

**IMPACT ON PERFORMANCE BEFORE AND  
AFTER PUBLIC OFFERING  
(A Comparative study of Financial Companies)**

*By:*

**Balaram Paudel**  
**Exam Symbol No:280361/066**  
**T.U. Registration No.:7-1-241-172-96**  
**Campus Roll No: 183-064**  
*Central Department of Management*  
*Kirtipur, Kathmandu, Nepal*

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

*In Partial Fulfillment of the Requirements of the Degree of*  
**Master of Business Studies (MBS)**  
**July, 2011**

**RECOMMENDATION**

**This is to certify that the thesis**

**Submitted by**

**Balaram Paudel**

**Entitled**

**IMPACT ON PERFORMANCE BEFOR AND AFTER PUBLIC  
OFFERING  
(A COMPERATIVE STUDY OF FINANCIAL COMPANY)**

*has been prepared by this department in the prescribed format of the  
Faculty of Management. This thesis is forward for examination.*

-----  
(MrJagat Timilsena)  
Thesis Supervisor

-----  
(Pro. Dr. Dev Raj Adhkari)  
Head of the Department

-----  
(Jaya Krishna Pathak)  
Head of Research Department

Date:

## **VIVA-VOCE SHEET**

We have conducted the VIVA-VOCE examination of the thesis presented

**By**

**Balaram Paudel**

**Entitled**

**IMPACT ON PERFORMANCE BEFOR AND AFTER PUBLIC  
OFFERING**

**(A COMPERATIVE STUDY OF FINANCIAL COMPANY)**

*(WITH REFERENCE TO HIMALAYAN BANK AND BANK OF KATHMANDU)*

*And found the thesis to be the original work of the student written according to the prescribed format. We recommended the thesis to be accepted fulfillment of the requirements for the Degree of Master of Business Studies (M. B. S.)*

## **VIVA-VOCE COMMITTEE**

Chairperson, Research Committee

-----

Member, (Thesis Supervisor)

-----

Member, (External Expert)

-----

Date:

## **DECLARATON**

I, hereby, declare that this thesis **IMPACT ON PERFORMANCE BEFOR AND AFTER PUBLIC OFFERING (A COMPERATIVE STUDY OF FINANCIAL COMPANY)** ” submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the Degree of Master of Business Studies (M.B.S.) under the supervision of Mr Jagat Timilsena , Central Department Management, Kathmandu.

(Balaram Paudel)

Researcher

Central Department of Management

Exam Roll No: 280361

T.U. Regd. No: 7-1-241-172-96

## ACKNOWLEDGEMENT

This thesis entitled “**Impact on Performance Before and After Public Offering**” is related with the financial sector of Nepalese economy. In this study the impact of public offering in the financial situation of different five financial company are taken in to study.

During the thesis writing, firstly, I am indebted to my respected teacher and thesis supervisor **Jagat Timilsen** Lecturer University Campus Kirtipur. Without his continuous encouragement and insight knowledge support this research work would not come into this present format. I would like to extend my sincere gratitude to all my teachers of Central Department of Management who prepared me to come into this present situation with academic and practical knowledge.

The key person of my research to extend my thanks are the respondents who are involved to give their views with out any delay to provide information at right time. My special thanks go to staff of library section at CDM, Central library Kirtipur. Similarly, the cooperation from British council and Public Information Center are kept in first hand for the knowledge generation for my research work. I am equally indebted to Prof. Dr. Jaykrishna Pathak, Associate professor Bishnu Hari Koirala and Ajaya Dhakal for their valuable comment and suggestion during my study and research work.

I would like to thank my colleagues Mr. Ram Krishna Chalise, Mukti Tiwari, Laxman Dhungana for their continuous support in academic and technical writing,. I am indebted to my parents who sacrificed their time and effort for my higher education.

Chitwan,  
July, 2011

-----

**Bala Ram Paudel**

# TABLE OF CONTENTS

Page No

)	RECOMMENDATION LETTER	
)	VIVA -VOCE SHEET	
)	DECLARATION	
)	ACKNOWLEDGEMENT	
)	TABLE OF CONTENT	
)	TABLE OF CONTENTS	
)	LIST OF TABLES	
)	LIST OF FIGURES	
)	LIST OF ABBREVIATION	

<b>CHAPTER I</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1. Background of the study .....	1
1.2 Statement of the problem .....	8
1.3 Objective of the study .....	9
1.4 Limitation of the Study.....	9
1.5 Organization of the Study .....	10
<b>CHAPTER-II</b> .....	<b>11</b>
<b>REVIEW OF LITERATURE</b> .....	<b>11</b>
2.1 Conceptual Framework.....	11
2.1.1. Capital market. ....	12
2.1.2. Meaning of IPO / Primary Market.....	13
2.1.2.1. Advantages of IPO.....	14
2.1.2.2. IPO in Nepalese Context. ....	15
2.1.2.3. Regulation of Primary Market.....	16
2.1.2.4. Major Regulating Agencies. ....	16
2.1.2.5. Major Participants. ....	18
2.1.2.6. Preparation of Prospectus. ....	21
2.1.3. Secondary Market.....	24
2.2. Issue Activities .....	26
2.2.1. Pre Issue Activities .....	26
2.2.2. Issue Activities .....	27
2.2.3. Post Issue Activities.....	27
2.3. Nepal Stock Exchange .....	27

2.4. Review of previous related studies .....	33
2.4.1. Review for studies in International Context.....	34
2.4.2. Review of Major studies in Nepal.....	38
2.5. Research Gap .....	44
<b>CHAPTER-III.....</b>	<b>46</b>
<b>RESEARCH METHODOLOGY.....</b>	<b>46</b>
3.1 Research design.....	46
3.2 Nature and sources of data.....	46
3.3 Population and sample .....	46
3.4 Method of data analysis.....	47
3.4.1 Financial Tools .....	47
3.4.1.1. Liquidity Measures.....	47
3.4.1.2. Activity / Turnover Measures .....	49
3.4.1.3. Profitability Measures.....	51
3.4.1.4. Valuation Measures.....	53
<b>CHAPTER-IV.....</b>	<b>55</b>
<b>DATA PRESENTATION AND ANALYSIS .....</b>	<b>55</b>
4.1.IPO Date of Sample Company.....	55
4.2.Liquidity Ratio .....	55
4.3. Activity/Turnover Ratios.....	60
4.4. Profitability Ratios.....	68
4.5.Valuation Ratio .....	77
4.6. Major Findings.....	82
<b>CHAPTER-V .....</b>	<b>84</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>84</b>
5.1 Summary.....	84
5.2 Conclusion .....	86
5.3 Recommendations.....	87

References

Appendix

## LIST OF TABLES

Table 2.1. Size of Capital and Issue Percentage .....	24
Table 2.2 Listing and Annual fees in case of Shares .....	33
Table 2.3. Listing and Annual fees in case of Debenture, Mutual funds , Units and Group saving shemes.....	33
Table 4.1. IPO date of sample company .....	55
Table 4.2. Current Ratio (in times) .....	56
Table 4.3. Cash and Bank balance to Total Deposits.....	58
Table 4.4. Cash and Bank balance to Current Assets .....	59
Table 4.5. Loan and Advances to Total Deposits .....	61
Table 4.6. Total Investment to Total Deposits.....	62
Table 4.7. Total Assets Turnover Ratio .....	64
Table 4.8. Debt Equity Ratio.....	65
Table 4.9. Capital Adequacy Ratio.....	67
Table 4.10. Net Profit Margin Ratio.....	68
Table 4.11. Return on Total Assets.....	70
Table 4.12. Net profit to Total Deposit Ratio .....	71
Table 4.13. Return of Net Worth.....	73
Table 4.14. Return on Investment .....	74
Table 4.15 Total Interest Earned to Working fund .....	76
Table 4.16. Earning Per Share.....	77
Table 4.17. Dividend per share .....	78
Table 4.18. Dividend Payout Ratio.....	80
Table 4.19. Analysis of Net Worth Per share .....	81

## LIST OF FIGURES

Figure 4.1 Average Cash and Bank Balance to Total Deposit Ratio.....	57
Figure 4.2 Average cash and bank balances to total deposit ratio .....	58
Figure 4.3 Average cash and bank balances to current assets.....	60
Figure 4.4 Loan and advances to total deposit ratio.....	62
Figure 4.5 Total Investment to Total Deposit.....	63
Figure 4.6 Total Assets Turnover Ratio.....	64
Figure 4.7 Debt Equity ratio .....	66
Figure 4.8 Capital Adequacy Ratio .....	67
Figure 4.9 Net Profit Margin Ratio .....	69
Figure 4.10 Return on Total Assets .....	70
Figure 4.11 Net Profit to Total Deposit Ratio.....	72
Figure 4.12 Return on Net Worth .....	73
Figure 4.13 Return on Investment.....	75
Figure 4.14 Total Interest Earned to Working Fund .....	76
Figure 4.15 Earning Per Share .....	77
Figure 4.16 Dividend per Share .....	79
Figure 4.17 Dividend Pay Out Ratio .....	80
Figure 4.18 Analysis of Net Worth Per Share .....	82

## ABBREVIATIONS

AD	Anno Domini
AGM	Annual General Meeting
BFL	Butwal Finance Limited
CDS	Central depository of securities
CIF	Citizen Investment fund
CIT	Citizen Investment Trust
Co	Company
etc	Etcetera
FY	Fiscal Year
GDP	Gross Domestic Product
GFL	Gorkha Finance Limited
IPO	Initial Public Offering
Ltd.	Limited
M	Million
MBA	Masters in Business Administration
MIS	Management Information System
NEPSE	Nepal Stock Exchange
NG	Government of Nepal
NMB	Nepal Merchant Banking & Finance Limited
NRB	Nepal Rastra Bank
NSTC	Nepal Security Trading Center
p.a.	Per Annum
Pvt.	Private
ROC	Registrar of Companies
Rs.	Rupees
S.D	Standard Deviation
SEBO/N	Securities Board Nepal
SFL	Siddhartha Finance Limited
STDFL	Standard Finance Limited
T.U.	Tribhuvan University
T-bill	Treasury bills
UFL	United Finance Ltd