of financial and other information on entities making public issues;
 - Ñ Listing requirements governing traded securities;
 - Ñ Provisions governing allotment and transfer of securities.

-) Ensuring fair and equitable allotment; and
-) Promoting speedier and more efficient service in matters of allotment and transfer.

2.1.8.4 Offices of the Registrar of Companies (ROC)

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

As per the Company Ordinance 2062, 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 ROC. In this process, ROC approves the prospectus to be published. While approving the prospectus, ROC makes sure that important information is not missed out and unnecessary information is not mentioned. In the presence of such changes, ROC sends it back to the company for necessary changes. Upon satisfactory changes ROC grants approval to issuing company to issue the prospectus. Apart from approving the prospectus to be published by the issuing company before going into public, ROC does not play other major role.

2.1.8.5 Stock Exchange Market

Stock exchange has been defined as any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling of or dealing in securities. The stock exchange therefore is the most important institution in the secondary market. In the primary market, it comes into play during primary share allotment, during issuing share in premium and when Securities Board asks Securities Exchange Market for its opinion.

Securities Exchange Ordinance 2062 has stated that for the operation of the stock exchange market, approval needs to be taken from the Securities Exchange Board. Any registered institution except private companies willing to do or allow others to do security transaction should get approval for securities exchange market from the securities board.

After the issue of securities to the public, the Act requires that companies be listed in the Security Exchange Market before the floated shares can be traded in the market. Nepal Stock Exchange Limited (NEPSE) is the only stock exchange market in the country.

2.1.8.6 Financial Institutions

They are financial intermediaries like commercial banks, finance companies (merchant bankers), and development banks and cooperatives institutions. These institutions are established under the Company Act and Nepal Rastra Bank Directives. These financial institutions perform the role of intermediaries in the securities issue as per the authority received from the Securities Exchange Board. Financial Institutions are involved in securities issue process as:

-) Issue managers
-) Underwriters
-) Collection centers
-) Bankers to the issue

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

2.1.8.7 Nepal Rastra Bank (NRB)

Nepal Rastra Bank is the central banking authority in Nepal. It is the governing authority in setting guidelines to all the financial institution regarding its area of operation. But, in the case of public offerings, its involvement is very minimal. Its role in the issue process is only to grant financial institutions approval to be involved with different role in the issue process. Also for different fund based activities of merchant banking, approval needs to be taken from Nepal Rastra Bank.

2.1.9 Terms Involved in the Process of Initial Public Offerings of Common Stocks

2.1.9.1 Initial Public Offering (IPO)

It is a process by which an institution raises desired capital through issuing of securities (common stock, preferred stock, bond, commercial paper and debentures) in the capital or money market for the first time.

For the purpose of public offerings, Company Act has specified that the public issue process of any public company should be managed through the institution receiving authority from SEB. Internationally, financial institutions with the merchant banking operations, manage the overall issue process of any public limited company. Such institution managing the overall process of the public offerings is termed as an issue manager.

2.1.9.2 Issue Manager

Issue manager is the institution solely holding the responsibility of managing the public offerings of any issuing company. Securities Exchange Act, 2040 clause 18, has defined issue managers as institutions holding license from the Security Board to manage public offering process. The format of application letter and required information to be provided while registering for issue manager are given in the appendix.

2.1.9.3 Lead Manager

In the event of more than one issue managers managing the issue of securities of any company, the term lead manager is used to identify the individual issue managers. The existing Act and the Directives have not clearly identified the maximum number of lead managers managing securities issue of any company at the same time.

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

The existing Company Ordinance does not require that the underwriting of all securities issued to be mandatory. Clause 26 of Company Act has specified that “in the event of issued securities subscribed less than the 50%, such securities should not be distributed to the general public”.

The Securities Exchange Directive 2055 has made mandatory for underwriting for those institution stated as “institution established as manufacturing industry and has not appraised its venture project from the financial institution for the purpose of loan agreement, should underwrite its securities before being offered to the general public”.

But in the case of financial institutions, the governing body NRB requires that issue of securities by commercial banks and development banks are fully underwritten. But in the case of finance company the requirement has been relaxed. The reservation for preferential allotment for reserved categories should be excluded and underwriting is compulsory only to the extent of the offer to the public.

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2.1.9.5 Lead Underwriter

Lead Underwriter is the one that arranges the whole underwriting process for the issuing company with the help of other sub-underwriters. The issuing companies and intermediaries should note that underwriting is a serious contractual arrangement having financial implications on the issuer and the underwriter. The business of underwriting, therefore, presupposes inherent financial strength on the part of the underwriters. In the process of identifying underwriters, therefore, issue manager must satisfy himself about the net worth of the underwriters and their outstanding commitments and disclose.

In the event that the issued shares are not fully subscribed by general public, the distribution of unsold share to the underwriters would be held on the pro-rata basis based on the number of shares committed by them to underwrite.

2.1.9.6 Underwriters or Sub-Underwriters

They are the smaller institution agreeing to underwrite fewer numbers of shares. Underwriters and sub-underwriters work under the management of the lead underwriter. Their financial responsibility remains within the total amount of shares agreed by them to undertake.

2.1.9.7 Banker to the Issue

Banker to the Issue(s) is (are) normally a commercial bank(s), which provide(s) the custodian service to the issuing company and keep the subscription money. Bankers to the 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 certificates to the issue manager for the number of applications and

amount collected. Issuing company in consultation with the issue managers makes the appointment of bankers to the issue.

The bankers to the issue generally 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 managers and other banks which are regularly and efficiently handling public issue work.

2.1.9.8 Collection Centers

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 certificates 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.

2.1.9.9 Prospectus

The prospectus is defined as, “any document described or issued as a prospectus and includes any notice, circular advertisement or other document inviting deposits from the public or inviting offers from the public for the subscription or purchase of shares in, or debentures of, a body corporate”.

The Company Act 2053 has made mandatory that any public institution going into public offerings must issue the prospectus before issuing the securities to the public. The prospectus needs to be specific and patterned as per the clauses 20 (1) of Company Act 2053. According to the Act, before publishing for the public, the prospectus signed by the board of directors should be sent to and get approval from the Office of Registrar of the Companies and Securities Board. The requirement is made to make sure that the information provided to the public is as per requirement and is not manipulated to mislead the public. The prospectus published for the public should state in the publication the approval from the Office of Registrar of the Companies.

The Company Act 2053 has stated that matters referred in the prospectus are the liability and responsibility of company publishing it. Board of Directors signing the documents is answerable to the matters stated in the prospectus. In the event that,

company has knowingly published false statement in the prospectus and believing on which if securities has been purchased and loss incurred, such loss coverage would be the personal liability of the directors signing the prospectus.

In short, prospectus is a legal document containing important features of Article of Association, Memorandum of Association, and important decision taken by the board of the company affecting the future of the company and important conditions to be obeyed by the general applicants. The main purpose of the publishing prospectus is to inform public about the company and the issue.

The format and the example of prospectus are given in the appendix.

2.1.9.10 Budget for the Issue

Budget for the issue is a tentative figure of expenses that is estimated to incur in the process of public offerings. The budget is to be born fully by the issuing company, if not, according to the understanding reached between issuing company and the issue manager/s.

2.1.9.11 Application form

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

-) Information about the company and issue
-) Space for applicants to fill in his/her information

Application form is the legal document that the investor provides to the company stating the number of shares of a company he/she is willing to accept. The applicants submitting the application forms would imply that he/she has accepted the terms and conditions stated in the application form with the full knowledge about the matters referred in the prospectus. Attached with the application form a photocopy of citizenship is collected as a proof to applicants' acceptance to terms and condition and a remedy to possible discrepancies in identification. In case of minor applicants, citizen certificate of parents or guardian is to be attached.

2.1.9.12 Bridge Financing

It is a short term lending provided to the issuing company till the date of share allotment, backed by the collection from public issue. The company is to make the payment after receiving allocated shares money from public offerings. Normally financial institutions provide bridge loans to companies against their underwriting commitments. The said loans are adjusted against allotment of shares/debentures. The bridge finance is issued when

-) Companies require to meet their immediate requirement of funds
-) If there is a substantial lead-time between making a public issue and commencement of commercial production

2.1.9.13 Memorandum of Understanding

In the process of issuing securities to the public, besides issuing company, different intermediaries are involved. Memorandum of Understanding is the legal agreement made between issuing company and different intermediaries. This agreement states the terms and condition in respect to the function and authority of the involved parties. Securities Issue and Issue Manager Directives, 2054 (7) has provided guidelines while going into agreements.

Different MOU to be signed in the process of issue offerings are,

-) 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 specifies terms & condition, responsibilities and the authorities of involved party.
-) MOU between issue managers and the underwriters: Except for the finance companies and manufacturing industries (except identified in Securities Exchange Directive 2055), all other public institutions, as per their respective directives, underwriting is mandatory.
-) MOU between issue manager and the bankers to the issue.
-) MOU between issue manager and the collection centers.

Except for the MOU between issuing company and the issue manager, other MOU is to be signed by issue manager on behalf of issuing company with the notification and the consent of the issuing company.

In the case of MOU signed between issuing company and the issue manager, Company Act 2053 requires that copy of such agreements needs to be submitted to Office of Registrar of Companies within 7 days of such agreements made.

2.1.9.14 Process to obtain membership

Corporate bodies wishing to be member shall have to submit application in prescribed format within specified time along with certificate of incorporation, tax certificate, Memorandum of Association , Articles of Association and concerned Act, rules and regulations in the case of corporate body other than company after the incorporation and the projected balance sheet and profit and loss account for the next three years, last three years audited financial statement, if the year of incorporation is less than three years, the balance sheet and account of investment in shares of subsidiary company or investment made in its parent company's share capital, details of share investment in any other company other than subsidiary, the name, address, number of shares subscribed and the amount invested by shareholders having more than 5% of the share capital need to be submitted.

Table No:-1

Listing and Annual Fee Submitted for Shares

S.No	Issued Capital	Listing Fee	Annual Fee As Per issued Capital
1.	Upto Rs. 10 million	0.20% or minimum 15,000	Rs. 15,000
2.	Rs. 10 million to Rs. 50 million	0.15% or minimum 45,000	Rs. 25,000
3.	Rs. 50 million to Rs. 100 million	0.10% or minimum 75,000	Rs. 35,000
4.	Above Rs. 100 million	0.075% or minimum 100,000	Rs. 50,000

Source: SEBON Annual Report

2.1.9.15 Underwriting Commission

Underwriting commission is the amount charged by the underwriters for underwriting the securities issued. Securities Issue Bylaws (2nd amendment), 2054 has specified that underwriters may charge in maximum 3% of underwritten amount as the service charge to the issuing company. The commissions are normally determined as per the negotiation.

2.1.9.16 Collection Charges

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.

2.1.9.17 Refund Charges

Refund charges are the amount charged by the collection centers for refunding the oversubscribed money to the general investors. The refund charges are charged on percentage of the total amount refunded. The percentage charged depends upon the negotiation between issue manager on behalf of issuing company and the collection centers.

2.1.9.18 Fix Charges to the Collection Centers – Finance Companies

It is a fix charged given to the collection centers like finance companies for making required preparation for collecting application from the investors and conducting other required activities. The fix charge amount provided to the collection centers is also based on the negotiation.

2.1.9.19 Listing in the Nepal Stock Exchange Limited

The Securities Registration and Issue Approval Provision and Directives 2051 has stated that securities issued publicly or procedurally should be listed in the registered securities exchange market or provision to be listed within 3 months of closure of the issue. For listing securities in the market, the issuing company should comply by the clauses as,

-) Percentage of public issue stated by the securities exchange market
-) Required number of public shareholders
-) Easy transfer of ownership of issued securities
-) Other stated directive for the listing of the securities in the market

Since, the securities listing is mandatory for the securities issued, SEB requires that the issue process be approved from the securities exchange market before approving for the public offerings. Securities exchange market gives approval based on its criteria for approval.

2.1.9.20 Pre Issue & Post Issue

Pre-issue in the issue process is defined from the point of approach by the issue manager to the prospective issuing company to the point of allotment of securities and refund of oversubscribed money to the investors. This segregation has been made on the basis of Company Act, as it requires that the process of securities issue, allotment of securities, collection of subscription needs to be done through institutions approved to carry out issue management.

2.2 Review of Past Research Work

2.2.1 Pandey, (2001) who has done research on, "Public response to Primary Issue of Shares in Nepal," with the objective of: identify the problems of primary share issue market, assess the growth of primary issue market, analyze the pattern of public response to shares & 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 shares than other sectors, basically to increase their value of investment, be it dividend 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 a 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 Paudel (2002), has done, "Investing in shares of Commercial Banks in Nepal: An assessment of Return and Risk Elements," Major finding of his studied were: The shares of commercial banks in Nepal are heavily traded in the stock market and, therefore, these shares play a key role in the determination stock exchange indicators. The average mean return on market portfolio, as measured by percent changes in the NEPSE index, was 5.51 percent over the sample period. All the shares produced higher rates of return than the return on market portfolio. However, the risk-return characteristics do not seem to be the same for all the shares reviewed. The shares with larger standard deviations seem to be able to produce higher rates of return. The portion of unsystematic risk is very high with the shares having negative beta coefficient. The risk per Units of return, as measured by the coefficient of variation, is less than that of the market as a whole for all the individual shares. Most of the shares fall under the category of defensive stocks, (having beta coefficients less than 1), except the shares of Bank of Kathmandu Limited. Return on the shares of Nepal Arab Bank Limited is negatively correlated with the return on market portfolio and, therefore, it has negative beta coefficient. From the analysis, it appears that none of the shares are correctly priced. Theoretically, the market price of an over-priced (under-priced) share will fall (rise) in order to increase the expected return such that the expected return equals the required return. Therefore, shares of Nepal Arab Bank Limited, Nepal Indosuez Bank Limited and Himalayan Bank limited which are overpriced relative to equilibrium thus market forces, will decline. The remaining share appears to be under-priced indicating a possible positive long term price trend.

2.2.3 Kviback (2001), "Nepal Survey: Issues in Local Bond Market Development". Major finding of his studies were: 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 a not-for-profit institution.

The equity market of Nepal is relatively small from the international standards. With only 114 companies being listed in about 11 years of establishment of NEPSE, the equity market in Nepal requires more effort and contribution from the privately held companies as well as the investors. The status of Nepalese equity market is being elaborated in the following extraction of a report.

2.2.4 Report on Public Issue Approval and Issue Mangers

The report shows that in the last four fiscal years from 2000/01 to 2003/04, the amount of issue approved have accounted Rs.717.20 ml, Rs.1555.11 ml, Rs.853.83 ml and Rs.1547.79 ml respectively. However, there are only 9 issue managers who have sole authority to manage these public issues. But, only few are active in the issue management process. NMB is one of such active player.

Despite the fact NMB commenced its public issue function only in the FY 1998/99; it has established itself as an efficient and successful issue manager as it has already managed the public issue of some 24 companies till the FY 2004/05. Due to this very fact, NMB as a leading finance company as well as active issue manager is the best suited company from where the entire process of the initial public offerings as well as the analysis of the competitive environment in the industry can be learnt. These facts are further highlighted by the following report of SEBO.

“The performance of the issue managed by Nepal Merchant Banking and Finance Ltd., NIDC Capital Markets Ltd. and National Finance Co. Ltd. are the first, second and third best respectively in terms of timely allotment and refunding, timely listing, over subscription, actual profit higher than the forecasted profits and opening day closing price of the stock higher than paid-up value of the stock.”

2.3 Course of action during IPO

2.3.1 Preparing the Registration Statement

Immediately following, and in some cases preceding, the kick-off meeting, the company and its counsel will begin work drafting the registration statement. In a public offering, both the content and form of an issuer's registration statement must strictly comply with SEC rules. In most IPO's, the issuer is required to file its registration statement on Form S-1. In fact, Form S-1 is not a "form" which a company fills out, but rather a list of items of information which the company must include in the registration statement. Each of these items references a rule in SEC Regulation S-K (or Regulation S-X in the case of financial information) which provides in detail the amount and format of the information to be provided.

A registration statement on Form S-1 consists of two parts, which will be bound together in a single book and filed with the SEC as a public document. Part I is the information that must be included in the prospectus, the actual offering document to be distributed to potential investors after the filing of the registration statement. Part II, which is filed with the SEC and made publicly available but is not required to be distributed to offered, contains supplemental information, including, as exhibits, the underwriting agreement, the company's charter and by-laws, and all contracts to which the company is a party that could materially influence a potential investor's decision as to whether to purchase the securities being offered. The company can seek to redact from such contracts those limited provisions which it feels contain confidential business information by blacking them out of the filing and submitting separately to the SEC an application for confidential treatment which explains how the company could be harmed by disclosure of such information. Part II also contains the signature page to the registration statement, to be signed by the company's principal executive, financial and accounting officers as well as by at least a majority of its directors.

The prospectus serves two important roles. First, it is a selling document intended to present investment in the company as exciting opportunists. As such, it should be well written and visually pleasing. The underwriters generally have strict guidelines as to form and style, which they will communicate to the financial printer. The underwriters will occasionally prohibit the distribution of a prospectus if they find it deviates from

such guidelines, so it is important to ensure that the printer has received and reviewed the managing underwriter's instructions.

Second, the prospectus is a disclosure document which must make complete and accurate disclosure of all material information about the company and the offering to protect the company from claims by investors. As such, the company's and underwriter's counsel will spend considerable time ensuring that the prospectus sets forth in proper order and format all such information, both through continuous review of the SEC rules as well as through an ongoing business, legal and accounting due diligence investigation of the company.

The prospectus is generally organized as follows:

-) The Prospectus Summary, which contains a short description of the company, its business, the offering and summary financial data.
-) Risk Factors, which identify and describe risks associated with an investment in the company.
-) Use of Proceeds, which discusses what the funds will be used for.
-) Selected Financial Data, which presents selected income statement and balance sheet data.
-) Management's Discussion and Analysis of Financial Condition and Results of Operation, in which management discusses material line items in the Selected Financial Data section and why certain changes have occurred over the years reported. Management should also fully disclose known trends or uncertainties that could materially affect future financial conditions.
-) Business, which provides an overview of the company's business and is broken down into subheadings such as "Industry", "Products", "Marketing and Distribution", "Research and Development", "Manufacturing", "Competition", "Intellectual Property Matters", "Litigation", "Human Resources", "Facilities", etc. This section is the central part of the prospectus. It is generally the first section to be drafted and is continuously reworked and revised until filing and again, through amendments, until the registration statement is declared effective.

-) Management, which lists the company's directors and executive officers and then sets forth in detail compensation paid to its chief executive officer and its four other most highly compensated executives.
-) Certain Transactions, which sets forth transactions, including the private placement of securities, involving the company and its officers, directors and controlling stockholders.
-) Principal Stockholders, which sets forth the equity holdings of the company's controlling stockholders, directors and executive officers.
-) Description of Capital Stock, which describes the relative preferences and privileges of the different classes of the company's capital stock upon completion of the IPO. If the company has adopted the anti-takeover measures referenced above, they will be disclosed in this section.
-) Shares Eligible for Future Sale, which discloses the number of shares, held by existing shareholders who will be eligible for resale after the IPO pursuant to SEC Rules, and the timing of such eligibility. This provision will also disclose any registration rights that the existing shareholders may be contractually entitled to.
-) Underwriting, which describes the terms of the underwriting agreement
-) Additional Information, which explains that the prospectus is only part of the registration statement and how to obtain from the SEC.
-) Financial Statements, which provide two years of audited balance sheet data and three years of audited income statement, cash flow, and stockholders' equity data, and unedited data for any subsequent interim period and the comparable period of the prior year.

The working group will continuously meet to revise the prospectus at drafting sessions which generally take place at the offices of company counsel. Once the group feels that the prospectus is close to being final, company counsel will send it to the financial printer on computer disk, where it will be professionally type-set. Prior to filing, the working group will meet, possibly several times, at the printer for final revisions.

2.3.2 Liabilities and Due Diligence

Each participant involved in the preparation of the registration statement can be held personally liable for any material misstatements or omissions in the prospectus. The

liability can be severe, including complete restitution of the proceeds from the offering to the investors. While the company is held strictly liable for such misstatements or omissions, the underwriters and individual company directors and officers may raise a "due diligence defense". That is, if the participants can prove that they made a thorough review of every relevant aspect of the company and still could not have known of the inaccuracy, they will not be held liable. Consequently, a considerable amount of time is spent by each member of the working group, but particularly by company counsel and underwriters' counsel, interviewing company management, requesting production of all corporate documents and material contracts, and reviewing and determining which of these documents are material and need to be disclosed. This process continues up until the final amendment to the registration statement is filed.

2.3.3 The Registration Process

Once the working group has completed the registration statement and compiled all of the exhibits, company counsel will instruct the financial printer to deliver the appropriate number of copies to the SEC. The filing occurs upon receipt of the registration statement by the SEC. At the same time that the registration statement is filed, company counsel will also file the request for confidential treatment.

The registration statement will be assigned to a branch of the SEC's Division of Corporation Finance upon receipt, where two examiners will be appointed to review it, one to focus on financial information and the other on non-financial information. Usually within 30 to 35 days, the SEC will send a letter to the company containing its comments to the registration statement, the so-called "comment letter". Generally, each of the comments must be addressed through amendment of the registration statement or the provision of a written explanation as to why an amendment is not necessary. Company counsel generally calls the examiner to discuss the comments before responding. Once each of the comments have either been addressed or waived, the amended registration statement is filed with a cover letter explaining the revisions with cross references to the comment letter. Quite often, the SEC will send a follow up comment letter stating which of the initial comments it feels have not yet been properly resolved and, less frequently, containing additional comments.

Usually, prior to receiving comments from the SEC, the preliminary prospectus is printed in quantity for distribution by the underwriters. Occasionally, the quantity

printing is delayed either for new financial results to be included or to receive initial SEC comments.

2.3.4 The Underwriting Agreement

Prior to filing the registration statement, the managing underwriter will present the company with its form of underwriting agreement. The underwriting agreement sets forth the relationship and the legal obligations between the company, the underwriters and the selling stockholders (if any), such as (i) the obligation of the underwriters to buy the shares at a specified discount, (ii) the obligation of the company to reimburse the underwriter for certain expenses, (iii) representations and warranties of the company, (iv) covenants of the company, (v) conditions to closing, (vi) indemnification provisions covering liability for material misstatements or omissions in the registration statement and (vii) occurrences which will allow the underwriter to back out of the deal prior to closing, such as wars, stock market crashes or, in some agreements, major adverse effects to the company's business.

The underwriting agreement will generally grant the underwriter an option to purchase an additional number of shares (usually 15% of what is being offered) in order to satisfy sales of shares by the underwriter in excess of the number of shares being offered, which are referred to as "over-allotments" or the "green shoe." Over-allotments are good for the after-market of the company's stock as they create increased demand for the shares. The underwriter is generally allowed to exercise this option until thirty days after the closing.

When the final underwriting agreement is signed, it will provide the date of the closing of the sale of the shares to the underwriters, which is generally three days after the agreement, is executed.

2.3.5 Request for Acceleration

At least two days before trading commences, the company and the underwriters must provide the SEC with acceleration requests, asking the SEC to accelerate the effective date.

2.3.6 Pricing and Effectiveness

After the press release, the company and lead underwriters travel to major cities to present the company and its business to potential investors and members of the underwriting syndicate. These presentations are referred to as the "road show". Promptly after the road show is concluded and the registration statement declared effective by the SEC (usually the same day), but prior to signing the underwriting agreement, the company and the underwriters will meet to negotiate the price of the shares. The company will be represented by a pricing committee, which will have been appointed by the board of directors, and certain members of the underwriting syndicate may participate as well. As discussed above, the underwriters and the company will have generally agreed to a range of prices as early as the kick-off meeting, so the final price should not come as a surprise to anyone. Generally, the underwriters will push for a lower price than the company's pricing committee, as they will want a good reception and a strong immediate after-market for the shares. Except for when the market is particularly favorable, the underwriters generally prevail in this negotiation.

The night after the pricing, members of the working group will then visit the printer once again to add the pricing information to the final prospectus. The final prospectus is then filed with the SEC and printed in quantity for distribution by the underwriters to the purchasers.

2.3.7 Closing

As soon as the final prospectus has been disseminated, orders for the shares are accepted by the underwriters. Trading begins on the morning following effectiveness of the registration statement in anticipation of the closing. The closing is the date on which payment is made for the shares. The SEC requires the settlement of the IPO within three business days of the pricing.

A variety of closing deliveries are required under the underwriting agreement, including counsel opinions and accountant comfort letters. The day before the closing, company counsel and underwriter's counsel will generally meet for a "pre-closing", where they will review the closing documents.

The closing generally occurs in the morning by conference call between company counsel, underwriters' counsel and the company's new transfer agent. The company counsel will confirm that it has received a check or wire transfer from the underwriters for the offering price less discount and that it considers all of the conditions to closing to have been met. Underwriters' counsel will confirm that it too considers all of the conditions to closing to have been met. The transfer agent will then declare the IPO closed and release the stock certificates per the instructions of the underwriters. If the underwriters have elected to exercise the green shoe options, the over-allotment shares will be included at this closing; otherwise, they will be purchased at a subsequent closing.

2.4 Justification of the study

Initial Public Offering is not a new phenomenon in Nepal. About 125 companies have already gone to public and some companies are in line to go to the public. This is a good sign to development of the Nepalese capital market.

At present, there are lots of researches that have been done in the topic of capital market, stock trading mechanism, stock pricing behaviors etc. But there is still lack of research in the field of Initial Public Offering to the stock investment in Nepal. This study tries to understand the pace of initial public offering, general investor's response, legal provisions etc.

This will be helpful to the issuing companies, issue managers, stock brokers, general investors & the new investors who wish to investment through Initial Public Offerings.

CHAPTER-III

RESEARCH METHODOLOGY

3. 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. Research methodology refers to the various sequential steps (along with a rationale, of each step) to be adopted by a researcher in studying a problem with certain objects in view (Kothari, 1994:19). A focus is given to research design, sample selection and size, data collection procedure, data processing, definition of variables, meaning and definition of statistical tools used. This chapter highlights the research methodology used for the study.

3.1 Research design

A research design is a plan, structure, and strategy to obtain the objectives of the study. The research is based on the secondary as well as primary data and information. Hence, the explanatory or descriptive as well as analytical research design has been used. The variables related with the performance of the company, market information and relevant subjects are included in the study.

3.2 Population and Sample

The population for this study is the Initial Public Offering made by various organizations up to FY 2008/09. There are 176 companies listed in Nepal Stock Exchange Limited. To find out the public response to the Initial Public Offering, this study has divided into two sectors as Financial Institutions and Insurance Sector and Non Financial Sector. The population is shown clearly in the following table.

Table No:-2
Population of the Study

S.N.	Listed Institutions	No.
Financial Institutions & Insurance Sector		
1	Commercial Banks	21
2	Development Banks	29
3	Finance Companies	62
4	Insurance Companies	18
Total (a)		130
Non Financial Sector		
1	Manufacturing & Processing Co.	29
2	Trading Companies	8
3	Hotels	4
4	Others	5
Total(b)		46
Grand Total (a+b)		176

If the samples are properly selected, the characteristics of the sample will reflect the population. Due to unavailability of reliable data this study has completed upon the base of selected sample from each sectors. The sample have selected at random so that each and every units of the population may have an equal and independent chance of being selected. In this method, the selection of the Units will totally depend upon the chance but not on the discretion of anybody else. The selected samples are shown in the following table.

Table No:-3
Sample selected from the population

S.N.	Institutions	Population	Sample Size	Sample % (Approximately)
Financial Institutions and Insurance Sectors				
1	Commercial Banks	21	6	29
2	Development Banks	29	5	17
3	Finance Companies	62	6	10
4	Insurance Companies	18	6	33
Total A		130	23	18
Non Financial Sectors				
5	Manufacturing & Processing Co.	29	4	14
6	Trading Companies	8	2	25
7	Hotels	4	2	50
8	Others	5	1	20
Total B		46	9	20
Total(A+B)		126	41	38

In above table, six companies have chosen randomly as sample from each financial sector. The sample size of financial institutions and insurance sector is 12. Similarly, 9 companies have chosen randomly as sample from non financial sector out of them 4 from manufacturing and processing companies, 2 from trading companies, 2 from hotels and 1 from others. It covers approximately 25% of population.

3.3 Sources of Data

The require data for the study are collected from the both primary and secondary sources. Nepal's three leading issue managers NMB, CIT and NIDC Capital Markets are the main source of the required secondary data for the study. Similarly, the data have also been acquired from different libraries and journals published by NEPSE / SEBON etc. The primary data have been collected by using structured questionnaire and asked to the general public who are investing their money in primary market.

3.4 Analysis of data

Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic (Cottleetal; 1988, 29). This study is mostly based on the analysis of secondary data with the help of different statistical tools. The empirical results have been extracted in this study by using annual data of listed companies from 1997/98 to 2008/09.

3.5 Statistical tools

Some statistical tools are used to implicit the comparative results are as follows:

3.5.1 Multiple Bar- diagrams and graphs

Diagrams and graphs are visual aids which give a bird's eye view of a set of numerical data which show the information in a way that enables us to make comparison between two or more than two sets of data. Diagrams are in different types. Out of these various types of diagram one of the most important form of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristics of the same set of data have to be presented and compared.

3.5.2 Pie- diagram

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

3.5.3 Percentage

Percentage is one of the most useful tools for the comparison of two quantities or variables. Simply, the word percentage means per hundred. In other words, the fraction with 100 as its denominator is known as a percentage and the numerator of this fraction is known as rate of percent.

3.5.4 Sample Arithmetic Mean

Sample arithmetic mean is the sum of the values of all the elements in the sample (Ex) and divides by the number of elements in the sample.

$$\text{Mean} = \frac{\text{Sum of total values}}{\text{Number of values}}$$

$$\bar{X} = \frac{\sum x}{N}$$

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4. Introduction

This chapter includes the presentation and analysis of data. Analysis is based on both primary and secondary data. The primary data are used to analyze the public awareness, response and their expectation from public issues. The secondary data are used to analyze the public response to the primary offering along with data related to under over subscription of shares in the issue market, number and amount of issue approved, paid up values of issuing companies, pace of public offering and the behavior of general investors etc.

The collected data have not been tested through sophisticated statistical tools. Collected data have been analyzed as in percentage, simple average, and correlation coefficient of two variables. The purpose of the analyses is to achieve the objectives set in the chapter one.

4.1 Dealing Process of IPO

Managing IPO is an event management. It is an event that deals with the public, legally vulnerable and time bound. Therefore, learning the process of IPO management needs good knowledge about relevant rules and regulation, and good time management.

According to the type of involvement of issue manager and the work performed by the issue managers in the process, issue process can be broadly broken down into four phases.

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 whether 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.

Step 2. Follow-up

Issue manager then follows up with the prospective issuing company. Issue manager guides and answers to the company regarding any confusion persisting in the mind of issuing company regarding the public offerings process.

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 proposals.

Consideration for phase I

These three steps are the initials in the process of issue management, where issue manager comes into the contact 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 that,

-) Issue manager contacts prospective issuing company considering good history of the company and genuine cause for raising funds.
-) They are in competitive position to claim their advantage over competitors.

-) Competitive budget submitted can be one way of establishing competitive advantage, but it is not all.
-) Other factors like, additional services provided, efficiency in work or professional portray of the issue manager itself can be the additional reasons for issuing company selecting the issue manager.

Phase II

Step 4. Signing of MOU

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 (MOU) 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 the issue management. The agreement should also clearly state the breach of agreement and the settlement of the disagreements, if any, between the two parties involved. Signing of MOU 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 of the 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 the issuing company. For 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 ROC

After preparing the prospectus, the prospectus with the required documents and fees need to be registered in the Office of the 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 2050(17).

Step 6.1 Updating with 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 and questions forwarded from ROC. Upon satisfactory reply and corrections 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 SEB

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

Step 6.3 Finalizing the approval of issue

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

Step 6.4 Undertaking underwriting process

In tandem with filing for approval from SEB, 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 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 SEB, issue manager should inform issuing company about the approval. 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 & Sales Manage Direction, 2054 (11) requires that within 3 months of approval from the SEB, 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 SEB 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 the 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 regulation 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 these 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 7 days or maximum 15 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 in contradiction to the matters stated in the Prospectus. The announcement letter should also contain inherent risks in the business and management's view toward such risk. Security Issue & Sales 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 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. For example preparing tools, pamphlets; announcing in newspaper, television, radio organizing press conference etc. are the things that are normally done to market the issue.

Step 9 Printing of prospectus and application forms

Application form is to be submitted and approved from NSE. After the approval issue manager should give order for the printing of prospectus and the application form for general distribution.

Step 9.1 Dispatch of prospectus and application forms

After the printing of the prospect and the application 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 opening of issue, issue manager should continuously collect information from the collection centers and bankers to issue regarding the progress of issue process. Information regarding total subscription amounts (number of shares) and the number of applicants applying for the subscription should be daily updated. This would give issue manager an idea about the issue and possibly the steps to be taken to make the issue process successful.

Step 12 Provision for early closing

The next concern for the issue manager would be the closer of issue. The closer of the subscription would be conditional to the extent of subscription. Under full subscription of the issue, closer of application submission can be at earliest 7 working days after issue opening, if not within 30 days after issue opening depending upon the day of full subscription. Upon the closer of subscription, issue closer notice must be published on the day of closer. Distribution of securities cannot be done unless 50% of the issued securities are subscribed.

Step 12.1 Prolonging issue open date

If within 30 days of opening of subscription, the issue is not fully subscribed, issue can be further opened for 15 days after getting approval from SEB.

Step 12.2 Provision in under subscription

If not fully subscribed even after 45 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 45 days of closing of application submission Security Issue & Sales Manage Direction 2054(12).

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 public 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 of the public.
-) In addition to it, information provided to the general public is motivating enough for the public to subscribe the issued securities.
-) In regards to other intermediaries involved, issue manager 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 the general public.

Step 13.1

After the closer of issue, application data processing of all the application forms collected from collection centers 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 a/c 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 public.

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. But, in the case of over subscription, an allotment model needs to be developed. The model developed for the purpose of allotment needs to be approved by the board of the issuing company and the SEB. The allotment should be done under the forming of a committee comprising of Nepal Stock Exchange, issuing company and issue manager and sometimes securities board. Share Allotment Directives 2051 has 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 75 days of closing of issue. Therefore, allotment of shares and the refund is to be done within 75 days from closure of the issue.

Step 15.2 Notification of the allotment

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

Step 15.3 Calling of remaining money

Before refunding the oversubscribed 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 call 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 the 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 public.

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 applications 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 stationery

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 in house distribution of refund, repayment and allotment slips.

Step 16.6 Printing of share certificates

Issue manager should manage the printing of share certificates to the allotted shareholders.

Step 16.7 Dispatch and distribution of certificates

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

Step 17 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 allotment.

Consideration for phase IV

In this phase, the consideration for the issue manager is the internal efficiency of its management. It is because all the activities involved are in-house activities to be managed by the issue manager. In addition to it, guidelines have set the deadline of 75 days for the refund of oversubscribed money and partial/full allotment notification of share 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 of collected money. Though 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 within the specified period, maximum of 75 days.

Step 19 Listing of securities

The issued securities need to be listed in the securities exchange market (Nepal Stock Exchange in case of Nepal) within 3 months 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 market within the specified time period.

4.2 Pace of Initial Public Offering:

4.2.1 Amount of issue approved

As per the provision of the Securities Exchange Act, 1983 and regulation and guidelines made there under, the issuing company should register the securities in SEBO/N and get issue approval before going to public. From the fiscal year 1997/98 to 2008/09 SEBO/N has approved 148 issues of securities amounting to Rs. 39043.2663 million. The detail situation of issue approved in different year is presented in Table 4.1

Table No:-4
Amount of issue approved

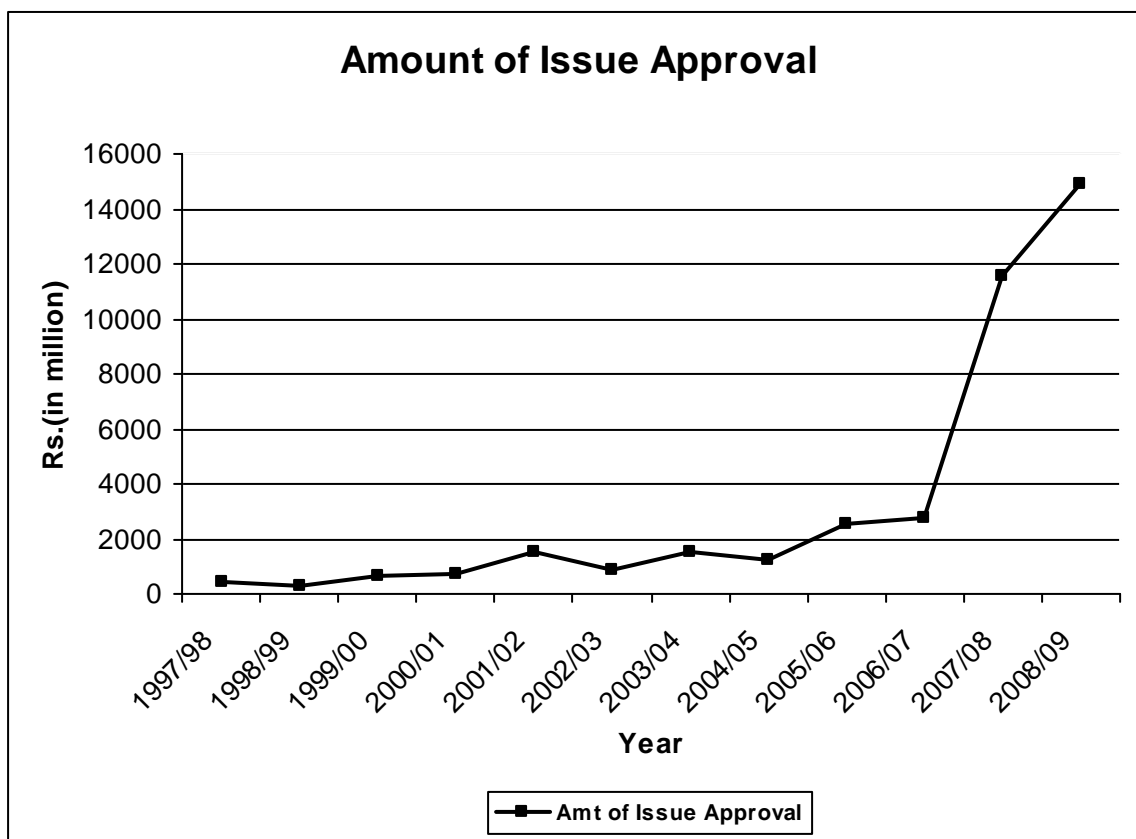
(Rs. in Million)

Year	Amount of Approved	% of Issue Approved
1997/98	462.36	1.18%
1998/99	258.00	0.66%
1999/00	630.31	1.61%
2000/01	717.20	1.83%
2001/02	1555.11	3.98%
2002/03	853.83	2.18%
2003/04	1547.79	3.96%
2004/05	1270.31	3.25%
2005/06	2547.87	6.52%
2006/07	2757.504	7.06%
2007/08	11567.86	29.62%
2008/09	14875.1223	38.15%
Total	39043.2663	100 %

Source: SEBON Annual Report

Table-4 shows that the amounts of issues approved by SEBO/N vary during the period. The highest amount of issue approved was Rs.14875.1223 million (38.15%) in the fiscal year 2008/09 and it was followed by Rs. 11567.86 million (29.62%) in fiscal year 2007/08, Rs. 2757.504 million (7.60%) in year 2005/06. Similarly, the least issue approved for the period was Rs. 258.00 million (0.66%) in fiscal year 1998/99 and it was followed by Rs. 462.36 million (1.18%) in fiscal year 1997/98, Rs. 630.31 (1.61%) in fiscal year 1999/00.

Graph No.-1



4.2.2 Number of Issue Approved

The number of issue approved during the period of 1997/98 to 2008/09 varies differently which is presented in below at Table-5

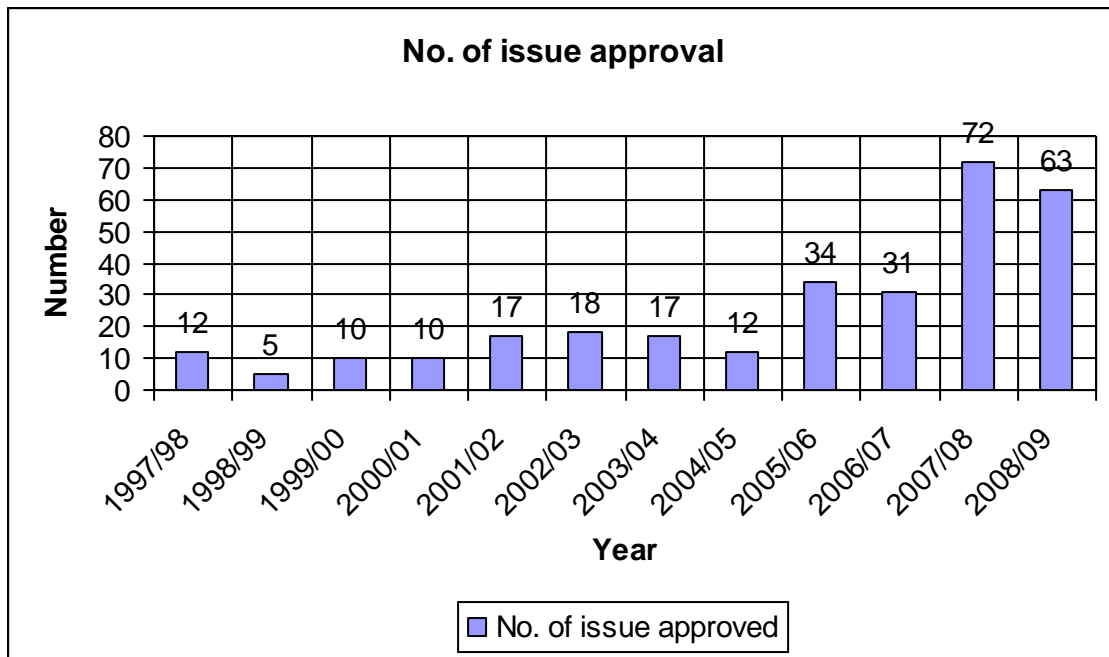
Table No:-5
Number of issued approved

Year	No. of issue approved	% of issue approved
1997/98	12	3.99 %
1998/99	5	1.66 %
1999/00	10	3.32 %
2000/01	10	3.32 %
2001/02	17	5.64 %
2002/03	18	5.98 %
2003/04	17	5.65 %
2004/05	12	3.99 %
2005/06	34	11.30 %
2006/07	31	10.30 %
2007/08	72	23.92 %
2008/09	63	20.93 %
Total	301	100 %

Source: SEBON Annual Report

Table- 5 shows that SEBO/N approved the issue of various types of securities in various volumes at various time. The number of issue approved was 12 in initial fiscal year 1997/98 but at the end of fiscal year 2008/09 the total number of issue approved was reached to the point of 301 issues. The highest number of issue approved was 72 (23.92%) in fiscal year 2007/08. The second highest issue approved was 63 issues (20.93%) in fiscal year 2008/09, 2005/06 and in fiscal year 2006/07 separately which was followed by the third highest issue approved 34 issues (11.30%) in fiscal year 2005/06. Similarly, the least three issue approved during the period were 5 issues (1.66%), in fiscal year 1998/99 and 1999/00, 10 issues (3.32%) in fiscal year 1999/00 and 2000/01 and 12 issues (3.99%) in fiscal year 1997/98 ,2004/05 separately. Out of the least three issues approved 5 issues (1.66%) in fiscal year 1996/97 is the least issue approved.

Diagram No.-1



4.2.3 Sector wise issue approved

During the period of 1997/98 to 2008/09 SEBO/N approved different types of securities of different sector for public issue. The detail situation of the issue approved of such sectors have been presented in Table-6

Table No:-6
Sector wise issue approved

Sector	No. of issue approved	% of issue
Banking Sector	21	13.20 %
Finance Sector	61	38.36 %
Insurance Sector	17	10.69 %
Development Bank Sector	29	18.24 %
Manufacturing & Processing Sector	18	11.33 %
Trading Sector	4	2.52 %
Hotel Sector	4	2.52 %
Other Sector	5	3.14 %
Total	159	100 %

Source: SEBON Annual Report

The table- 6 shows that SEBO/N accepted the various sector's issues for going to public. The highest issue approved by SEBO/N during the period of Fiscal Year 1997/98 to 2008/09 is 61 issues (38.36%) of Finance Sector and it was followed by 29 issues (18.24%) of Development Bank Sector, 21 issues (13.20%) of Banking Sector. Similarly, the least issues approved during the period are 4 issue (2.52%) of Trading Sector and Hotel Sector and 5 issues (3.14%) of Other Sector.

4.2.4 Public Issued Companies

There are 176 listed companies in the Nepal. The total paid of capital of these companies is 29465.8 million. It is, itself a huge amount. Among them 21 commercial banks had issued share for general public. The Paid up value of these commercial banks is Rs. 14667.3 million. The contribution of commercial bank in security market is approximately 49.78% of total paid up capital. Similarly, 29 development bank issued shares. The paid of capital of development bank is Rs. 2322.7 million. It covers near about 7.88% of total paid up value of the security market. Finance companies covers 14.65% of total paid up value. There are 62 listed finance companies in the Nepal Stock Exchange Limited. The paid up value of finance companies is Rs. 4317.3 million.

Similarly, there are 18 insurance companies in the market who offered shares from public. The paid of capita of the insurance company is 1669.7 million, which covers 5.67% of total paid up value.

There are only 8 trading companies which issued their share to the public. The paid up value of these companies is approximately 78.4 million. It covers only 0.27% of total paid up value. 4 Hotels offered shares to the public. Total paid of capital of this sector is 1552.9 million, which occupied 5.27 % of total paid up value. Without above sector there are 5 others public offered companies. The paid of value of this sector is Rs. 2317.8 million, 7.87% of total paid up value.

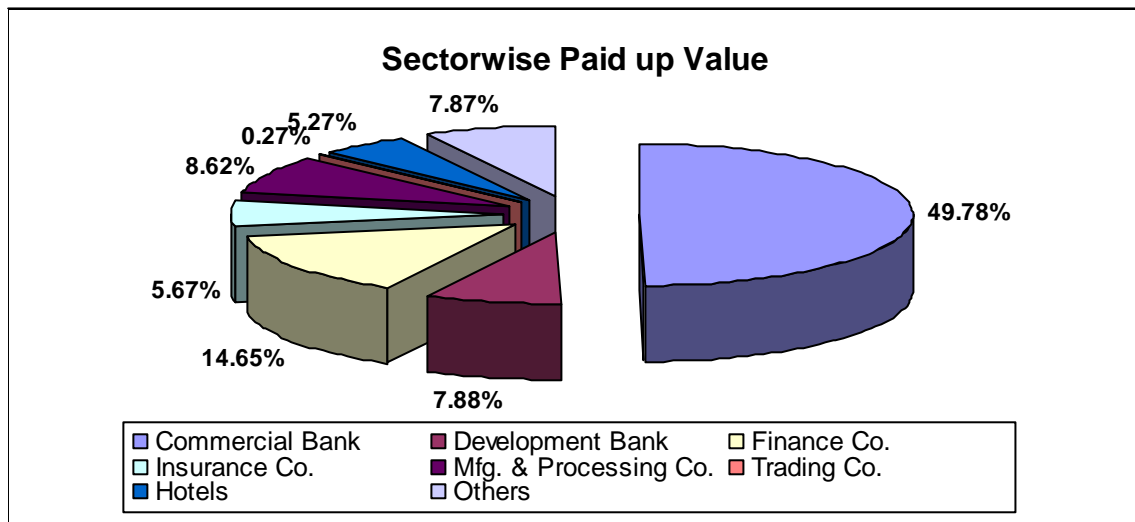
Table No:-7
Public Issued Companies

(Rs. in million)

S.N.	Public Issued Companies	No of Public Issue	Paid Up Value	Percentage
1	Commercial Banks	21	14667.3	49.78
2	Development Banks	29	2322.7	7.88
3	Finance Companies	62	4317.3	14.65
4	Insurance Companies	18	1669.7	5.67
5	Manufacturing & Processing Co.	29	2539.7	8.62
6	Trading Companies	8	78.4	0.27
7	Hotels	4	1552.9	5.27
8	Others	5	2317.8	7.87
Total		176	29465.8	100.00

Source: SEBON Annual Report

Chart No:-1



4.2.5 Over and Under Subscription of securities

When the demand of securities is higher than issued securities, the situation is called the case of oversubscription but if the demand of securities is lower than issued securities that situation is called under subscription of securities.

Table No:-8
Over and Under Subscription of securities

Year	No. of issued Co.	Over subscribed Co.		Under Subscribed Co.		Constant	
		No.	%	No.	%	No.	%
1997/98	8	6	75 %	1	12.5 %	1	12.5 %
1998/99	3	3	100 %	0	0	0	0
1999/00	5	5	100 %	0	0	0	0
2000/01	5	5	100 %	0	0	0	0
2001/02	5	3	60 %	2	40 %	0	0
2002/03	12	12	100 %	0	0	0	0
2003/04	10	10	100 %	0	0	0	0
2004/05	7	6	85.71 %	1	14.29%	0	0
2005/06	14	14	100%	0	0	0	0
2006/07	15	15	100%	0	0	0	0
2007/08	18	18	100%	0	0	0	0
2008/09	11	11	100%	0	0	0	0
Total	113	108	93.39%	4	5.57%	1	1.04%

Source: SEBON Annual Report

Table- 8 shows that during the period of Fiscal Year 1997/98 to 2008/09 out of the total listed companies only 113 companies issued their common stock for public subscription and among them common stock issue of 108 companies (93.39 %) have been oversubscribed, common stock issue of 4 companies (5.57 %) have been undersubscribed and remaining 1 companies (1.04 %) issue have been fully subscribed. Furthermore, all those companies who issued their common stock in Fiscal Year 1998/99, 1999/00, 2000/01, 2002/03, 2003/04, 2005/06, 2006/07, 2007/08 and 2008/09 have been oversubscribed i.e. out of the 113 share issuing companies 108 companies (93.39%) shares have been oversubscribed during the period.

Similarly, during the period 18 companies issued their shares for public subscription in year 2007/08 in high range and it is followed by 15 companies in year 2006/07 and 14 companies in year 2005/06 separately while in lowest range only 3 companies issue their

common stock for public in year 1998/99 and it is followed by 5 companies in year 1999/00, 2000/01 and 2001/02 separately.

4.3 Public Response to Initial Public Offering

Nepal Stock Exchange Limited has divided the total listed companies into eight sectors. They are Commercial Banks, Finance Companies, Development Banks, Insurance Companies, Manufacturing & Processing Companies., Trading Companies, Hotels and Others. Investors have to decide in which sector they want to made investment. As per objective, this study only concerned with the investors priority and response for the Initial Public Offering.

4.3.1 Public Response to Financial Institutions and Insurance Sectors

Financial Institutions are the heart of the economy. In the context of Nepal central bank, commercial banks, development banks, finance companies, insurance companies are financial sectors. This study is divided into four parts and has tried to understand the response of public.

4.3.1.1 Public Response to Commercial Bank

There are twenty six private commercial banks in Nepal up to 2009 A.D. All of these had issued their Share to public. Nepal Arab Bank Limited (NABIL Bank) was the first commercial bank to issue Share to public. Last time Sunrise Bank Limited issued their Share to public. At present, there is no commercial bank which has to go to public.

Generally, public issues of commercial bank are highly appreciated by public. Investors give high priority and response to the public issue. To analyze the public response to commercial banks, six companies are chosen as sample, which are shown in the following table:

Table No:-9

Public Response to Commercial Banks

S.N.	Name of Companies	Issued Year	No of Issued Shares	Shares Applied	Subscription Times	Result
1	Bank of Asia Nepal Ltd	2066	3000000	56700000	18.9	Over Subscribed
2	Sunrise Bank Ltd	2066	3750000	104000000	27.74	Over Subscribed
3	Nepal Bangladesh Bank. Ltd.	2051	180,000	7,990,515	44.39	Over Subscribed
4	Bank of Kathmandu Ltd.	2053	225,000	2,413,480	10.73	Over Subscribed
5	Kumari Bank Ltd.	2060	1,500,000	12,170,299	8.11	Over Subscribed
6	Nepal Credit & Commerce Bank Ltd.	2060	2,100,000	2,632,382	1.25	Over Subscribed

Source: NMB, NIDC, Capital Markets, CIT

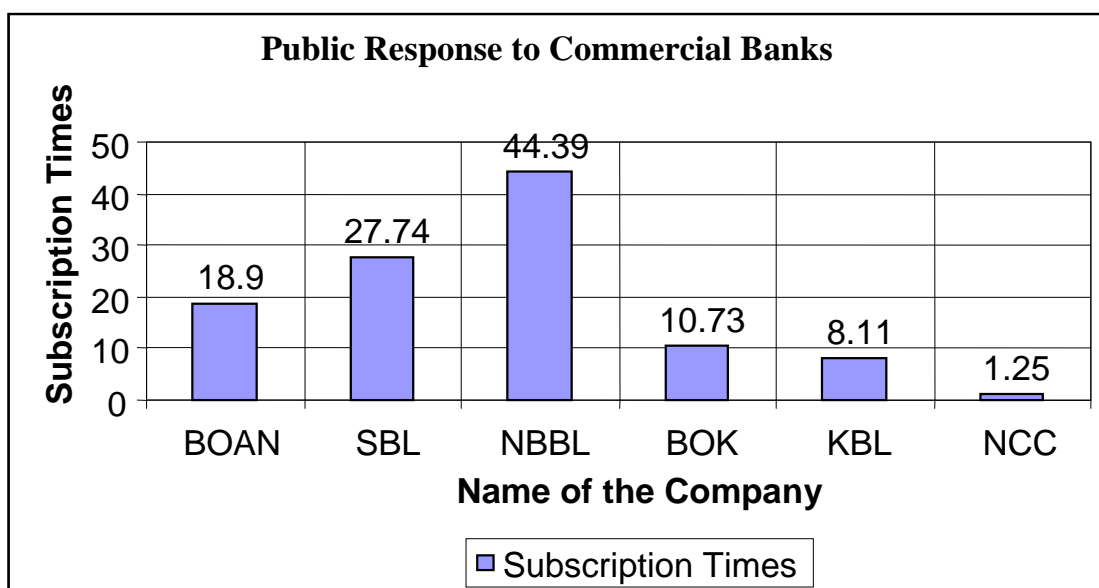
In the above table, shows the information of six different commercial banks with their number of shares issued and number of applications applied by the general public to the company. The public response to these companies is also shown in the table.

Bank of Asia Nepal Limited had issued 3000000 Units Share to the public. But the demand of the Share of this company was 5.67 billion Units. Subscription was approximately 18.9 times more than issue size. It means investors gave high response to this company. Sunrise Bank Limited had issued 3750000 shares to the public. The investors applied for 10.40 billion units share. Subscription was approximately 27.74 times. This also shows the high response of the investors to the company. Similarly, Nepal Bangladesh Bank Ltd issued 180000 Units Share to the public. Public applied for 7990515 Units Share. Subscription was approximately 44.39 times. Public response to

this bank was also high. Bank of Kathmandu had issued 225000 Units Share to the public. The demand was 2413480 Units. It means investors gave high response to this bank. Kumari Bank Limited issued 1,500,000 Units Share for public. Public gave it high priority to the Kumari Bank. The demand was 12,170,299 Units, which was more than 8 times the issue size. Similarly, NCC Bank Limited issued 2,100,000 Units Shares for public. The applied Units were 2,632,382, which was just above the issue size. Subscription was only 1.25 times. Public response to this company can be considered to be medium.

In the above table, it is shown that among six banks five banks had high public response and one bank had medium response. This shows that investors are more interested to purchase the shares of commercial bank. Banking sectors of Nepal seems to be more successful to attract the investors. The above information is also shown in the bar diagrams (Figure-4.2) as below:

Diagram No.-2



4.3.1.2 Public Response to Development Banks

Public issues of development banks get good response from the public. To analyze the public response to development banks, five companies are chosen as sample, which are shown in the following table:

Table No:-10**Public Response to Development Banks**

S.N.	Name of the Company	Issued Year	No of Issued Shares	Shares Applied	Subscription Times	Result
1	Vibour Bikash Bank	2066	265200	1910000	7.20	Over Subscribed
2	Nirdhan Utthan Bank	2061	33,000	64,040	1.94	Over Subscribed
3	Nepal Development Bank Ltd.	2058	480,000	13,950,476	29.06	Over Subscribed
4	Development Credit Bank Ltd.	2058	480,000	6,766,630	14.09	Over Subscribed
5	Miteri Bikash Bank Limited	2066	13540000	1164440000	86	Over Subscribed

Source: NMB, NIDC, Capital Markets, CIT

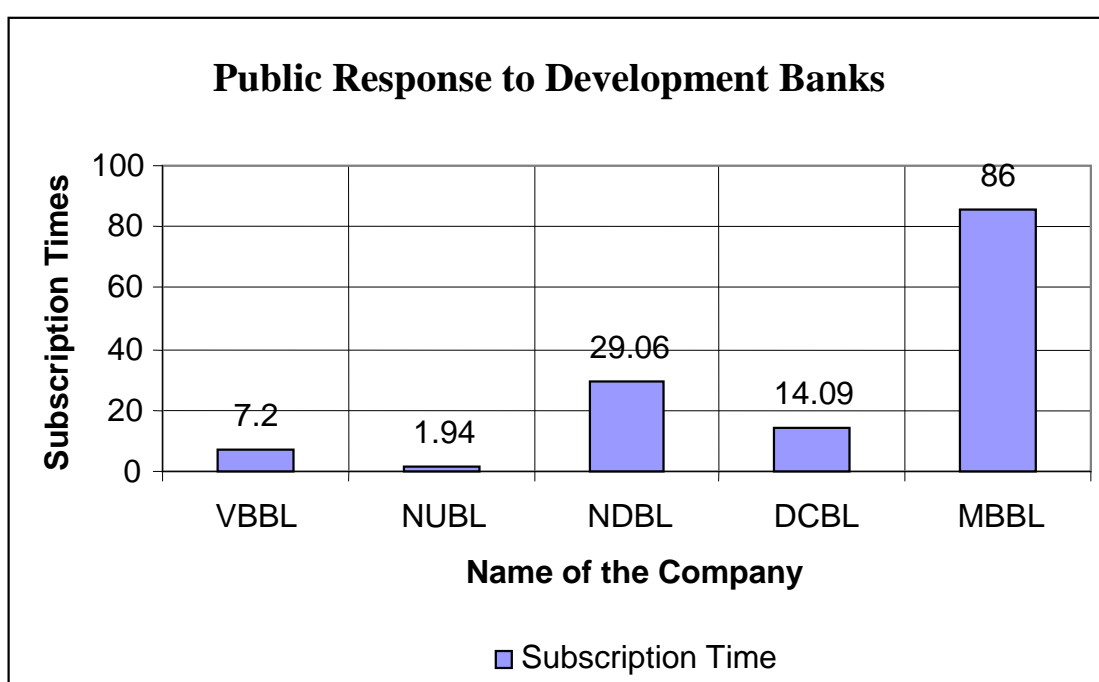
The information of five different development banks regarding the number of shares issued by the company and number of application applied by the general public to the company is shown in the table-10.

Vibour Bikash Bank issued 265200 Units shares to the public. But the demand of the share of this company was 1910000 Units. Subscription was approximately 7.20 times more than issue size. It means investors gave high response to this company. Nirdhan Utthan Bank had issued 33,000 units shares to the public. The investors applied for 64,040 unit shares. Subscription was 1.94 times. This also shows the response of the investors to the company was medium. Nepal Development Bank issued 480,000 shares to the public. Public applied application for 13,950,476 unit shares. Subscription was 29.06 times. This shows that the public response to this bank was also very high. The number of shares issued was 480,000 units and application received was for 6,766,630 units in case of Development Credit Bank Limited. The subscription was 14.09 times and hence public response to this bank was high. Miteri Bikash Bank Limited issued 13540000 unit shares to the public. Public gave it very high priority and

applied shares for 1164440000 unit shares, which was more than 86 times the issue size.

In the above table, it is shown that among five Development banks two banks had high public response, one bank had very high response and two had medium public response. This shows that investors are interested to purchase the shares of development banks.

Diagram No.-3



4.3.1.3 Public Response to Finance Companies

Although the country is suffering from economic crisis, most of the finance companies are doing well in the market. Finance Companies are the major attraction of the investor to purchase the shares. There are 75 Finance companies which had issued share to the public and listed in the Nepal stock exchange limited. Almost of these companies got good response from general public.

To simplify the study of public response to Finance Companies, six companies are chosen as sample, which are shown in the table below:

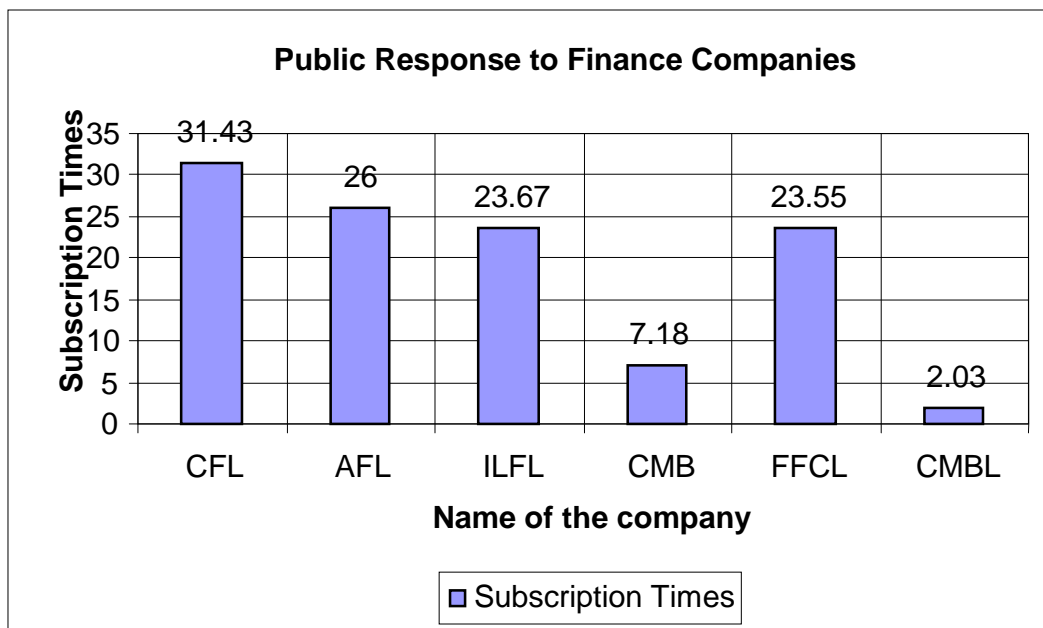
Table No:-11

Public Response to Finance Companies

S.N.	Name of Companies	Issued Year	No of Issued Shares	Shares Applied	Subscription Times	Result
1	Crystal Finance Ltd.	2065	210000	6600000	31.43	Over Subscribed
2	Api Finance Ltd.	2065	180000	4680000	26	Over Subscribed
3	International Leasing & Finance Ltd.	2059	300,000	7,100,130	23.67	Over Subscribed
4	Cosmic Merchant Banking & Finance Ltd.	2060	240,000	1,722,780	7.18	Over Subscribed
5	Fewa Finance Company Ltd.	2060	80,000	1,884,000	23.55	Over Subscribed
6	Capital Merchant Banking & Finance Co.	2062	280,000	567,550	2.03	Over Subscribed

Source: NMB, NIDC, Capital Markets, CIT

Diagram No.-4



This table depicts the information of six different finance companies regarding the number of shares issued by the company and number of application applied by the general public to the company.

Crystal Finance Ltd. issued 210000 units shares, for which application received by the company was for 6600000 unit shares. The subscription was 31.43 times. This shows highest response of the public to the company. Similarly, Api Finance Limited also received high response from the public with subscription of approximately 26 times. It had issued 180000 unit shares and received application for 4680000 unit shares. International Leasing & Finance Limited got application for 7,100,130 unit shares while only 300,000 unit shares were issued. The subscription time was approximately 24. This shows that the public response to this company was high. Likewise, Cosmic Merchant Banking & Finance Limited issued 240,000 unit shares to the public. The demand for the share of the company was 1,722,780 units. Subscription was approximately 7 times more than the issue size. It means investors gave high response to this company. Fewa Finance Company Limited issued 80,000 unit shares for which the demand was 1,884,000 unit shares. Approximately 24 times the subscription was more than the issue size. This shows very high response of the investors to the company. Capital Merchant Banking & Finance Company received application by the investors for 567,550 unit shares in response to the issue of 280,000 unit shares by the company, which was more than 2 times the issue size. This response of the public to the company can be considered to be medium.

In the above table, it is shown that among six finance companies three had medium public response, one had high, one had low and one had very low public response. This shows that investors are more interested to purchase the shares of finance companies. Finance companies are also getting successful to attract investors.

4.3.1.4 Public Response to Insurance Companies

Insurance companies also have provided good role in the Nepalese security market. Generally, public issues of insurance companies have got mixed response from the people. To analyze the public response, six companies are chosen as sample, which are shown in the following table:

Table No:-12**Public Response to Insurance Companies**

S.N.	Name of Companies	Issued Year	No of Issued Shares	Shares Applied	Subscription Times	Result
1	Asian Life Insurance Company Ltd.	2066	1080000	16200000	15	Over Subscribed
2	United Insurance Co. Ltd.	2050	240,000.00	1,056,351.00	4.40	Over Subscribed
3	Premier Insurance Co. Ltd.	2051	120,000.00	2,323,737.00	19.36	Over Subscribed
4	Everest Insurance Co. Ltd.	2051	120,000.00	1,301,572.00	10.85	Over Subscribed
5	Sagarmatha Insurance Co. Ltd.	2057	102,000.00	3,388,610.00	33.22	Over Subscribed
6	LIC (Nepal) Ltd.	2059	500,000	8,717,214	17.43	Over Subscribed

Source: NMB, NIDC, Capital Markets, CIT

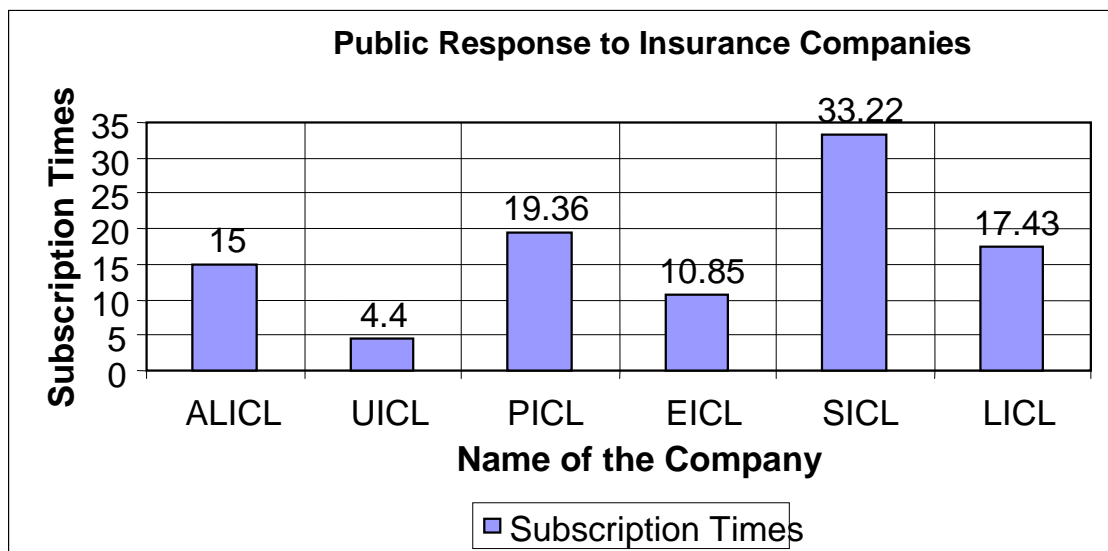
The above table shows the public response to the six different insurance companies with issued and applied number of shares.

Asian Life Insurance Company Limited issued 1080000 unit shares for which application was received for 16200000 unit shares. This shows the subscription times to be 15 and hence the public response was high. Likewise the public response was medium to the United Insurance Company Limited with subscription of 4.4 times. This company had issued 240,000 unit shares and had received application for 1,056,351 unit shares. Premier Insurance Company Limited received application for 2,323,737 unit shares while the issued number of shares was 120,000 units. The subscription was 19.36 times which shows high public response to the company. Everest Insurance Company issued 120,000 unit shares and received application for 1,301,572 unit shares. The public response to this company was high with 19.36 times of subscription. Sagarmatha Insurance Company had issued 102,000 unit shares for which it had

received 3,388,610 unit shares of application. This was 33.22 times of subscription which shows the very high response of the public. LIC (Nepal) received high public response with 17.43 times of subscription. This company had received application for 8,717,214 unit shares while 500,000 unit shares were issued.

In the above table, it is shown that among six insurance companies one had medium public response, four had high and one had very high public response. This shows that investors are more interested to purchase the shares of insurance companies. Insurance companies in Nepal are also getting successful to attract investors.

Diagram No.-5



4.3.2 Public Response to Non Financial Sectors

This study covers Manufacturing & Processing Companies., Trading Companies, Hotels and Others in the non financial sector. In the context of Nepal, non financial sector does not seem to be performing well in the market in comparison to financial sector. Many such companies are not able to make profit. Some companies, like Necon Air Limited, were already dissolved.

Due to lack of reliable sector-wise data, this study is an aggregate study. Nine companies are chosen as sample form different non financial sectors like, Manufacturing & Processing Companies., Trading Companies, Hotels and Others Companies which are shown in the following table:

Table No:-13**Public Response to Non Financial Sectors**

S.N.	Name of Companies	Issued Year	Issued No of Shares	Shares Applied	Subscription Times	Public Response
1	Arun Valley Hydropower Dev.	2065	947600	26300000	27.75	Over Subscribed
2	Necon Air Limited	2050	2,24,000	5,29,560	2.36	Over Subscribed
3	Oriental Hotels Ltd.	2057	15,00,000	93,70,350	6.25	Over Subscribed
4	Taragaun Regency Hotel	2055	12,00,000	28,22,270	2.35	Over Subscribed
5	National Hydropower Ltd.	2061	14,00,000	3,01,630	0.22	Under Subscribed
6	Butwal Power Ltd	2060	12,70,964	13,95,790	1.10	Over Subscribed
7	Nepal Lever Ltd.	2050	1,38,105	90,18,440	65.30	Over Subscribed
8	Nepal Film Development Co. Ltd.	2051	2,18,845	11,08,631	5.07	Over Subscribed
9	Harisiddhi Brik & Tile Factory Ltd.	2050	5,32,000	15,41,921	2.90	Over Subscribed

Source: NMB, NIDC, Capital Markets, CIT

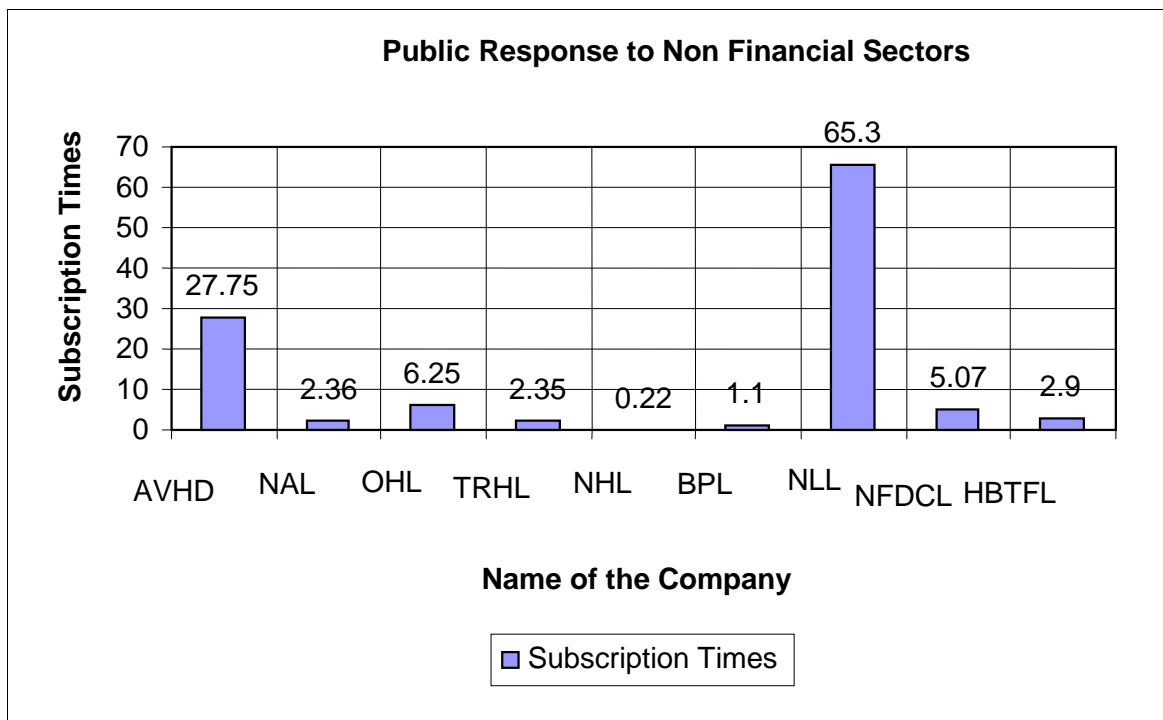
Above table shows the public response to the company with issued and applied number of shares of nine different non financial sectors.

The Arun Valley Hydropower Dev. had issued 947600 unit shares and had received application for 26300000 unit shares. The public response to this company was high with 27.75 times subscription. Necon Air Limited issued 2, 24,000 unit shares for which application was received for 5,29,560 unit shares. This shows the subscription times to be 2.36 and hence the public response was medium. Likewise, the public response was medium to the Oriental Hotels with subscription of 6.25 times. This company had issued 15, 00,000 unit shares and had received application for 9,370,350 unit shares. The public response to Tarragon Regency Hotel was also medium. This company received application for 28, 22,270 unit shares while the issued number of shares was 12, 00,000 unit. The subscription was 2.35 times. National Hydropower

Limited issued 14, 00,000 shares and received application for 301,630 unit shares. The public response to this company was low with 0.22 times of subscription. Butwal Power Limited had issued 12, 70,964 unit shares for which it had received 13,95,790 unit shares of application. This was 1.10 times of subscription which shows the medium response of the public. Nepal Lever Limited received very high public response with 65.30 times of subscription. This company had received application for 90,18,440 unit shares while 138,150 unit shares were issued. Nepal Film Development Company Limited had received application for 11,08,631 unit shares while the issued number of shares was 2,18,845 unit .The subscription was 5.07 times and the public response can be considered to be medium. The public response was medium to the Harisiddhi Brick & Tile Factory Limited with 2.90 times subscription. The company had issued 5,32,000 unit shares for which application was received for 15,41,921 unit shares.

In the above table, it is shown that among nine different non financial companies six had medium public response, two had very high and one had low public response. This shows that investors are not much interested to purchase the shares of non financial sectors.

Diagram No.-6



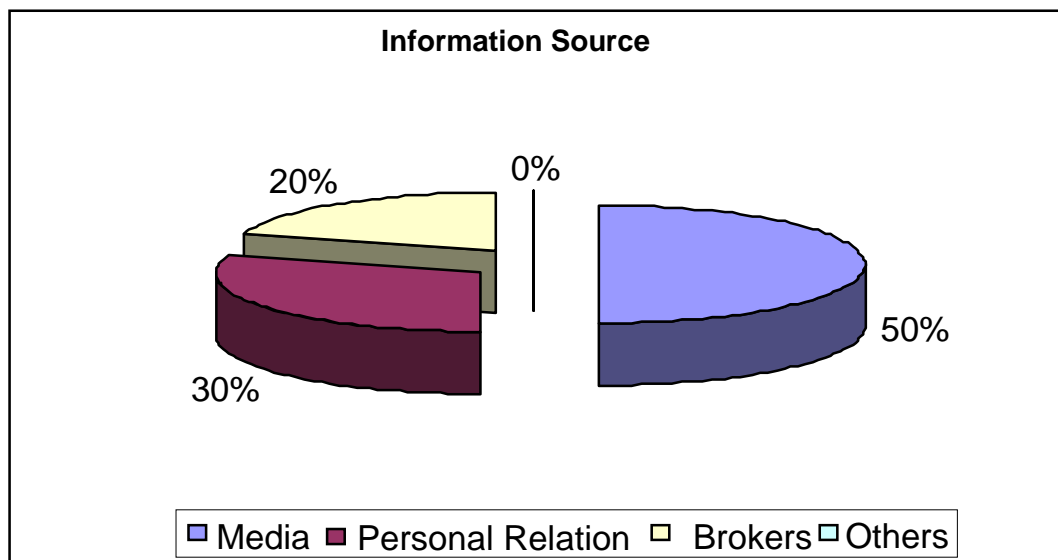
4.4 Analysis of Primary Data

Along with secondary data, primary data were taken to justify the study on the topic. Questionnaires method was implemented for this purpose. The investor has mixed feelings on the primary market in Nepal.

4.4.1 Source of information for investment

Out of 100 respondents, 50% of the respondents stated that the major source of information for opportunity for primary market investment is media. Personal relation with issue manager/issuing company also plays an important role in communicating about the investment opportunities. About 30% of the people get information through issue manager and issuing company. Only 20% people get information through brokers and no one said the source of opportunists is others.

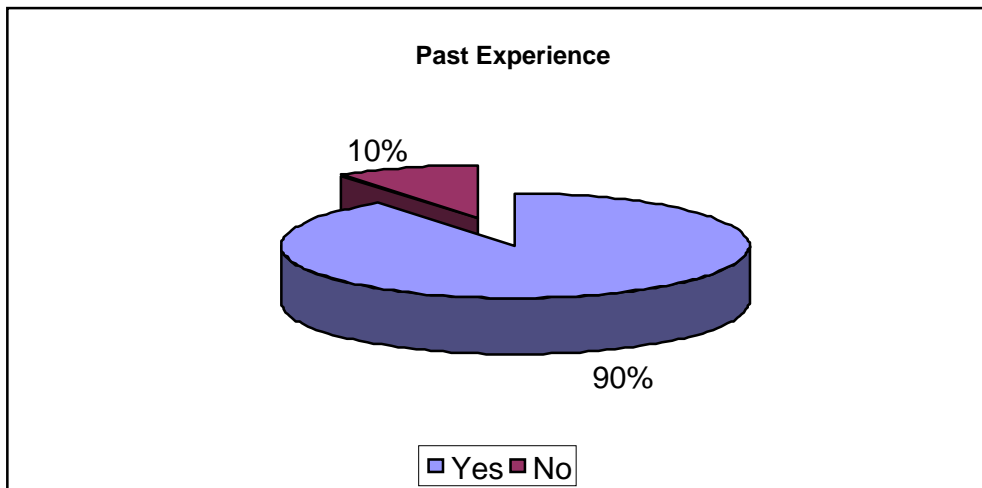
Chart No:-2



4.4.2 Past Experience

Out of 100 respondents, 10% general investor said that they don't have past experience of investment in primary market. 90% investor said that they have past experience. This indicates that now most of the people are trying to invest their money in the primary share market. This is the good sign for the development of primary market.

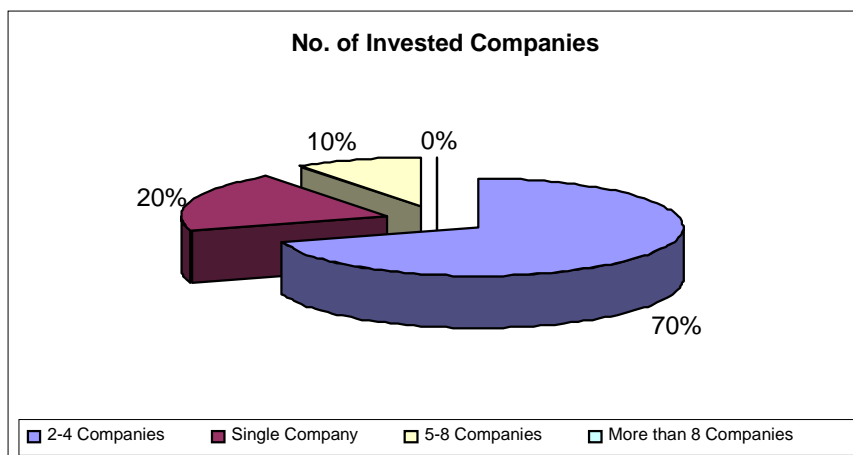
Chart No:-3



4.4.3 Number of Invested Companies

The next question was about knowing the frequency of the investment. Leading 70% investors have chosen 2 to 4 companies for investing their money in the primary market. Similarly, 20% people said that they invest their money only in a single company. They are called small investor. People investing in more than 5-8 companies are 10%. 0% people are saying that they invest in more than 8 companies.

Chart No:-4

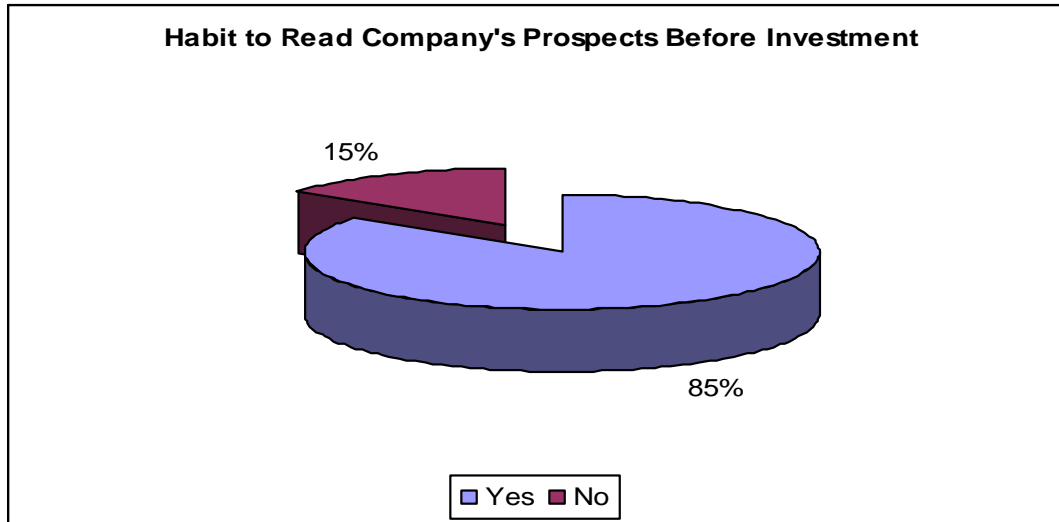


4.4.4 Habit to read company's prospects before investment

Companies issue their prospects, to show their image in the market, while they go to the public. The fourth question was related with this. The investor has asked do they read prospects before the investment. The reply is quite satisfactory. 85% investor read

the prospects before they invest their money. But 15% investor does not consider what is written in the prospects.

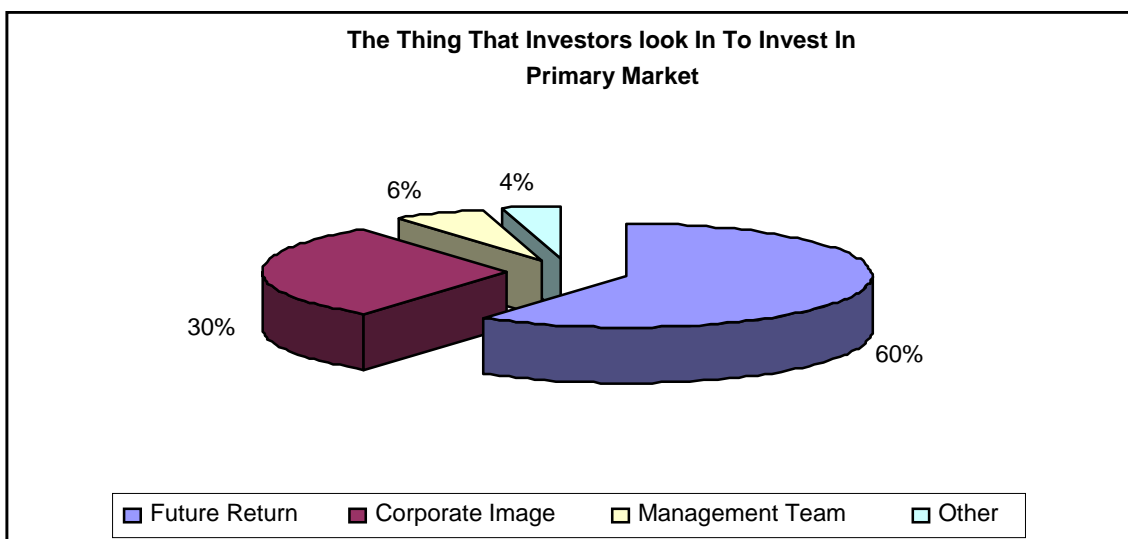
Chart No:-5



4.4.5 Investors preference for investment

The next query is about the things that investors look for to invest in primary market. Out of total 100 investors 60% investors look for future return as the prime factor. 30% investor invests their money for corporate image. People who see the good management team of the issuing company are 6%. There are 4% people who see for other reasons to invest in the primary market.

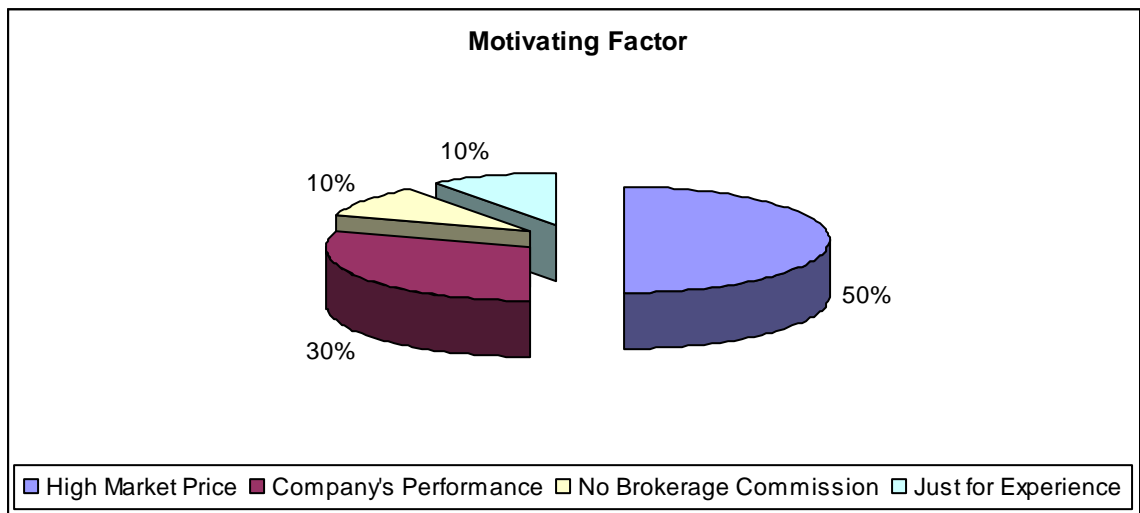
Chart No:-6



4.4.6 Motivating factor of investment in primary market

In the next query, investors' were asked about the motive factor that they come to invest in primary market. More than 50% of the people think that the motive factor is high price of share in short run period. 30% of the people preferred company's performance while investing. 10% people think there is no breakage commission so they wish to invest in primary market. But unexpectedly, 10% people invested in primary market only for experience.

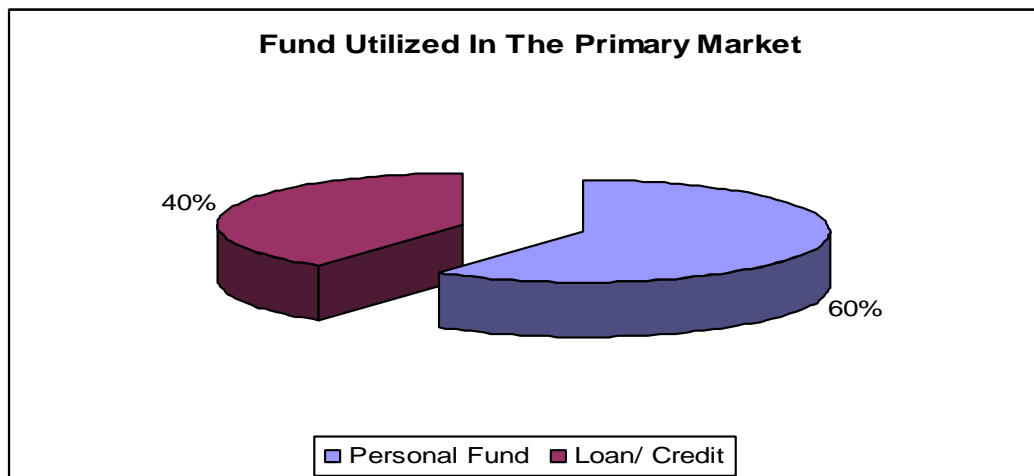
Chart No:-7



4.4.7 Fund utilized in the primary market

60%, the majority of respondents said that the prime source of their fund to invest in primary market is their own personal fund. It means that now people have more money. But 40% people used from loan or credit.

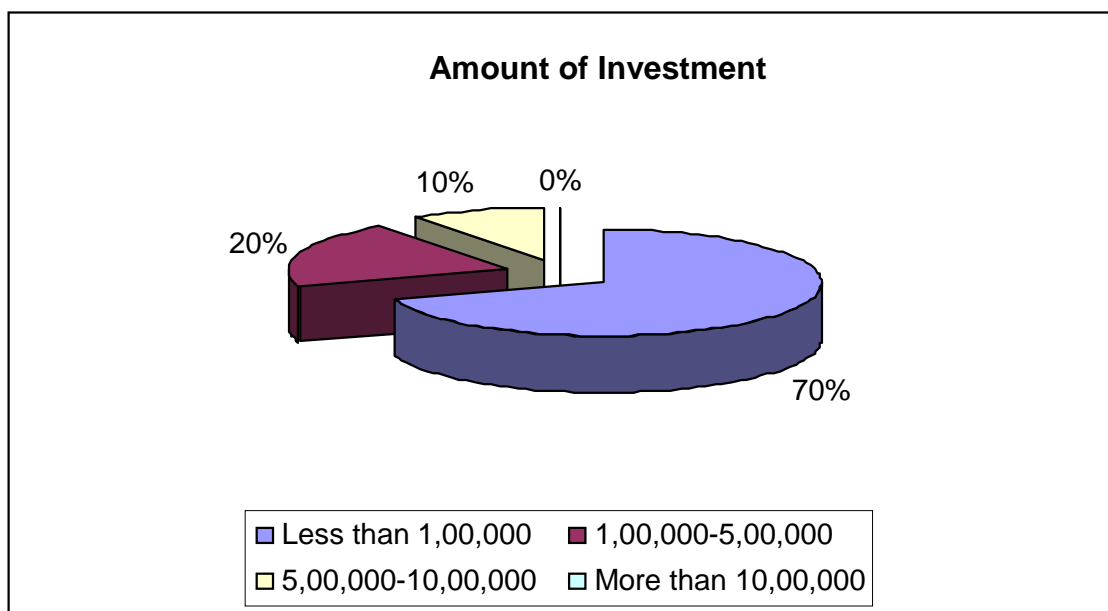
Chart No:-8



4.4.8 Average Amount of Investment Made in any Single Company

The amount of investment is also a crucial factor in the investment decision. In the next query, the volume of investment made by investors while investing in any particular primary market investment was targeted to be known. As per the earlier analysis, most of the people prefer to utilize their personal fund to invest in primary market and hence, the amount invested is less than Rs.1,00,000 in the primary market. The investors making an investment of Rs.1,00,000 or less accounted 70%. It indicates the majority of the investors are not aggressive enough to invest at professional level. Another major group which invests in the primary market has the investment of Rs.1,00,000-Rs.5,00,000 are 20%. 10% investor invests their money in the range of Rs. 5,00,000 - Rs.10,00,000, they are known as middle range investors. The other fact concluded is that the investors with the investment more than Rs.10,00,000 account for 0%. It indicates there are no “bigger investors” in Nepal to have professional interest in the primary market.

Chart No:-9

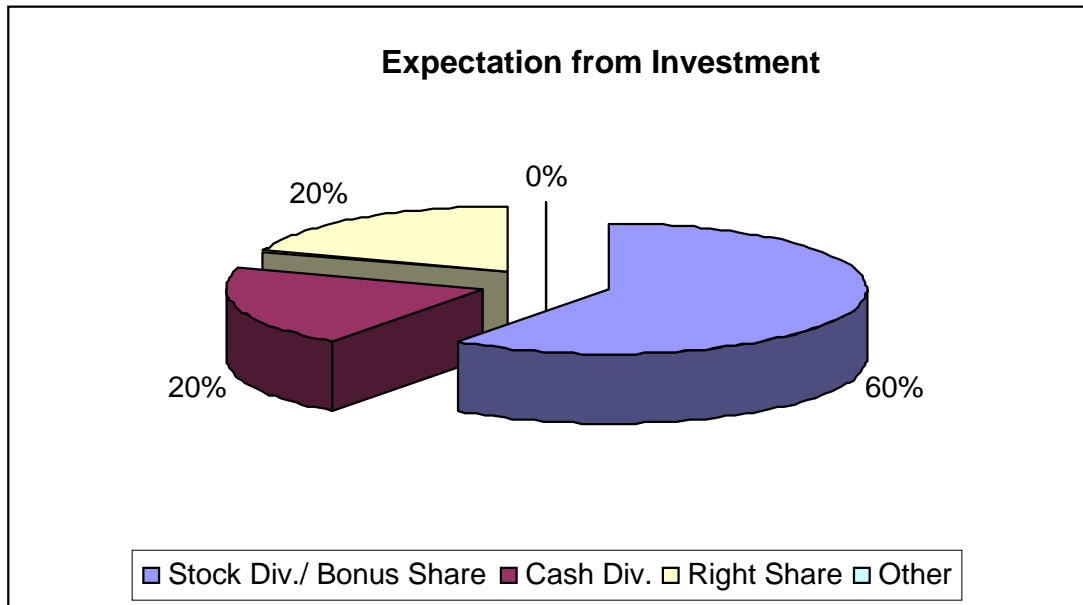


4.4.9 Expectation from investment

Kind of return the general investors expect from the company is one of the driving forces to get involved in investment. As per our presumed expectation, about 60% people preferred stock dividend/bonus share. Cash dividend is generally preferred by the investors because they, as stated in earlier questions, are more from the small

investing group and they have less number of shares. They are more concentrated to the fast returns rather than to increase their shares in company's ownership. They are 20%. Other factors are resale value or high market price of the shares for which 20% expect to earn from investment. Safety of principal investment and status of ownership are other minor expectations. The investors for this expectation fall under 0%.

Chart No:-10



4.4.10 Reason that most of firms do not like to go to public

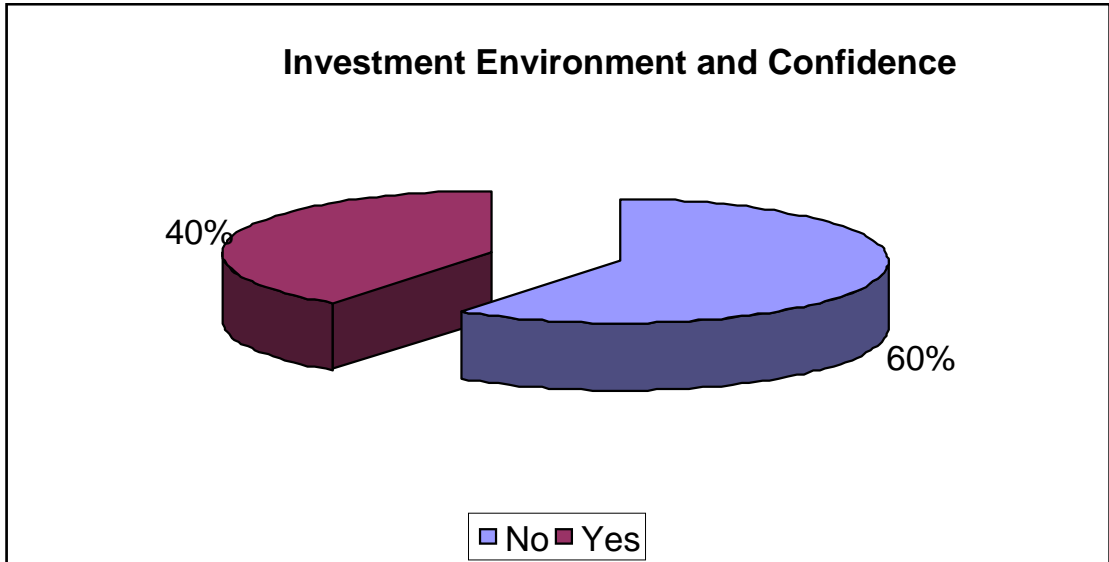
The prime objective of this question is to know how the investors think about the reason for why the companies performing very well in the market do not like to go to the public. Out of 100 respondents 30% respondents said that most of the firms do not like to issue their share to the public because of sharing their profit with the public. 20% investors think that after issuing shares to the public the management becomes complex. 20% investors think that the companies do not like the obligation from mass share holders. 20% people think they already have enough money so why they needs to issue share. Similarly, 10% think major cause is no statutory compulsion.

4.4.11 Investment environment and confidence

To understand the view of the investors regarding the impact of present condition of Nepal, this question was asked to them. 40% of the people think that the present

condition of Nepal is suitable for investment while 60% people think that Nepal's present condition is not so suitable to invest.

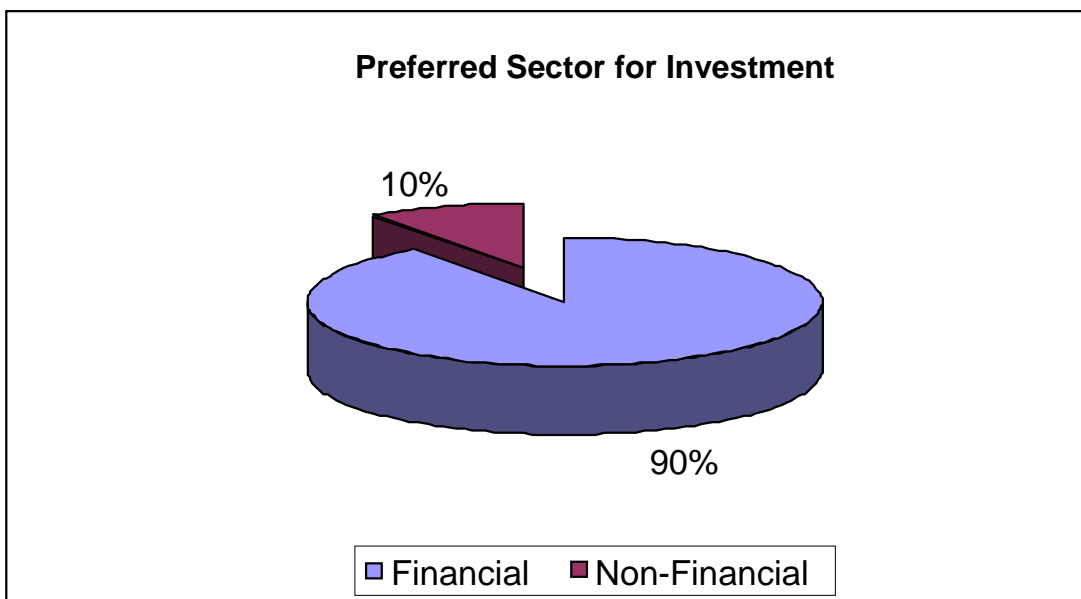
Chart No:-11



4.4.12 Preferred Sector for Investment

Most of the investors prefer to invest in the financial sectors rather than in non financial sectors. Among 100, 90% said that they prefer financial sectors while 10% said they prefer non financial sectors.

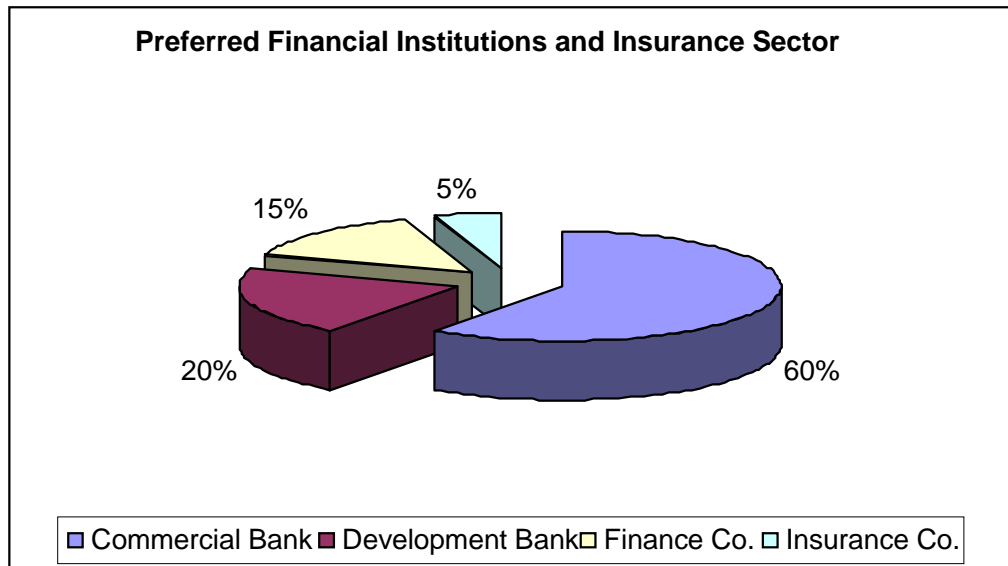
Chart No:-12



4.4.13 Preferred Financial Institutions and Insurance Sector

Most of the investors, 60%, said that they prefer to invest in Commercial Banks. 20% people said they prefer to invest in Development Banks. Investors preferring to invest in finance companies and insurance companies are 15% and 5% respectively.

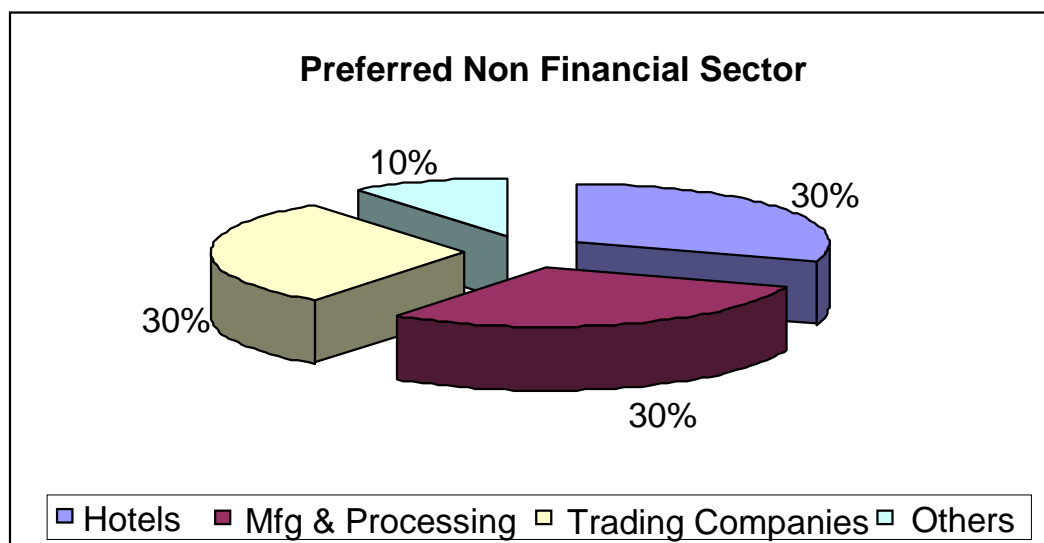
Chart No:-13



4.4.14 Preferred Non Financial Sector

Among non financial sectors, survey done among 100 investors 30% said they prefer to invest in trading companies. 30% said they prefer to invest in manufacturing and processing companies. 30% prefer to invest in hotels. Except these three companies, 10% people said they prefer to invest in other companies.

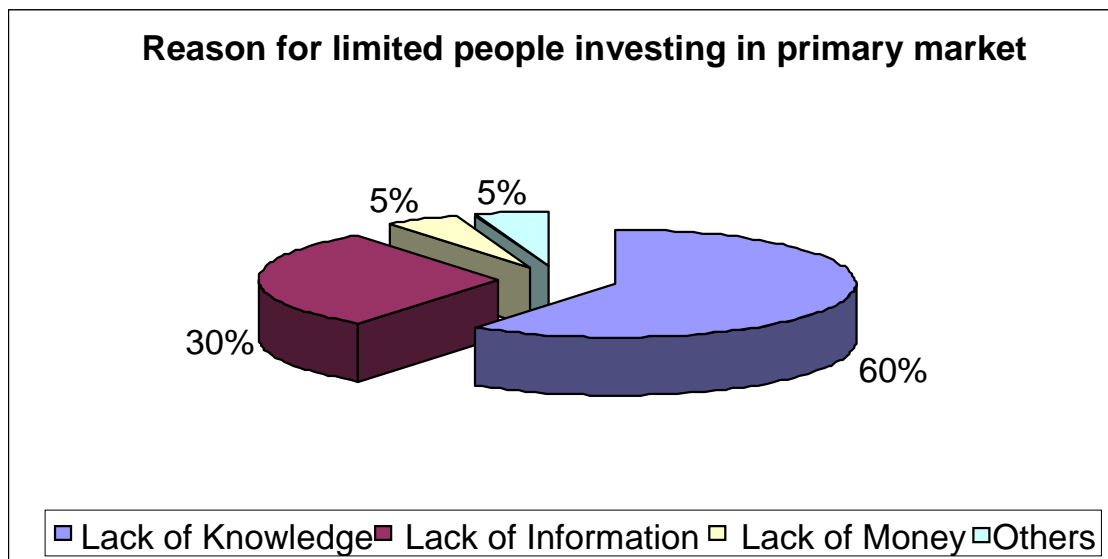
Chart No:-14



4.4.15 Reason for limited people investing in the primary market

Most of the people regard lack of knowledge is the reason for less number of people investing in the primary market. They are 60%. Lack of information to invest in primary market is the reason for less people investing in primary market is viewed by 30% investors among 100. Another reason lack of money is considered by 5% people. Investors saying other reason for it are 5%.

Chart No:-15



4.5 Major Findings

Along with secondary data, primary data were taken to justify of the study on the topic. The major findings of this study are as follows:

-) In the present circumstance, a single investor or a group of investor can adversely affect the market scenario. This is an underprivileged signal to the development of capital market.
-) Public response to the financial institutions and insurance sectors is higher than non financial sectors.
-) In financial intuitions and insurance sector, the subscription of commercial banks was 18.52 times in average, and of development banks was 27.66 times in average. This shows the public response to development banks was greater or more than commercial banks. Past data shows that the average subscription of finance

companies was 15.97 times while average subscription of insurance company was 16.71 times. Which shows the most responded sector was insurance sector.

-) In the non financial institutions the average subscription was 12.59 times. It shows non financial sector has also got cheering response from the public. Last few year's experience shows that there are limited non financial sectors available in the country that satisfied the investors.
-) The primary source of data shows that the major source of information of public offering is media. Majority investors are seemed to read the prospects of the company before investment as now people are well-educated.
-) People are getting aware to primary market to choose the right sector for investment. Investors are making portfolio of their investment, 70% investor invests their money in two to four companies.
-) People use personal fund as they have money rather than taking loan for investment in the primary market.
-) Future return is the encouragement factor for investment. The investors think that those companies who are performing well in the market will give better return in the future. People are more conscious about future.
-) 40% investors invest money in the primary market by lending from others. Majority of share holders invest less than Rs. 1,00,000 in shares through the primary market. 60% people want bonus share/ stock dividend as a return. 30% investors think that the companies do not like to go to public because of the reality of sharing profit with others. 20% people regard less chance of business failure as their confidence factor to invest their money in stocks of particular company.
-) People think that the present environment is not suitable for investment. 90% people prefer to invest their money in the financial institutions and insurance sector. 60% people think due to the lack of knowledge, limited number of people invests in primary market.
-) This study has found that public response to the primary market is highly positive due to lack of opportunities for investment in other sector and people feel more secure to invest in primary market. Despite this, public are attracted towards shares to increase their value of investment.
-) Pace of initial public offering in Nepal can be considered to be good. In the year 2007/08 the number of companies whose issue was approved by SEBON was 72.

This was the highest number of companies whose issue approved in a single year by the SEBON. In the two years 1996/97 and 1998/99 the lowest number of companies issue were approved by SEBON. In these two years only 5 company's issue were approved by the board.

) According to SEBON, the total numbers of listed companies are increasing day by day as investors are investing in financial and non-financial sector.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5. Summary

The securities market consists of new issue market and Stock Exchange. New securities are offered to the investors for the first time through Initial Public Offering. Primary market allows issuance of new securities in order to help the issuing companies to raise funds for starting new enterprise or for expansion and diversification of the existing ones. The securities market development in Nepal is in growth stage.

The basic objective of this study is to assess public response to the initial public offering; this study also focuses on the dealing process and pace of the initial public offerings.

The primary and secondary, both types of data are taken to analyze the objective of the study. Primary data are taken from direct questionnaire provided to the general investors. Secondary data are taken from the publication of SEBON, NEPSE and various merchant bankers.

The securities market plays a strong role in bringing into contact the firm and the individuals. So it can be said that the confidence of the public depends heavily on the functioning and the implementation of regulations of SEBON. Securities Board Nepal is the regulatory body of Nepalese stock market. Stock Exchange Limited is the trading body. Before going to the public, the company must be approved from SEBON. After getting approval, issuing company must give its information to the Nepal stock Exchange Limited and Company Register's Office.

Issuing company is free to choose one or more than one issue manager/s for the process of issuing the shares. Bankers to the issue also involve during this period. Issue manager has to publish a public notice in the national daily newspapers to offer public for investment. The notice must be published seven days before the application form distribute date. The issue manager has to publish and distribute the prospects. Prospects make easy to the public to decide whether to invest their money in the share or not. The application period must not be more than one month. If issue managers think the

required applications have been collected, they can close, anytime after one week, to receive application. If over application is received, the distribution of share should be decided through allotment procedure. For this purpose additional 45 to 90 days can be taken. After allotment within next 15 days the issue manager has to refund the money of those public whose application has not been accepted. Within 30 days of refund period the certificates has to be distributed.

According to Securities Board, 262 companies have got issue approval for public issue. There are 235 companies listed in Nepal Stock Exchange Limited. In a year 2007/08, maximum, 72 companies have got approval from SEBON. Minimum 5 companies have got approved form SEBON in each of the year 1996/97, 1998/99. Public response to the financial institutions and insurance sectors is higher than non financial sectors.

In financial intuitions and insurance sector, the subscription of commercial banks was 18.52 times in average, and of development banks was 27.66 times in average. This shows the public response to development banks was greater or more than commercial banks. Past data shows that the average subscription of finance companies was 15.97 times while average subscription of insurance company was 16.71 times which shows the most responded sector was insurance sector.

Similarly, of non financial institutions the average subscription was 12.59 times. It shows non financial sector has also got cheering response from the public. Last few year's experience shows that there are limited non financial sectors available in the country that satisfied the investors.

The primary source of data shows that the major source of information of public offering is media. Majority investors are seemed to be experienced in the market. 70% investor invests their money in two to four companies. These days, people are getting aware to primary market to choose the right sector for investment. They read prospects of the company before investing their money in stocks. Future return is the encouragement factor for investment. The investors think that those companies who are performing well in the market will give better in the future. 40% investors invest money in the primary market by lending from others. Majority of share holders invest less than Rs. 1,00,000 in shares through the primary market. 60% people want bonus

share/ stock dividend as a return. 30% investors think that the companies do not like to go to public because of the reality of sharing profit with others.

People think that the present environment is not suitable for investment. 90% people prefer to invest their money in the financial institutions and insurance sector. 60% people think due to the lack of knowledge, limited number of people invests in primary market.

This study has found that public response to the primary market is highly positive because people are getting aware of stock market, flow of money in the market is higher, people have realized the importance of the investment in shares, people have seen that most companies are distributing dividends, share prices of most companies are increasing and a lack of better alternative for investment.

Public Response in stock market is high due to lack of opportunities for investment in other sector. Despite this, public are attracted towards shares to increase their value of investment.

5.1 Conclusion

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.

As per this study, almost every sector is getting good response from general public. Specifically financial institutions and insurance sector is more preferable for general public than non financial sector.

Pace of initial public offering in Nepal seems to be irregular but now it is in increasing trend. The number of companies approved for public offering by SEBON in a single year varies from 18 to 5. The highest amount of issue approved by the board was Rs. 11895.60 million while the lowest amount of issue was Rs. 254.21 million. If we see on the basis of sector, SEBON had granted 74% approval for financial institutions and insurance sectors and 26% approval for non financial sectors. Out of 16772 million, the

financial and insurance sectors paid up capital were 65% and that of non financial sectors was 35%.

Even though the organization's process of public offering is quite long; the service provided to the investors seems to be satisfactory. If raising interest of the public in to primary market is one of the objectives, then the primary market of Nepal is fulfilling this role gradually.

5.2 Recommendations

To make the IPO more efficient, effective and convenient, following suggestions are recommended:

-) Investing in shares 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 the 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 as an avenue for cost effecting financing.
-) At present, there are nine issue managers in the market. Among them only four are actively doing their job, which may not be sufficient. They should be encouraged to involve more actively otherwise they should be panelized.
-) In Nepal, opportunity to invest in primary market is high as it is secure side for all. If they hurry to invest in any of the company, they may have to suffer from loss. So, to get opportunity to invest in profitable stock they should have patience on them.
-) Issuing company's post issue compliance practice is found to be poor. The issuer companies should be made aware in complying with the post issue legal provisions at the time of public issue. Issue manager should also take the responsibility to make the issuer companies aware of compliance issue.
-) 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 decision.

-) 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 sophisticated investors. So, it is recommended to the regulatory bodies to carry out programs using various media and spot program to inform and attract the potential investors, both individual and institutional, in investing into shares.
-) 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 stockbrokers and market makers in 1993, the securities market has been broadened and this has also developed specialization in providing services to securities market.

APPENDICES

Appendix-1

Nepal Stock Exchange Limited

List of Companies for the F/Y 2065/66

S.No	Name of the Company	Listed Shares	Paid up Value	Total Paid up Value	Closing Market Price	Market Capitalization
Commercial Banks.						
1	Nabil Bank Ltd.	4909950	100	490995000	1505	7389474750
2	Nepal Investment Bank Ltd.	2952930	100	295293000	800	2362344000
3	Standard Chartered Bank Ltd.	3746404	100	374640400	2345	8785317380
4	Himalayan Bank Ltd.	5362500	100	536250000	920	4933500000
5	Nepal SBI Bank Limited	4316544	100	431654400	335	1446042240
6	Nepal Bangladesh Bank Ltd.	7199260	100	719926000	265	1907803900
7	Everest Bank Ltd	3150000	100	315000000	870	2740500000
8	Bank of Kathmandu	4635809	100	463580900	430	1993397870
9	Nepal Industrial & Co.Bank	5000000	100	500000000	366	1830000000
10	Machhachapuchhre Bank Ltd	5500000	100	550000000	256	1408000000
11	Laxmi Bank Limited	6100000	100	610000000	285	1738500000
12	Kumari Bank Ltd	5000000	100	500000000	369	1845000000
13	Lumbini Bank Ltd.	5000000	100	500000000	180	900000000
14	Nepal Credit & Com. Bank	7000000	100	700000000	120	840000000
	TOTAL	69873397		6987339700		40119880140
Manufacturing and Processing Co.						
15	Nepal Battery Co. Ltd.	125425	100	12542500	585	73373625
16	Nepal Plywood & Bobin Co.Ltd.	110589	16	1769424	16	1769424
17	The Juddha Match Fact.(Birat)Ltd	80000	40	3200000	40	3200000
18	Morang Sugar Mills Ltd.	35827	100	3582700	87	3116949
19	Himal Cement Co.Ltd.	453115	100	45311500	150	67967250
20	Bottlers Nepal Ltd.(Balaju)	1948887	100	194888700	635	1237543245
21	Biratnagar Jute Mills Ltd.	68750	160	11000000	160	11000000
22	Nepal Lube Oil Ltd.	203936	100	20393600	350	71377600
23	Nepal Vanaspati Ghee Udhyog Ltd	101250	100	10125000	300	30375000
24	Raghupati Jute Mills Ltd.	1806966	100	180696600	100	180696600
25	Butwal Spinning Mills Ltd.	1306693	100	130669300	18	23520474
26	Gorakhkali Rubber Udhyog Ltd.	3833400	75	287505000	50	191670000
27	Jyoti Spinning Mills Ltd (ord.)	1270288	100	127028800	33	41919504
28	Arun Vanaspati Udhyog Ltd.	550343	100	55034300	58	31919894
29	Bottlers Nepal (Terai)Ltd.	1210000	100	121000000	413	499730000

30	Sayapatri Colour Lab.	34910	100	3491000	99	3456090
31	Harisiddhi Brick and Tile Fac.Ltd.	18650000	10	186500000	1.6	29840000
32	Birat Shoe Ltd.(Ord.)	165000	100	16500000	31	5115000
33	Uniliver Nepal Ltd.	920700	100	92070000	1631	1501661700
34	Nepal Khadya Udhyog Ltd.	90000	100	9000000	231	20790000
35	Nepal Med Ltd.	110849	100	11084900	30	3325470
36	Ace Laboratories (Nepal) Limited	272448	100	27244800	33	8990784
37	Himgiri Textile Industries Limited	480000	100	48000000	53	25440000
38	Shree Bhrikuti Pulp& Paper Ltd	3500000	100	350000000	50	175000000
39	Fluer Himalayan Limited	262102	75	19657650	75	19657650
40	Bansbari Leatherage& Tannery	500000	100	50000000	63	31500000
41	Shree Ram Sugar Mills Ltd	3045990	100	304599000	100	304599000
42	Nepal Bitumin and Barrel Udyog	210680	100	21068000	63	13272840
43	Himalayan Distillery Ltd.	4130000	100	413000000	100	413000000
	TOTAL	45478148		2756962774		5024828099
Hotels						
44	Yak and Yeti Hotel Ltd.(Ord.)	2209208	100	220920800	600	1325524800
45	Soaltee Hotel Ltd.	8697187	10	86971870	50	434859350
46	Taragaon Regency Hotel	7449875	100	744987500	40	297995000
47	Oriental Hotel Ltd.	5000000	100	500000000	50	250000000
	TOTAL	23356270		1552880170		2308379150
Others.						
48	National Pro.& Eco.Dev.Centre Ltd.	77355	100	7735500	100	7735500
49	Necon Air Ltd.(Ord.)	1792000	100	179200000	21	37632000
50	Nepal Film Dev.Co. Ltd.	446623	100	44662300	40	17864920
51	National Hydro Power Co.	4200000	100	420000000	100	420000000
52	Butwal Power Co. Ltd.	8390577	100	839057700	490	4111382730
	TOTAL	14906555		1490655500		4594615150
Tradings.						
53	Salt Trading Corporation	247777	100	24777700	315	78049755
54	Bishal Bazar Co. Ltd.	273000	100	27300000	1930	526890000
55	Nepal United Co Ltd.	52901	100	5290100	117	6189417
56	Plastic Trading Co. Ltd.	20000	100	2000000	110	2200000
57	Nepal Byapar Bikash Co.(Koshi)Ltd.	56018	100	5601800	110	6161980
58	Nepal Byapar Bikash Co.Ltd.	94929	75	7119675	100	9492900
59	Nepal Trading Ltd.	50000	50	2500000	56	2800000
60	Nepal Welfare Company Ltd.	41000	50	2050000	100	4100000
	TOTAL	835625		76639275		635884052
Insurance						
61	Nepal Insurance Co.Ltd.	789987	100	78998700	370	292295190
62	Rastriya Beema Sansthan	828999	100	82899900	1561	1294067439

63	National Life & Gen. Insu. Co. Ltd.	300000	100	30000000	431	129300000
64	Himalayan Gen. Insu. Co. Ltd.	300000	100	30000000	205	61500000
65	United Insurance Co. (Nepal) Ltd.	600000	100	60000000	128	76800000
66	Everest Insurance Co. Ltd.	600000	100	60000000	325	195000000
67	Premier Insurance Co. Ltd.	300000	100	30000000	210	63000000
68	Neco Insurance Co.	500000	100	50000000	95	47500000
69	Alliance Insurance Co. Ltd.	500000	100	50000000	110	55000000
70	Sagarmatha Insurance Co. Ltd.	561000	100	56100000	158	88638000
71	NB Insurance Co. Ltd.	1000000	100	100000000	88	88000000
72	Nepal Life Insurance Co. Ltd.	2500000	100	250000000	304	760000000
73	Life Insurance Co. Nepal	2500000	100	250000000	234	585000000
74	Prudential Insurance Co.	1000000	100	100000000	230	230000000
	TOTAL	12279986		1227998600		3966100629
Finance						
75	Nepal Finance and Saving Co. Ltd.	200000	100	20000000	147	29400000
76	NIDC Capital Markets Ltd.	600000	100	60000000	145	87000000
77	National Finance Co. Ltd.	432000	100	43200000	295	127440000
78	Nepal Share Markets Ltd.	1200000	100	120000000	120	144000000
79	Annapurna Finance Co. Ltd.	500000	100	50000000	431	215500000
80	Kathmandu Finance Limited.	300000	100	30000000	138	41400000
81	Peoples Finance Limited.	400000	100	40000000	100	40000000
82	Union Finance Co. Ltd.	659965	100	65996500	133	87775345
83	Citizen Investment Trust	400000	100	40000000	200	80000000
84	Nepal Aawas Bikas Beeta Co. Ltd.	363675	100	36367500	185	67279875
85	Narayani Finance Limited	354930	100	35493000	260	92281800
86	Ace Finance Company Ltd.	900000	100	90000000	251	225900000
87	Yeti Finance Company Ltd.	200000	100	20000000	210	42000000
88	Gorkha Finance Ltd.	250000	100	25000000	108	27000000
89	Samjhana Finance Co. Ltd.	225000	100	22500000	110	24750000
90	Universal Finance Ltd.	375000	84	31500000	130	48750000
91	Nepal Housing & Merchant Fin.	450000	100	45000000	214	96300000
92	General Finance Ltd.	200000	100	20000000	143	28600000
93	MahaLaxmi Finance Ltd.	495320	100	49532000	264	130764480
94	Lalitpur Finance Ltd.	225000	100	22500000	240	54000000
95	Goodwill Finance Co. Ltd.	337500	100	33750000	185	62437500
96	Paschimanchal Finance Co. Ltd.	440000	100	44000000	250	110000000
97	Pokhara Finance Ltd.	200000	100	20000000	365	73000000
98	Lumbini Finance Ltd.	600000	85	51000000	90	54000000
99	Nepal Merchant Bank & Fin. Co.	2000000	50	100000000	250	500000000
100	Siddhartha Finance Limited	200000	100	20000000	158	31600000
101	Alpic Everest Finance Co. Ltd.	400000	100	40000000	170	68000000

102	Nepal Bangladesh fin. & Leasing	500480	100	50048000	105	52550400
103	United Finance Ltd	600000	100	60000000	117	70200000
104	International Leasing & Fin. Co.	1200000	100	120000000	130	156000000
105	Shree Investment Finance Co. Ltd	400000	100	40000000	200	80000000
106	Central Finance Co. Ltd.	240000	100	24000000	160	38400000
107	Nepal Shree Lanka Merchant Bank	1000000	100	100000000	103	103000000
108	Premier Finance Co. Ltd	200000	100	20000000	123	24600000
109	Nava Durga Finance Co.Ltd.	200000	100	20000000	113	22600000
110	Butwal Finance Ltd	500000	100	50000000	120	60000000
111	Janaki Finance Ltd.	200000	100	20000000	200	40000000
112	Standard Finance Ltd.	600000	100	60000000	100	60000000
113	Om Finance Ltd.	200000	100	20000000	170	34000000
114	Cosmic Mer.Bank & Fin.	600000	100	60000000	132	79200000
115	Fewa Finance Co. Ltd.	200000	100	20000000	191	38200000
116	KIST Merchant Bank. & Fin	500000	100	50000000	140	70000000
117	World Merchant Bank Ltd	600000	100	60000000	117	70200000
118	Birgunj Finance Ltd	600000	100	60000000	130	78000000
	TOTAL	21248870		2009887000		3666129400
Development Bank Ltd.						
119	Nepal Industrial Dev. Corp.	2978784	100	297878400	120	357454080
120	Nepal Development Bank	1600000	100	160000000	88	140800000
121	Development Credit Bank Ltd.	1600000	100	160000000	305	488000000
122	Nirdhan Utthan Bank Ltd.	100000	100	10000000	100	10000000
123	Chhimek Vikash Bank Ltd.	100000	100	10000000	115	11500000
124	Paschimanchal Bikash Bank	200000	100	20000000	142	28400000
125	Diprox Development Bank	116000	100	11600000	120	13920000
	TOTAL	6694784		669478400		1050074080
	GRAND TOTAL	194673635		16771841419		61365890700
Bond & Debenture						
126	NICD Mutual Fund	10000000	10		10	
127	Himalayan Bank Debenture	360000	1000		1000	
128	Nepal Investment Bank Debenture	300000	1000		1000	

Appendix-2

Details of Listed Companies

COMMERCIAL BANK					
S. N.	Name of the Company	Listing Date	Address	Tel. No.	Fax No.
1	Nabil Bank Ltd.	24/11/1985	POB 3729, Nabil House, Kamaladi, Ktm. E-mail : nabil@nabil.com.np	4429546, 4429547 4435380-85	4429548
2	Nepal Investment Bank Ltd.	22/07/1986	POB 3412, Darbar Marg, Ktm.	4228229, 4242530	4226349
3	Standard Chartered Bank (Nepal) Ltd.	04/07/1988	POB 3990, Naya Baneshwor, Ktm. E-mail : ANZ@Dixitu.com	4782333	
4	Himalayan Bank Ltd.	05/07/1993	POB 20590, Tridevi Marg, Thamel, Ktm. E-mail : hbl@hbl.mos.com.np	4250201, 4227749 4227745, 4227756	4222800
5	Nepal SBI Bank Ltd.	17/01/1995	POB 6049, Hattisar, Kamalpokhari, Ktm. E-mail : nsblco@mos.com.np	4435516, 4435613	4435612
6	Nepal Bangladesh Bank Ltd.	24/12/1995	POB 9062, Bijuli Bazar, New Baneshwor, Ktm. E-mail : nbbl@mos.com.np	4490195, 4490698 4490767, 4490770	4490824
7	Everest Bank Ltd.	07/04/1996	POB 13384, EBL House, Lazimpat, Ktm. E-mail : elb@mos.com.np	4443377, 4443863 4443864	4443160
8	Bank of Kathmandu Ltd.	17/07/1997	POB 9044, Kamal Pokhari, Ktm. E-mail : info@bok.mos.com.np	4414541	4418990
9	Machhapuchhare Bank Ltd.	28/05/2003	Central Off. POB:41, Naya Bazar, Pokhara-9, Corp: off: POB:12427, Putalisadak, Ktm. Email: machbank@.mbl.com.np	061-530900 4425356	530500
10	Nepal Industrial & Commercial Bank Ltd.	13/06/2000	Central Off. POB 252 Main Road, Biratnagar Email: nicb@brt.wlink.com.np City Off. New Road. POB 7367 Ktm Email: newroad@nicbank.com.np	021-521921 4243718	522748 4227507
11	Laxmi Bank Ltd.	20/04/2004	POB. 61, Adrashanagar, Birgunj, Parsa. Email: info@laxmibankltd.com	021-521921 4243718	530393
12	Kumari Bank Ltd.	29/07/2004	POB 21128, Putalisadak, Kathmandu Email: info@kbl.com.np	4232112/1 13	423196 0
13	Lumbini Bank Ltd.	10/11/2004	Central Off., Narayanghat, Chitwan Corp: Off: Durbarmarg, Kathmandu Email: lumbiniktm@mos.com.np	056- 524150, 521919 4243158, 4243165	056- 524250 422759 0

14	Nepal Credit and Commerce Bank Ltd.	31/01/2005	Central Off., Bhairahawa, Siddharthanagar Corp: Off: POB 12559, Bagbazar, Kathmandu Email: corporate@nccb.com.np	071-521953 4246991	071-521953 424461 0
Development Bank					
S.N .	Name of the Company	Listing Date	Address	Tel. No.	Fax No.
1	Nepal Industrial Development Corporation	18/03/1985	POB 10, Darbar Marg, Ktm. E-mail : nide@Wlink.com.np	4228322, 427220	4227428
2	Nepal Development Bank Ltd.	31/12/2001	POB 11017, Heritage Plaza, Ktm. Email: ndb@ccsl.com.np	4245740, 4245759, 4254639	4245753
3	Development Credit Bank Ltd.	13/06/2002	POB 7716, Kathmandu Plaza, Kamaladi, Ktm. Email: info@dcbl.com.np	4231120, 4231490	4231469
4	Nirdhan Uthan Bank Ltd.	24/04/2003	Central Off. POB:41, Siddharthanagar, Rupandehi, Email: nirdhan@mail.com.np	071-523764, 523768	521647
5	Chhimek Bikash Bank Ltd.	28/12/2004	Central Off. Ajaramar Road, Hetauda Sanogaucharan, Kathmandu Email: cbb@ntc.net.np	057-521575 4415825	057-522460
6	Paschimanchal Bikash Bank Ltd.	28/12/2004	Central Off. Mahendrapark, Butwal, Rupandehi,	071-549899, 549900	071-549901
7	Deprox Development Bank Ltd.	29/05/2005	Sahid Path, Narayanghat, Chitawan Kathmandu office: Email: ddbank@narayani.com.np	056-527900 4262396	056-527900
Finance Company					
1	Nepal Finance & Saving Co. Ltd.	02/02/1993	POB 6867, Kamaladimode, Putalisadak, Ktm. E-mail: nefinco@info.com.np	4220031, 4247020	4241237
2	NIDC Capital Markets Ltd.	28/06/1993	POB 7423, Kamal Pokhari, Ktm. E-mail: ncml@wlink.com.np	4423398, 4415958 4423219	4423401
3	National Finance Co. Ltd.	06/07/1993	POB 6942, Pako, New Road, Ktm. E-mail : nfc@nfcl.wlink.com.np	4242302, 4228380 4240134	4222920
4	Nepal Share Markets Co. Ltd.	28/10/1993	POB 7958, Ram Shah Path, Ktm.	4425864, 4426984 4430153, 4250427	4430109 , 4241696
5	Annapurna Finance Company Ltd.	22/09/1994	POB 288, Chipledhunga, Pokhara - 4 E-mail : anapurna@afc.mos.com.np	061-522671, 524556	525797
6	Kathmandu Finance Ltd.	13/07/1995	POB 5090, New Plaza, Putlisadak, Ktm.	4430506, 4430527	

7	Peoples Finance Ltd.	07/08/1995	POB 9416, K. K. M. Building, Tripureswor, Ktm. E-mail : finance@peoples.Wlink.com.np	4255829, 4262405, 4252178	4260951
8	Union Finance Co. Ltd. Promoter's Share Ordinary Share	27/11/1995 16/07/2002	POB 9263, Kathmandu Plaza, X Block, Third Floor, Kamaladi, Ktm. E-mail : union@unlimit.com.np	4240779, 4240813, 4231512	4246551
9	Citizen Investment Trust	26/12/1995	POB 5823, Putalisadak, Ktm.	4228759, 4240598	4240645
10	Nepal Abas Bikash Bitta Co. Ltd.	01/05/1996	POB 5624, Naya Baneshwor, Ktm.	4780259, 4782753	4782753
11	Narayani Finance Ltd.	25/06/1996	City Office : POB 4861, Baluwatar, Ktm. Central Office : POB 03, Sahid Chowk, Narayanghat, Chitwan E-mail : narayani@nafil.mos.com.np	4422554 056-520313, 520345	4426690 522230
12	Ace Finance Co. Ltd.	20/11/1996	POB 13383, Kantipath, Ktm E-mail : ace@mos.com.np	4249396, 4249388 4266101, 4266102	4249477
13	Yeti Finance Co. Ltd.	23/01/1997	POB 35, Main Road, Hetauda, Nepal Contact Office: Teku, Ktm.	057-520822, 521842 4240711, 4226423	521842
14	Gorkha Finance Co. Ltd. Promoter's Share Ordinary Share	19/02/1997 27/02/2003	POB 10951, Siddhi Bhowan Kantipath, Ktm.	4222508, 4220337- 38 445442	4258239 4445442
15	Shamjana Finance Co. Ltd.	28/03/1997	City Office : POB 10457 Ward No. 30 Kamalachhi , Ktm. Head Office : Banepa, Kavre	4231051 011-661207	4231050
16	Universal Finance Ltd.	10/04/1997	POB 12396, Siddhi Bhavan, Kantipath, Kathmandu.	4230234, 4240998, 4226002	4245895
17	Nepal Housing & Merchant Finance Ltd.	08/08/1997	POB 10609, Batule ghar, Dillibazar, Ktm. E-mail : nhmf@ccsl.com.np	4430528, 4430838, 4436182	4436183
18	General Finance Ltd.	20/04/1998	Central Office: POB 20258 Chabahil, Ktm. Branch Office: New Road (Ranjana Galli), Ktm.	4484753, 4484754 4258880	4484753

19	Mahalaxmi Finance Ltd.	31/08/1998	POB 65, Alikiiya Road, Birgunj	051-523271, 529143	524340
20	Lalitpur Finance Co. Ltd.	08/10/1998	GPO 8975, EPC 585, Lagankhel, Lalitpur Email: lalitpur@fclWlink.com.np	5536598, 5523850	5531916
21	Goodwill Finance Co. Ltd.	22/12/1998	POB 8867 Dillibazar, Ktm. Email: goodwill@FinanceWlink.com.np	4422290, 4422878	4416052
22	Pashchimanchal Finance Co. Ltd.	20/05/1999	POB 11, Butwal, Rupandehi	071-541609, 543924	541924
23	Pokhara Finance Co. Ltd.	02/09/1999	POB;470, Gairapatan, Pokhara Email: :pfl@ Pofil.mos.com.np	061-524942, 524975 531145	061- 531610
24	Lumbini Finance & Leasing Co. Ltd.	08/01/2001	POB 11503, Tridavi Marga, Thamel, Ktm.	4423443, 4423445	4425655
25	Siddhartha Finance Ltd.	20/06/2001	Siddhartha Nagar, Bhairahwa Contact Office: Ramshahpath, Ktm. Email: sfil@mos.com.np	071- 521478, 4442968	523272
26	Nepal Merchant Banking & Finance Ltd.	20/06/2001	POB 11543, I.J. Plaza, Darbarmarg, Ktm. Email: nmb@Wlink.com.np	4246160	4246156
27	Alpic Everest Finance Ltd.	12/10/2001	POB 12034, Aradhana Complex, Bagbazar, Ktm. Email: alpic@info.com.np	4241605, 4228470	4241605
28	Nepal Bangladesh Finance & Leasing Co. Ltd.	12/10/2001	Head Off: Main Road, Biratnagar, Liaison Off: POB 21754, New Banashwor, Ktm.	021-530903, 530972 4490195, 4490770	521851
29	International Leasing & Finance Co. Ltd.	26/11/2002	POB 8975, Naya Baneshwor, Ktm.	4480067, 4481010, 4481011	4482267
30	United Finance Ltd.	26/11/2002	POB 12311, I.J.Plaza, Durbar marg, Ktm. Email: ufl@mos.com.np	4241648, 4241649	4241645
31	Shree Investment & Finance Co. Ltd.	14/02/2003	POB 10717,Dillibazar Ktm. Email: shreefin@finance.mos.com.np	4421779, 4422038, 4426146, 4415344	4421779
32	Central Finance Co. Ltd.	18/03/2003	POB 7062, Kupondol, Lalitpur Email: central@ntc.net.np	5522289, 5536420, 5544517	5523526
33	Nepal Srilanka Merchant Bank Ltd.	24/04/2003	POB 12248, N.S.L.B Building, Kamaladi, Kth.	4440300, 4440824, 4441200, 4441198	441034
34	Premier Finance	28/05/2003	POB 13471, Manbhawon, W.	5521402,	5550412

	Co. Ltd.		No.5, Lalitpur	5521223	
35	Navadurga Finance Co. Ltd.	05/08/2003	POB.25, Itachha, Bhaktapur. Email: mafaco@infoclub.com.np	6612999, 6614699	6611999
36	Butwal Finance Ltd.	30/12/2003	POB.25, Amarpath 7, Butwal, Rupandahi. Email: butwalfin@bccicom.np	071-44288, 44888	48711
37	Janaki Finance Co. Ltd.	30/12/2003	POB.30, Bhanuchok, Janakpurdham, Dhanusha	041-21586, 23339	23340
38	Standard Finance Ltd.	02/03/2004	POB.8973 NCP.164, Ramsahapath, Kathmandu	4244504, 4240004	4253368
39	Om Finance Co. Ltd.	02/03/2004	POB.538, Newroad, Pokhara.	061-32600, 32700	32800
40	Cosmic Merchant Banking & Finance Ltd.	02/05/2004	POB.21507,Lal durbar, Kathmandu Email: cmbfl@wlink.com.np	4222154, 4223178	4232678
41	Fewa Finance Ltd.	17/09/2004	Chipledunga, Pokhara	061- 538300	061- 538738
42	Kist Merchant Banking & Finance Ltd.	28/12/2004	POB 8975, Kamalpokhari, Kathmandu Email: kistfinance@wlink.com.np	4435463, 4434457, 4444480	444483 8
43	World Merchant Banking & Finance Ltd.	31/01/2005	Kajilal Bhawan, Hetauda wmbfl@ntc.net.np	057- 521479, 521129, 525100	057- 523229
44	Birjung Finance Co. Ltd.	20/03/2005	Nina Commercial Complex, Adrasha Nagar, Birgunj Email: bfl@bfl.com.np	051- 523468, 051- 527429	051- 530764
Insurance Company					
1	Rastriya Beema Sansthan	08/11/1984	POB 527, Ramsaha Path, Ktm. E-mail : ema@Wlink.com.np	4262520	4262610
2	Nepal Insurance Co. Ltd.	08/11/1984	POB 3623, NIC Building, Kamaladi, Ktm. E-mail : nic@wlink.com.np	4221353, 4245565/68	4225446
3	National Life & General Insurance Co. Ltd.	20/12/1988	POB 4332, Lazimpat, Ktm.	4412625, 4416556, 4418113, 4426002	4416427
4	Himalayan General Insurance Co. Ltd.	26/01/1994	POB 148, Darbar Marg, Ktm. E-mail : ktm@hgi.com.np	4231788, 4231581	4223906 , 4226604
5	United Insurance Co.(Nepal) Ltd.	01/08/1994	POB 9075, I.J. Plaza, Darbar Marg, Tindhara Pathashala, Ktm. E-mail : uic@dmarg.mos.com.np	4230958, 4240957, 4246686, 4220492	4246687
6	Everest Insurance Co. Ltd.	03/04/1995	POB 10675, Siddhi Bhawan, Kantipath, Ktm. E-mail : eveinsco@mos.com.np	4240363, 4243631 4255679, 4255680	4240083
7	Premier Insurance Co. Ltd.	03/05/1995	POB 9183, Ram Rukmani Sadan, Kamaladi, Ramsah Path, Ktm.	4417765, 4420549,	4420554

			E-mail : premier@picl.com.np	4420659	
8	Neco Insurance Co. Ltd.	30/03/1998	POB 12271, Hattisar, Laldarbar, Ktm. E-mail : info@necoins.mos.com.np	4427354, 4427355	4418761
9	Alliance Insurance Co. Ltd.	14/04/2000	City Off Kings way, Ktm. Redg Off. POB 10811. Sitapaila, Ring Road. Email: SK@aicwlink.com.np	4222836, 4253166 4242484	4241411
10	Sagarmatha Insurance Co. Ltd.	15/03/2001	POB 12211, Kathmandu Plaza, Kamaladi, Email: sagarmatha@insuranceWlink.com.np	4240896, 4241245, 4247941	4247947
11	N.B. Insurance Co. Ltd.	13/04/2001	Bagbazar, Ktm.	4418862	
12	Nepal Life Insurance Co. Ltd.	22/01/2003	Heritage Plaza, Kamaladi, Kathmancu. Email: nlic@mos.com.np	4223440, 4241212, 4223189	4240143
13	Life Insurance Corporation (Nepal) Ltd.	21/03/2003	POB 21905, Kathmandu Plaza, Kamaladi, Ktm. Email: lic@licnepal.com	4229688	4229689
14	Prudential Insurance Company Ltd.	10/11/2004	Central Off. Birgung, Parsa Cor. off: Triveni Complex, Putalisadak, Kath	057-531681,522588 4219860, 4256704	057-522726 4219527
HOTELS					
1	Yak & Yeti Hotel Ltd. Ordinary Share Preference Share	22/10/1984 11/04/1994	POB 1016, Lal Darbar, Darbar Marg, Ktm. E-mail : businesscentre@yakandyeti.com	4248999, 4240520	4227782
2	Soaltee Hotel Ltd.	07/02/1993	POB 3800, Tahachal, Ktm. E-mail : shl@shicp.com.np	4273999	4272206
3	Taragaon Regency Hotels Ltd. Ordinary & Preference Share (Promoter) Ordinary & Preference Share (Public)	13/10/1998 18/11/1999	POB 9604, Bouddha, Ktm.	4491234	4470409 , 4481786
4	Oriental Hotels Ltd.	21/08/2001	POB 2269, Lazimpat, Ktm.	4411818, 4423888	4411720
Manufacturing and Processing Company					
1	Nepal Battery Co. Ltd.	21/06/1984	POB 3194, BID, Balaju, Ktm. E-mail : eveready@mos.com.np	4350909, 4350954	4350913
2	The Juddha Match Factory (Biratnagar) Ltd.	23/07/1985	Office : Rainbasera, Gangapath, Ktm. Fact.: Rani, Mills Area, Biratnagar, Morang	4221574	
3	Morang Sugar Mills Ltd.	01/10/1985	Head Office: POB 33, Rani, Mills Area, Biratnagar-20	021-522733 524792 4271014	526517 4271704

			Branch Office: POB 483, Salt Trading Corporation Ltd. Building Kalimati, Ktm.-13		
4	Nepal Plywood & Bobbin Co. Ltd.	30/10/1985	Office : Rainbasera, Gangapath, Ktm. Head Office: Purniya, Biratnagar, Morang	4221574, 021-522776	
5	Himal Cement Co. Ltd.	28/07/1986	POB 321, Chovar, Ktm.	4331761-4, 4330958	
6	Bottlers Nepal Ltd.	05/11/1986	POB 2253, BID Balaju, Ktm.	4350602, 4351871	4350227
7	Nepal Lube Oil Ltd.	14/12/1986	Corporate Off : POB 1916, Chaudhari Tower, Jhamishikhel, Lalitpur. Fact.: Amlekhgunj, Bara E-mail : cg_gulf@mos.com.np	5545891-95 053-529104	4244763 529104
8	Biratnagar Jute Mills Ltd.	14/12/1986	Office : Dillibazar, Ktm. Fact. : Mills Area, Biratnagar - 20, Morang	4423246 021- 525058, 523243, 523246-48	530242
9	Nepal Banaspati Ghee Udyog Ltd.	05/06/1988	City Office: POB 483, Kalimati, Ktm. Fact. : POB 8, HID, Hetauda, Narayani Zone E-mail : santintd@Wlink.com.np	4271270, 4271014 057- 520369, 520660, 520752, 520753	427170 4 520751
10	Sri Raghupati Jute Mills Ltd.	17/06/1988	Head Office: POB 22, Golchha House, Main Road, Biratnagar Fact.: POB 114, Mills Area,Rani, Biratnagar E-mail : raghujm@ccls.com.np	021-530316 021-524896	524809
11	Butwal Dhago Karkhana Ltd.	14/11/1988	City Office: POB 3550, Anamnagar, Ktm. Head Office: POB 37, Ramnagar, Butwal	4251295, 4252537 071-540963	425129 3 540308
12	Gorakhkali Rubber Udhog Ltd.	08/03/1991	Office: POB 1700, Kalimati, Ktm. Fact.: Majuba, Deurali, Gorkha E-mail : gral@wlink.com.np	4271102, 4274537 065-540069	427036 7 540080
13	Jyoti Spinning Mills Ltd. Ordinary Share Preference Share	27/09/1991 27/09/1991	GPO Box 133, Jyoti Bhawan, Kantipath, Ktm. Fact. Jyoti Firm, POB: 1, Parwanipur, Birgunj E-mail : jsml@jyoti.mos.com.np	4227517, 4225490 051- 539405/7/8	422472 0, 422631 4 539409
14	Bottlers Nepal (Terai) Ltd.	07/11/1991	Office: POB 2253 BID Balaju, Ktm.. Fact: POB: 20, Bharatpur-9, Chitwan	4350602 056-520416, 520031	435022 7 520316
15	Arun Vanaspati Udyog Ltd.	16/12/1991	Office : GPO 363, Golchha House, Ganabahal, Ktm.	4250001, 4221101	422482 3

			Fact: POB 24, 25 Duhabi, Sunsari M.D.'s Office : Golchha House, Main Road, Biratnagar E-mail : ovul@ccsl.com.np E-mail : golcha@ccsl.com.np	025-540049-51 021-525310, 525081	524395 524395
16	Sayapatri Colour Lab. Co. Ltd.	03/09/1992	Ward No. 1, Jamal, Ktm.	4227692	
17	Harisiddhi Brick & Tiles Factory Ltd.	05/05/1994	City Office : POB 476, Kamaladi, Ktm. Fact. : Harisiddhi, Lalitpur E-mail : nbgroup@mos.com.np	4241344, 4248327 4222637, 4240698 5521451, 5521178	424066 5 552277 6
18	Nepal Lever Ltd.	22/09/1994	Corporate Off: POB 7765 Heritage Plaza, Ktm. Fact.: POB 11, Hetauda, Makawanpur E-mail : nilktm@mos.com.np	4253351, 4269218 057-521632, 521958	425409 7 520655
19	Khadhya Udyog Ltd.	25/11/1994	City Office :POB 483, Kalimati, Ktm. Fact : POB 6, Hetauda Industrial District E-mail : noonkath@mos.com.np	4271395 057-520127, 520315	427170 4 520276
20	Birat Shoe Ltd. Ordinary Share Preference Share	25/10/1994 25/10/1994	Head Office : POB 1887, Dillibazar, Ktm. Fact.: Budhanilkantha, Ktm.	4418429 4371666, 4290666	441485 9
21	Nepal Med Ltd.	17/01/1995	POB 6943, Ktm.	4214083	
22	Ace Laboratories (Nepal) Ltd.	21/03/1995	City Office : POB 4250, Dhakhwa Building (First Floor), Dharmapath, Ktm. Fact. : POB 110, Simara, Bara, Birgunj E-mail : acelabnp@Wlink.com.np	4252908, 4241501, 4230681 4230681 053-520229	422291 1
23	Himgiri Textile Industries Ltd.	28/05/1995	Registered Office: Ward No. 7, Birgunj Cont. Off. POB.2441, Ranjana Galli, Ktm. Birgunj Office: POB, 32, Adersa agar, Birgunj Fact.: Parwanipur, Parsa	4250015, 4230429 4421184, 4421884 051-522799	422540 6 422448 4
24	Shree Bhrikuti Pulp and Paper Nepal Ltd.	01/06/1997	Head Office: POB 3259, Naya Baneswor, Ktm. Fact.: Gaidakot, Nawalparasi Email: bhrikuti@mos.com.np	4486155, 4471030 056-520230, 520266	447244 3 521176
25	Fleur Himalayan Ltd.	03/09/1997	Mkt. Office : Gha -3, Pulchowk, Latitpur Fact.: Adarsha Nagar, Birgunj E-mail : nplmkt@Wlink.com.np	5529436, 5529059 051-521097	552943 4 522084
26	Leatherage Bansbari Tannery and Shoe Factory Ltd.	01/04/1998	Fact.: Ward No. 5, Khirindpur, Chanauta, Krishna Nagar	076-520166	520166
27	Sri Ram Sugar		Registered Off:Golchha	4250001,	424972

	Mills Ltd. Ordinary Share Debenture	18/04/1999 18/04/1999	House, Ganabahal, Ktm. Fact: Mahammadpur (Garuda), Rautahat District E-mail : sriram@golchha.com	4250004 055-529506	3 529504
28	Nepal Bitumen and Barrel Udhyog Ltd.	10/05/1999	City Office: POB 4508, Pulchok, Lalitpur Fact.: Amlekhgunj, Bara E-mail: bitumin@panchakanya.mos.com.n p	5536311, 5520343 053- 529103	553681 5 529109
29	Himalayan Distillery Ltd.	21/03/2003	POB 423 Jawalakhel, Lalitpur Email: jd@ecomail.com.np	5522010, 5538239, 5538875	553823 6
Trading Company					
1	Bishal Bazar Co. Ltd.	08/11/1984	POB 4565, Sukrapath, Ktm.	4242185, 4222423 4228343	424889 3
2	Salt Trading Corporation Ltd.	08/11/1984	POB 483, Kalimati, Ktm. Email: noonkath@mos.com.np saltkath@mos.com.np	4270315, 4271208, 4271014	427170 4, 427139 5
3	Nepal United Co. Ltd.	15/06/1988	POB 1389, 6/286, Ganabahal, Ktm.	4249453, 4250009	424998 0
4	Plastic Trading Co. Ltd.	25/07/1989	POB 4871, Teku, Ktm.	4262258	
5	Nepal Byapar Co. (Koshi) Ltd.	14/09/1989	POB 135, Ward No. 17, Biratnagar, Morang	021-525119, 525289	
6	Nepal Byapar Bikash Co. Ltd.	04/09/1990	POB 2714, Kuleshwor, Ktm.	4283007, 4224514	422613 4
7	Nepal Trading Ltd.	18/12/1992	POB 7146, Chakra Path, Sanepa, Lalitpur	5522941	553573 0
8	Nepal Welfare Company Ltd.	12/12/1994	POB 9478, Maitidevi, Ktm.	4429406	
OTHERS					
1	National Productivity & Economic Development Centre Ltd.	18/06/1989	POB 1318, BID Balaju, Ktm. E-mail : npedc@Wlink.com.np	4350522, 4350566 4350567	435053 0
2	Necon Air Ltd. Ordinary Share Preference Share	09/05/1994 09/05/1994	POB 10038, Neco Complex Building 3 rd Floor, Baneswor, Ktm. E-mail : info@necon.mos.com.np	4473860	447167 9
3	Nepal Film Development Co. Ltd.	15/07/1996	GPO 549, Balaju Industrial Estate, Ktm. E-mail : nfdc@complex.mos.com.np	4350113, 4350947	435051 1
4	National Hydro Power Co. Ltd.	02/07/2003	POB 6518, Kathmandu Email: nspc@info.com.np	4437359, 4437362	441041 1
5	Butwal Power	28/12/2004	POB 11728, Kathmandu	5535595,	552790

Company Ltd.				5538404	1
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Appendix-3

Securities Market Indicators (Fiscal Year 1994/95 - 2007/08)

(Rs. in Ten Million)

Securities Market Indicators	Fiscal Year													
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Number of Issue Approved	12	12	5	12	5	9	9	16	17	16	12	34	31	72
Total Amount of Issue Approved (Rs.)	25.42	29.37	33.22	46.24	25.80	63.03	71.72	155.51	85.36	154.72	131.58	269.21	275.76	1189.56
Total No. of Public Issue	10	12	5	12	5	6	9	12	18	14	14	29	34	64
Total Amount of Public Issue (Rs.)	17.40	29.37	33.20	46.24	25.80	32.69	41.05	144.14	55.65	102.75	162.68	244.33	229.55	1066.82
Paid-up Value of Listed Securities (Rs.)	296.18	335.85	447.65	495.98	648.74	734.74	816.52	968.50	1256.01	1340.49	1677.18	1995.80	2179.88	29465
Market Capitalization (Rs.)	1296.30	1229.50	1269.80	1428.90	2350.80	4312.33	4634.94	3470.39	3524.04	4142.48	6136.59	9681.37	18630.13	36624.75
Annual Turnover (Rs.)	105.43	21.56	41.62	20.26	150.00	115.70	234.42	154.06	57.58	214.43	450.77	345.14	836.01	2282.08
% of Turnover on Paid up Value	5.60	6.42	9.30	4.09	23.12	15.75	28.71	15.91	4.58	16.00	16.88	17.25	38.35	72.45
% of Turnover on Market Capitalization	8.13	1.75	3.28	1.42	6.38	2.68	5.06	4.44	1.63	5.18	7.35	3.57	4.48	6.23
% of Market Capitalization on Nominal GDP at Market Price	6.17	5.14	4.71	4.93	7.12	11.77	11.78	8.56	8.09	8.77	12.06*	17.35#	27.78*	44.62#
Market Day	242	240	239	237	231	240	231	246	238	243	236	228	232	235
Average Daily Turnover (Rs.)	0.44	0.09	0.17	0.09	0.65	0.48	0.10	0.63	0.24	0.88	1.91	1.51	3.60	9.71
Total Number of Listed Companies	79	89	95	101	107	110	115	96	108	114	125	135	135	142
Number of Company Traded	53	59	67	68	69	69	67	69	81	92	102	110	116	136
Number of Shares Traded ('000)	3901	2954	9443	1195	4857	7674	4989	6005	2428	6468	18434	122.22	18147.25	28599.77
Number of Transaction	21472	17943	12428	15483	15814	29136	46095	42028	69163	85533	106246	97374	120510	150800
Number of Listed Securities ('000)	58247	65880	85193	90107	105632	114057	124971	122685	159958	161141	194673	226540	243504	321131
NEPSE Index (points)	195.48	185.61	176.31	163.35	216.92	360.70	348.43	227.54	204.86	222.04	286.67	386.83	683.95	963.36
Exchange Rate (selling) (U.S. \$1 = Rs.)	49.59	50.94	56.80	57.30	68.25	68.80	71.10	75.40	75.35	75.00	70.94	74.69	70.64	69.10

Appendix-4

Questionnaire:
"Public Awareness and Response to Initial Public Offering in Nepal"

Dear Respondent,

I am doing a research on the topic of “Public Response to Initial Public Offering in Nepal” in Partial Fulfillment of the Requirements of the degree of Master of Business Studies (M.B.S.) Your sincere and unbiased response will be highly beneficial and as such will be appreciated. The information you provide hereby will be kept confidential and be solely used for this research purpose.

Respondent’s Profile

Name:

Occupation:

Address:

1. How do you get information for opportunity to invest in primary market?

- a. Through Media
- b. Through brokers
- c. Through issue manager/issuing company
- d. Others

2. How many companies have you invested in?

- a. Single company
- b. 2-4 Companies
- c. 5-8 Companies
- d. More than 8 Companies

3. Do you read prospects of the company before investment?

- a. Yes
- b. No

4. What is the thing that you look in to investment in primary market? (Tick one or more, if applicable)

- a. Corporate image
- b. Management team
- c. Future Return
- d. Other (please specify).....

5. What is the motivating factor that you come to Investment in Public Offering?

- a. The offering company is performing well in the market.
- b. There is possibility to sell those shares in high price in short run of the period
- c. There is no brokerage commission to pay in primary market.
- d. Just for experiment.

6. What type of fund do you utilize for the primary market?

- a. Personal Fund
- b. Loan/Credit

7. How much Investment do you make for any single company in average through initial public offering?

- a. Less than Rs 1,00,000
- b. Rs. 1,00,000 - Rs 5,00,000
- c. Rs 5,00,000 - Rs. 1,00,0000
- d. More than 10,00,000

8. In what expectation do you prefer to invest?

- a. Stock dividend/ Bonus Shares
- b. Cash Dividend
- c. Right Share
- d. Other (Please specify).....

9. Due to which of the following reason/s you think the most of firm do not like to going in public?

- a. Obligation to mass shareholders
- b. Enough capital generated internally
- c. No statutory compulsion
- d. Sharing profit with public
- e. Complexity in management

10. Do you think Nepal's present condition is suitable for investment?

- a. Yes.
- b. No.

11. Do you have any past experience to investment in Public Offering?

- a. Yes
- b. No

12. Which sector would you prefer to investment?

- a. Financial
- b. Non Financial

13. In the financial instantiation and insurance sector, which sector would you prefer to invest?

- a. Commercial Banks
- b. Development Banks
- c. Finance Companies
- d. Insurance Companies

14. In Non Financial Instantiation which sector would you prefer to invest?

- a. Hotels
- b. Manufacturing and Processing Companies
- c. Trading Companies
- d. Other Companies

15. There are limited number of people who invest their money in the primary market, what do you think the reason of it?

- a. Lack of Money
- b. Lack of Information
- c. Lack of Knowledge
- d. Others (Please Specify).....

Thank You!

Appendix-5
Processing of Primary Data:

Query	Description		Number	Percentage
1. Source of information for opportunity to invest in IPO through:	a.	Media	50	50
	b.	Brokers	30	30
	c.	Personal Relation	20	20
	d.	Others	0	0
Total			100	100

Query	Description		No	%
2. Experience of investment:	a.	Yes	90	90
	b.	No	10	10
Total			100	100

Query	Description		No	%
3. No. of invested companies:	a.	Single Company	20	20
	b.	2-4 Companies	70	70
	c.	5-8 Companies	10	10
	d.	More Than 8 Companies	0	0
Total			100	100

Query	Description		No	%
4. Reading of Prospects before investment	a.	Yes	85	85
	b.	No	15	15
Total			100	100

Query	Description		No	%
5. Investor's preference for investment	a.	Corporate Image	30	30
	b.	Management team	6	6
	c.	Future Return	60	60
	d.	Other	4	4
Total			100	100

Query	Description		No	%
6. Motivating Factor of Investment:	a.	Company's Performance	30	30
	b.	High market Price in short run period	60	60
	c.	No brokerage commission	0	0
	d.	Just for experience	10	10
Total			100	100

Query	Description		No	%
7. Funds utilize for the primary market:	a.	Personal Fund	60	60
	b.	Loan / Credit	40	40
Total			100	100

Query	Description		No	%
8. Amount of Investment made for any single company :	a.	Less than Rs 10,000	80	80
	b.	Rs. 10,000 - Rs 1,00,000	20	20
	c.	Rs 1,00,000 - Rs. 5,00,0000	0	0
	d.	More than 5,00,000	0	0
Total			100	100

Query	Description		No	%
9. Investor's expectation form the company	a.	Cash Dividend	20	20
	b.	Stock Dividend / Bonus Share	60	60
	c.	Right Share	20	20
	d.	Other	0	0
Total			100	100

Query	Description		No	%
10. Reason/s that the most of the firms do not like to go to Public:	a.	Obligation to mass shareholders	20	20
	b.	Enough capital generated internally	20	20
	c.	No Statutory Compulsion	10	10
	d.	Sharing profit with public	30	30
	e.	Complexity In management	20	20
Total			100	100

Query	Description		No	%
11. Investment environment and confident factor:	a.	Less chance of business failure	60	60
	b.	Less manipulation	20	20
	c.	High probability of good return	20	20
	d.	Other	0	0
Total			100	100

Query	Description		No	%
12. Present condition is suitable or not	a.	yes	40	40
	b.	no	60	60
Total			100	100

Query	Description		No	%
13 Investor's preference sector:	a.	Financial	90	90
	b.	Non Financial	10	10
Total			100	100

Query	Description		No	%
14. Preferred financial institutions and insurance sector:	a.	Commercial Bank	60	60
	b.	Development Bank	20	20
	c.	Finance Companies	15	15
	d.	Insurance Companies	5	5
Total			100	100

Query	Description		No	%
15. Preferred non financial sector:	a.	Hotels	30	30
	b.	Manufacturing & Processing	30	30
	c.	Trading Companies	30	30
	d.	Others	10	10
Total			100	100

