



COOPERATIVE EDUCATION REPORT

**Investment Management Practices at Nabil
Investment Banking Limited**

WRITTEN BY

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**This Report Submitted in Partial Fulfillment of the
Requirements for Cooperative Education, Faculty
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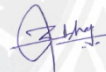
We have approved this cooperative report as a partial fulfilment of the cooperative education program semester 2/2017.

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Abstract

This internship is conducted at Nabil Investment Banking Limited, licensed by Securities Board of Nepal (SEBON) as Securities Businessperson (Merchant Banker) which provides financial solutions and advice to individuals and corporate clients worldwide. The company consists of four business divisions: Merchant Banking, Corporate Advisory, Investment Banking and Mutual Funds. Main objective of this study is to investigate the aspects and practice the company has on Investment Management from its Investment Banking division. The following report consists of description of tools and investment management strategies the company uses to invest in the stock market. Investment strategies those of which were learned throughout the internship period have been included in this report. As most part of the internship was held in the research department, the report also consists of research tasks the intern was part of as well as methodology as to how the research took place and findings have are also explained in this report.

Further, the report may presents the reader perspectives about investment management strategies the intern learned over the course of internship as well as the overall experience the intern had on his first internship experience in an investment bank division. The Nepalese stock market is in its early stages such sophisticated investing tools such as derivatives; OTC markets and FOREX have not been introduced such the report pictures only the Nepalese stock market, NEPSE.

Keywords: Investigate/ Description/ Strategies.

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I humbly extend my gratitude towards all who helped me in the successful completion of the internship and the co-op program with Siam University. I hope I can build upon the experience and knowledge that I have gained from the company. I will endeavour to utilize the aptitudes and information that I have learned in the ideal way.

-Mr. Saugat Nanda Baidya

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Chapter 1: Introduction

1. Company Profile

Nabil Investment Banking Limited is licensed by Securities Board of Nepal (SEBON) as Securities Businessperson (Merchant Banker) which provides financial solutions and advice to individuals and corporate clients worldwide. Since its inception in 2010, the company has grown tremendously and has set an industry benchmark in providing personalized customer care and risk adjusted return to its clients through prudent and strategic investment techniques aimed at diversifying and maximizing the risk-return trade-off.

With more than three decades of experience in the banking fraternity and establishing itself as one of the leading Banks in the country recognized for its dedication to customer satisfaction and innovative banking practices, Nabil Bank established this company to provide complete investment banking solutions. The operational structure of Nabil Investment Banking comprises four business divisions: Merchant Banking, Corporate Advisory, Investment Banking and Mutual Funds. The company's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which it excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for its stakeholders. The company visions to be a leading Investment Bank in Nepal.

1.1 Mission of the Company

The company takes "One firm" approach to deliver intellectual advisory services and integrity to all its clients. The investment management division believes to provide investment products designed not only to address individual clients' returns and risk objectives but also institutional clients' liquidity, regulatory and other constraints.

1.2 Vision of the Company

The company visions to prioritise its client's interest and remark itself as the leading investment banking company in Nepal.

1.3 Strategies of the Company

As there are numerous other investment banks in Nepal, the company believes in ethics and prioritises its clients' interests as foundation of their business and strategy. Whereas, they have differentiated investment management products catering different customer needs.

2. Organizational Structure

Nabil Investment Banking has a diverse team of experts in Investment Banking, Management and Corporate Advisors who are passionate about growing the company and being the leading Investment Bank.

The organizational structure is as below:-

2.1 Diagram of the organizational structure

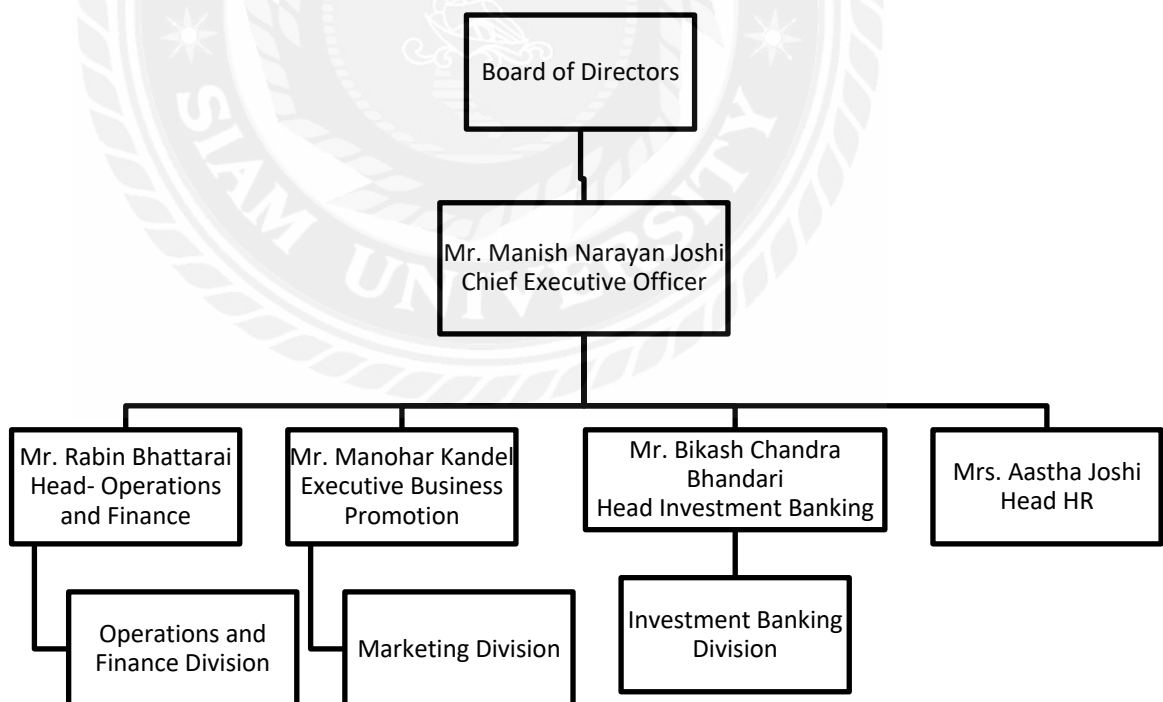


Figure 1: Organizational Structure

2.2 Job position

I was given the role to work as a research intern under the Investment Banking Division's research department.

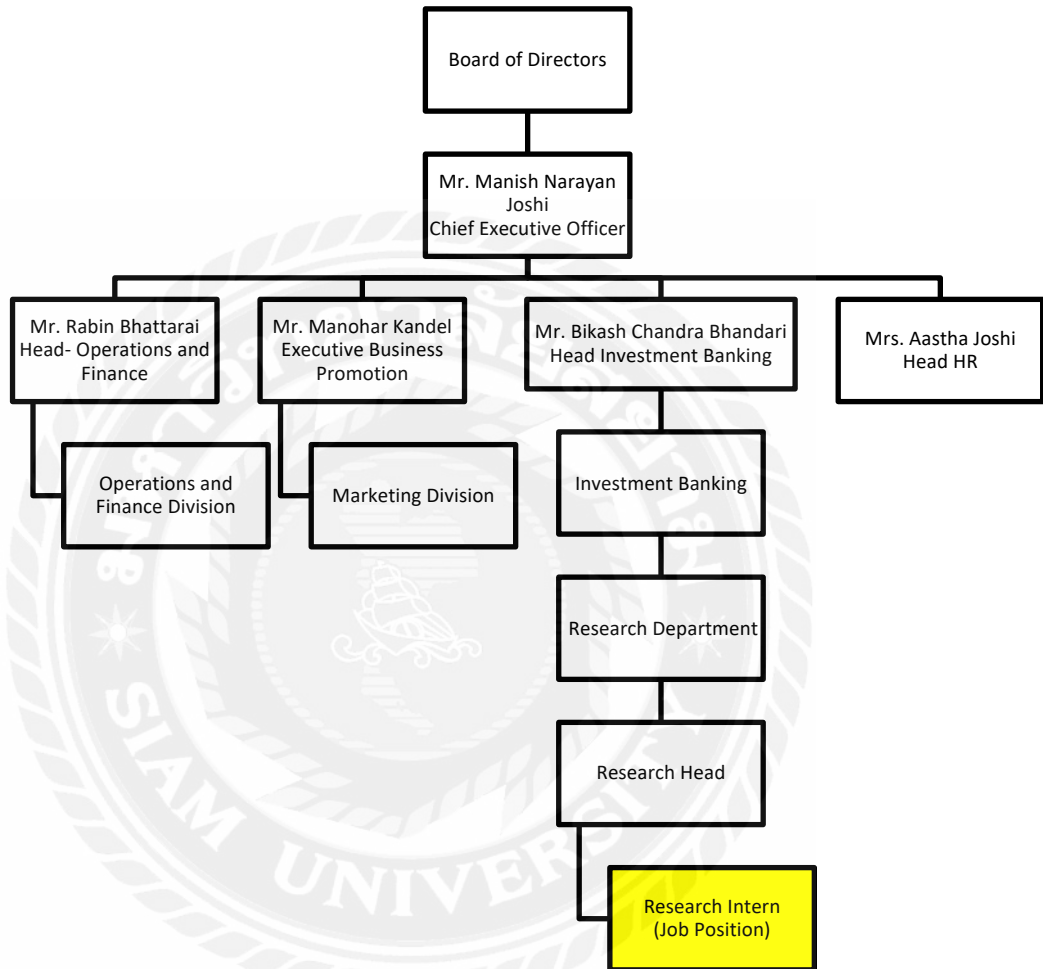


Figure 2: Job Position of the Intern

2.3 The job position was under the Investment Banking Division's research team. The position fits the overall company's organization as research is an integral part of an investment bank. The end output the research team puts forward is executed as part of operations as well as it also provides data and information to interlinking departments.

3. Intention and motivation to choose Nabil Investment Banking as your Co-op studies workplace

I had been curious to learn more about stock markets and about institutional investors such as investment banks, after participating in the KuberWiz program held at Kathmandu College of Management which is a group based 8 months horizon stock market trading competition. Investments in stock markets are subjective to people, it differs across their investment needs, psychological factors and risk appetite. Therefore, there is no such particular set of rules people follow to get profitable investments or trades in the stock market. However, Investment banks are able to cater the investment requirements of different customers with different requirements. I wanted to learn their direction or thought process to investment and how investing takes place on an institutional level; what are the key things they look to when making investment decisions.

Further, there are many biases in a person when making investment decisions. Although rationally, it is said that one must set a percentage target on profits they would exit their trade in or loss percentage they would bear but risk management is often neglected and not followed consciously when trading or investing. Therefore, the second reason I wanted to do my internship there was to see how risk management is carried out as there are many individuals working in a team.

4. Strategies analysis of the Company

SWOT analysis of the Company:

Strengths: The Company is a subsidiary of Nabil Bank which is one of the leading commercial bank of Nepal such it has strong promoters which support the company. Further, it also reflects upon the company's strong management team and resourcefulness. The company has introduced tailored investment product which cater different types of customers as well as introduced new investment management products which differentiate them from other competitors.

Weaknesses: Although the company has introduced several new investment management products, it has not been able to create good working environment for its employees. This may be due to lacking effort in employee management and human resource utilization. Further, although it wills to become different in the class, it is still sticking with the conventional way of working and has not bought major changes in work module.

Opportunities: Addressing the closed competition and the company's willingness to be best in the class, the company has opportunity to introduce many investment management products which its competitors cannot replicate. Further, it can introduce innovative financial management products which yet have not been offered in the Nepalese market.

Threats: There have been problems with retaining employees in this industry, such if the company loses core employees due to lacking efforts in creating good environment for its employees, it may act as an backlash for the company.

5. Objectives of this co-operative studies

The objectives of my internship are enlisted below:

1. To gain exposure in the workings of investment banking sector.
2. To examine tools and strategies investment banks use for their investment purpose.
3. To study the alignment of investment management practices compared to theory.
4. To examine strategies investment banks use to manage risks associated with investments.
5. To implement knowledge in regards to investment management.

Chapter 2: Co-operative Study Activities

1. Job descriptions

The company did not have specific job description the interns must follow. As, interns are not experienced in the field of work, they are acquainted to not be capable to make decisions an employee makes. Further, there comes accountability for work the intern did which may be incorrect and the employee may need to deal with. Therefore, most investment banks not only this company in Nepal focus their interns on clerical works through which they learn and gain experience to some extent.

In my first month of my internship, I was placed in the depository section where I was assigned to open DEMAT accounts and help my co-workers with dematerialization of shares, previously in Nepal all shares were transacted in paper form such it has been few years dematerialization and holding of shares online has been initiated. All investment banks in Nepal have this operation and require employees to manually open dematerialization (DEMAT) account through the software and dematerialize physical share certificates. So on daily basis I was assigned to open nearly 500 accounts a day through the software, create excel database of those accounts and send out email of MeroShare account details to individual clients and Nabil bank branches. Further, after opening accounts people require dematerialization of physical share certificates. I also engaged in dematerializing share certificates, my job role was to collect all certificates collected for the day, create excel database such any certificates lost in the process has evidence through database records and correspond with co-workers to dematerialize those shares.

Whereas, in the remaining period of my internship; I was assigned as a research department intern. I did not have a specific job description; rather my duties have been well elaborated and explained in the job responsibilities part below. The research department engages in conducting every day market researches during

market hours (when stock market opens till closes 11AM to 3PM) and after houses (10AM to 11AM, 3PM to 5PM). Throughout the period the department engages in watching the stock market movements to see if there are opportunities for trades and exits for the coming days. As well as there are research tasks we get to engage in which require database creation for different departments and for research purposes. There is a bottleneck in the field with accuracy of data available through websites which post data of companies. Therefore, when making investment in a huge scale a small number can make great difference. Such, the company relies on data manually entered by their employees for investment decisions. A major duty I had was to correctly enter data of companies if required and circulate it to respective department or for the department itself for research purpose.

2. Job responsibilities, work duties

Initially due to amass IPO's afloat there were many people opening their dematerialization (DEMAT) account and Meroshare accounts which is deemed mandatory to apply for IPO. So, to open accounts I was placed in the Depository Participant (DP) department to assist the overwhelming pressure. Apart from opening accounts for a month, I engaged in the back workings of the department, opening accounts was one aspect, there were numerous works such as shares dematerialization (previously NEPSE had not adopted software to account share holdings of individuals, such shareholdings were entitled as certificates/paper and with software adoption investment banks work as depository participants to account shareholdings of its clients), right/ bonus shares accounting (this included dealing with clients to account for bonus or right shares entitled to that individual or to account accurate data of shareholdings post merger swap ratio), DEMAT and Meroshare accounts renewal, Shares transfer, Freezing shareholdings for Marginal lending and Customer care. Expertises in nitty-gritty of the DP workings were not intent, I learned how the employees handled their customers and took account the work associated with as well as learned how the software aspect handled the workings and studied linkages of it with the outcome.

Unfortunately there was a lockdown due to increase in COVID-19 cases so I could not physically visit the office. Such, I engaged in research workings for two weeks from home. As there are not softwares in Nepal that provide pre-tailored data, I engaged in manually collecting historical EPS and Prices of all companies in the industry of four years (audited quarterly reports) intended to find the price to earnings ratio average of individual scripts such it provided an aggregate reference/perspective to technically analyse individual stocks. Further I engaged in translating documents from Nepali to English. After lockdown I was placed in the research department of the investment banking division. The core workings of the department is to extract data, analyse companies, anticipate market movements and portray investment decisions to other departments which engaged in investing such as mutual funds and portfolio management services. I engaged in visualising everyday stock market movements and technically analysing stocks/industries as well as engaged in research works too. After every quarterly reports published, the research department engages in an extensive research of all industry and stocks and rank them based on their core contributors to revenue and growth such through this holistic approach they can pick stocks which are favourable to invest in at that quarter, I was engaged in the workings of that research project too.

3. Activities in coordinating with co-workers

My activities during the internship were focused on extensive research and analysis of stock market and its day to day movement. The detailed responsibilities and projects I was engaged in are enlisted below:-

1. Price-to-earnings (P/E) ratio database research: - The assignment was intended to calculate the historical price to earnings such it provided reference in stock trading in terms of technical analysis. There are a total of 274 listed companies in NEPSE and a total of 11 sectors. The task included making a database of the earnings per share (EPS), its price as of the report date and the P/E ratio of all companies segregated in terms of industries for past four years four quarters. As all softwares have manual

entry of data such as earnings per share from report, to ensure apt data the following task was given. Through this, the average P/E ratio would give quick reference when included in the charts to analyse where companies stand in terms of this ratio.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	Year/Quarter			FY:2076/77												
2	S.N.	Stock Symbol	Stock Name	Q1			Q2			Q3			Q4			
3				LTP	EPS	P/E	LTP	EPS	P/E	LTP	EPS	P/E	LTP	EPS	P/E	LTP
4	1	NABIL	Nabil Bank Limited	760	48.93	15.53	739	45.32	16.11	701	45.74	15.33	765	37.24	20.54	953
5	2	NICA	NICA Bank Limited	386	40.78	9.47	443	41.61	10.65	496	34.67	14.31	553	32.13	17.21	441
6	3	NMB	NMB Bank Limited	382	32.51	11.75	359	30.40	11.81	377	18.69	20.17	397	19.53	23.72	360
7	4	SBL	Siddhartha Bank Limited	294	23.03	12.77	316	21.57	14.65	289	18.91	15.28	296	21.38	13.84	337
8	5	NCB	Nepal Credit & Commerce Bank Limited	196	16.74	11.71	219	18.6	11.78	178	16.62	10.71	186	12.09	15.38	216
9	6	KBL	Kumari Bank Limited	181	16.83	10.75	190	16.76	11.3	177	14.13	12.52	186	12.77	14.56	254
10	7	LBL	Laxmi Bank Limited	215	18.02	11.93	206	18.41	11.19	249	14.81	13.5	209	15.13	13.81	250
11	8	MBL	Machhapuchhre Bank Limited	224	17.32	12.93	229	20.99	10.91	215	16.25	13.23	220	4.11	53.53	221
12	9	EBL	Everest Bank Limited	547	34.09	16.05	596	35.48	16.80	612	36.86	16.60	675	31.15	21.67	639
13	10	NBB	Nepal Bangladesh Bank Limited	211	19.91	10.60	203	19.97	10.17	202	21.11	9.57	209	15.01	13.92	216
14	11	SBI	Nepal SBI Bank Limited	400	20.7	19.32	399	23.69	16.84	412	21.41	19.24	435	17.09	25.45	492
15	12	HBL	Himalayan Bank Limited	502	32.59	15.4	562	40.9	13.74	500	32.96	15.17	540	27.13	19.91	550
16	13	SCB	Standard Chartered Bank Nepal Limited	573	32.16	17.82	586	30.63	19.13	590	30	19.67	645	24.76	26.05	707
17	14	NIB	Nepal Investment Bank Limited	443	26.25	16.88	405	23.53	17.28	373	23.38	15.95	431	18.07	23.85	646
18	15	CZBIL	Citizens Bank International Limited	194	16.2	11.98	198	15.95	12.41	180	16.87	10.67	188	12.92	14.55	248
19	16	PCBL	Prime Commercial Bank Limited	262	27.24	9.62	260	26.86	9.68	252	19.36	13.02	255	16.39	15.55	332
20	17	SRBL	Sunrise Bank Limited	239	22.29	10.72	236	21.06	11.21	233	13.91	16.76	234	15.56	15.07	245
21	18	ADBL	Agricultural Development Bank Limited	419	23.33	17.16	378	31.47	12.01	368	26.55	13.86	385	33.88	11.71	337
22	19	SANDMA	Santima Bank Limited	305	23.47	11.52	343	26.15	13.12	347	24.13	14.38043929	330	19.35	17.05	335
23	20	MEGA	Mega Bank Nepal Limited	195	16.48	11.83	201	18.29	10.99	214	18.83	10.67	208	14.52	14.32	207
24	21	CBL	Civil Bank Limited	143	7.94	18	140	7.9	17.72	134	6.01	22.29617304	139	5.71	24.34	174
25	22	CCBL	Century Commercial Bank Limited	154	17.63	8.74	178	15.45	11.52	159	14.51	10.96	165	10.77	15.32	191
26	23	NBL	Nepal Bank Limited	345	23.72	14.54	277	27.57	10.05	251	27.13	9.25	249	22.66	10.99	311
27	24	PRVU	Prabhu Bank Limited	265	28.27	9.37	239	22.12	10.8	225	19.89	11.31	221	13.93	15.87	241
28	25	BOKL	Bank of Kathmandu Limited	227	19.04	11.92	230	20.68	11.12	218	13.63	15.99	219	17.26	12.69	327
29	26	GBIME	Global IME Bank Limited	308	29.87	10.32	308	22.53	13.1	277	22.16	12.5	239	16.27	14.69	318
30	Count	Commercial Banks	Development Banks	Finance	Microfinance	Life Insurance	Non-Life Insurance	Hydropower	Manufacturing & Products	Others	Hotels					

Figure 3: Price to Earnings database working

The price to earnings ratio is a part of ratio analysis which gives us insight as to how much you are paying to earn a single rupee/dollar income. Suppose the P/E ratio of a company is 20, means you are paying 20 times more to earn 1. Such, comparing companies based on their P/E range and P/E ratio to their specific industries tells us whether a company is undervalued or overvalued.

The P/E alone does not provide us full insight as to how a company is but it is regarded as a metric to see an individual company or to its industry peers in terms of valuation. My job role was to create the database of all 11 sectors and of all companies listed which was successful. Later, the data was integrated to find out P/E range of companies; based on 4 years

trend of P/E then it was compared to where the company stood to its industry and peers.

In this assignment, at first I collected names and symbols of all companies listed in NEPSE and segmented then into their particular sectors. Then, I verified the database with my supervisor if the number of companies I listed was accurate and segmentation was correct. After that I went through quarterly reports of those individual companies of each year for four years (FY 2077/78, 2077/76, 2076/75 and 2074/73) then entered the earnings per share (EPS) and price of that company of the day before the report was published. All reports were collected through the company website of those individual companies and for companies whose reports were unavailable in website were accessed through ShareSansar (Stock information website).

2. **Technical analysis run through assignment:** - To analyse companies, there are renowned methods, fundamental analysis and technical analysis. The fundamental analysis considers the strengths of the company in terms of its performance, profitability, management quality, its dividend history and many more. Whereas, the technical analysis considers the sentiments of investors and tries predicting the stock market movement, the sentiments are determined by four things, the opening stock price, highest price for the day, lowest price for the day and the closing stock price of the day. Incorporating these four prices, candlesticks are made; which pictures the overall sentiment of the stock market participants on the particular stock, sector or market.

This assignment included me to search stocks which were peculiarly priced lower than its industry or had some chart patterns. During everyday market movement or after market hours I used to run through technical charts through Merolagani and SystemXlite websites to find such companies. For example:- Kalika Micro Credit development bank had a merger with another microfinance company, post merger the financial reports of the company was not so good such the company was trading at

price lower than the industry. Such analysing technically the chart had a bullish divergence pattern where its relative strength index (RSI) was increasing but its price had pictured divergence to its RSI. Such, it would have been favourable to take a short term trade in that company assessing the risk factors and it would generate good returns. This assignment helped me hone my analysing skills.



Figure 4: Divergence pattern in Kalika Micro Credit Development Bank

The Relative Strength Index (RSI) is a momentum indicator used in technical analysis that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of a stock or other asset. The RSI is displayed as an oscillator (a line graph that moves between two extremes) and can have a reading from 0 to 100. It is calculated as: $RSI = 100 - [100 / (\text{Average Gain} / \text{Average Loss})]$. If the RSI

value is above 70, it is considered to be in an overbought zone whereas if it is below 30, it is considered oversold.

Generally, If price of a stock falls, it resonates to be oversold and the RSI must also fall naturally. But, if the stock price is falling whereas the RSI is an increasing trend it indicates a bullish divergence pattern. The pattern normally leads to a stock price increase and traders take buy position anticipating increase in stock price.

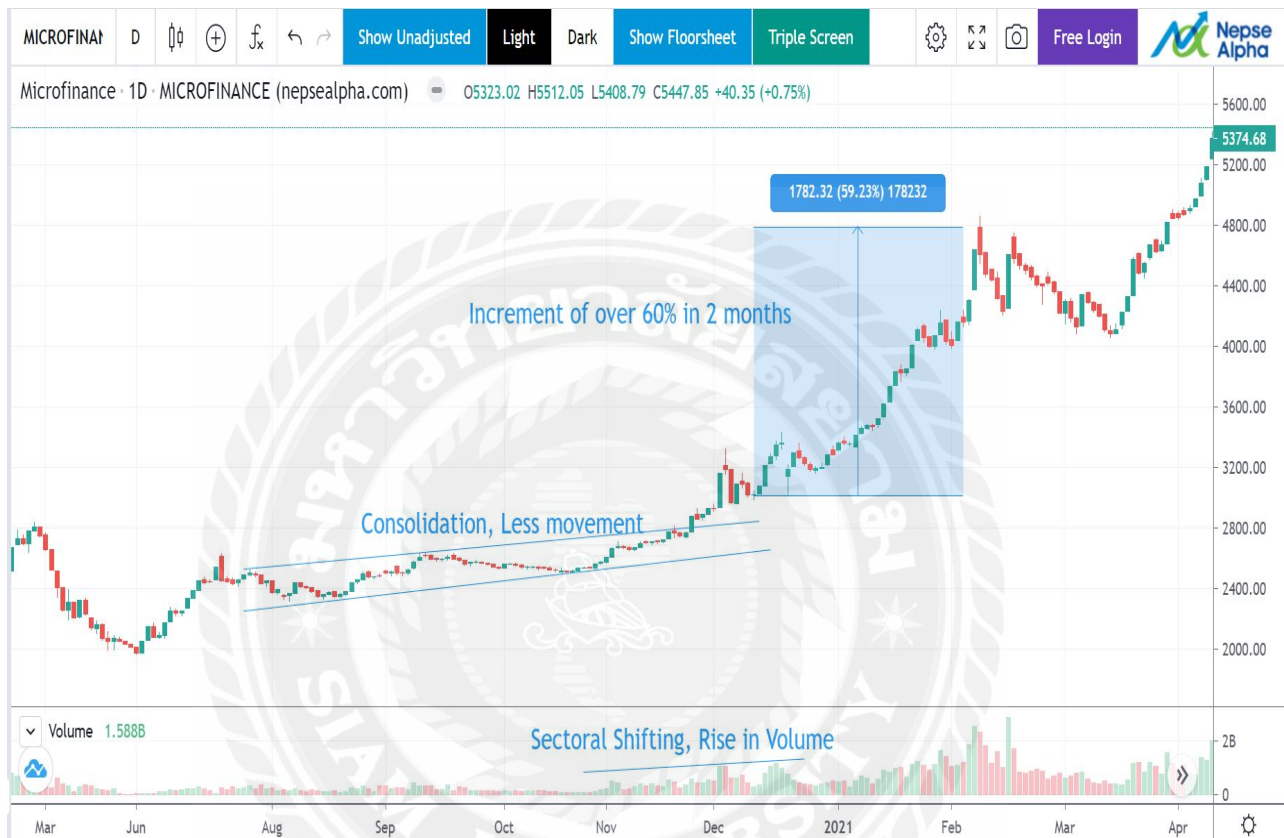
Similarly, I engaged in reading technical charts and informing my job supervisor regarding the possible trade opportunities. This exercise helped build my technical analysis skills, and to be accurate in predicting possible movements in the market.

The Nepalese stock market at this point had just entered bullish phases after four years of bearish market. Big investors often regard the market having a cyclical movement, 4 years bearish and 3 years of bullish market. The bullish market was in the midst of pandemic when interest rates had immense cut and the flow of investments were directed towards the stock market. The Nepalese market can be regarded to not be fully rational, it is positively co-related to political news and events, interest rates and changes in monetary policy by the central bank.

The above company falls under the Microfinance sector; such companies are categorized as 'D' class institutions targeted to uplift rural parts of Nepal. These companies do not require collateral as a normal bank would and in return have higher interest rates levied on loans. Further, these companies have lesser number of outstanding shares and paid-up capital such they are volatile in nature. The volatility is accounted by Beta, the company had an beta of 1.21 at the period which meant if NEPSE had an increase or fall of 1%, the company had potential to increase or decrease by 1.21%.

The information I provided was filtered and then took into account by the department. The market was witnessing sectoral shifting; as in for a certain period certain sectors increased where other sectors were stagnant.

Therefore, considering risk it was advised to take positions in sectors with long consolidation and less movement. If there was sudden influx in



certain sectors, there was potential for certain movements.

Figure 5: Volume induced Microfinance Sector Movement

The above image is the technical analysis chart of Microfinance Sector. The sector did not have particular movement; it was consolidating although the market was bullish. Whereas, companies of this sector have high volatility and less paid-up capital, such a little volume would result in an immense increase or decrease in the market. Within 2 months time frame, the sector gained about 60 percent. The volume had indicated sectoral shift towards this sector and people would have built certain position holding in this sector. Many biases in short term trading

were noticed during this period and it helped me gain more confidence in analysing chart patterns.

3. **Brainstorming Macroeconomic Indicators:** - The macroeconomic indicator of an economy plays a vital role in how the stock market might be in coming days. Suppose the interest rates of the economy is falling due to huge money supply or an economic downturn, there is a possibility the liquidity may be mobilized into stock markets too making it favourable to invest as liquidity injection can significantly increase the stock markets. Similarly, in this task I was assigned to look through core macroeconomic factors which affected the popular international stock markets such as NIKKEI and S&P500, then including factors that affect the Nepalese stock markets. NEPSE seems to be affected by factors such as monetary policy, interest rates, politics and industry specific regulatory requirements.

The following were the factors affecting the Nepalese stock market:

1. **Gross Domestic Product (GDP)** is the account of total value of goods and services produced in an economy. It measures growth or contraction of an economy which is a general gauge of economic health. It has effect on stock market because the stock price reflects upon the company's future profitability. A healthy economy reflects good earnings and growth. [Direct]

A. **Remittance-** inflows increased 8.1 percent in the review period against a decrease of 0.6 percent in the same period of the previous year. People taking approval for foreign employment decreased by 99.2 percent in the review period.

B. **Current account & Balance of Payments-** The current account remained at a surplus of Rs.26.07 billion in the review period against a deficit of Rs.22.69 billion in the same period of the previous year.

Balance of Payments (BOP) registered a surplus of Rs.67.63 billion in the review period. Such surplus was Rs.8.83 billion in the same period of the previous year.

C. Imports & Exports- The y-o-y unit value export price index, based on customs data, increased 0.7 percent and the import price index decreased 4.0 percent in the second month of 2020/21.

*Nepalese currency vis-à-vis the US Dollar appreciated 2.4 percent in mid-September 2020 from mid July 2020. It had depreciated 4.3 percent in the same period of the previous year.

2. Interest rates - To control inflation the Central bank increases the interest rate to mop excess money supply. Higher interest rate in turn increases the cost of capital which lowers profits and hence the stock prices. But, a gradually growing interest rate is termed beneficial in an expanding economy, as companies are profitable excessively compared to normal economic conditions. One industry that benefits most is the financial industry, banks make profits borrowing at lower short-term rates and lending at higher long term rates. [Indirect]

*The weighted average 91-day treasury bills rate remained at 0.13 percent in the second month of 2020/21, which was 2.73 percent in the corresponding month a year ago. The weighted average interbank transaction rate among commercial banks, which was 1.69 percent a year ago, decreased to 0.08 percent in review month. The average base rate of commercial banks decreased to 7.83 percent in the second month of 2020/21 from 9.53 percent a year ago. Weighted average deposit rate and lending rate of commercial banks stood at 5.61 percent and 10.18 percent respectively in review month. Such rates were 6.80 percent and 11.97 percent respectively a year ago.

Table 2: Deposits at Banks and Financial Institutions (Percentage Share)						
Deposits	Mid-Jul				Mid-Sept	
	2017	2018	2019	2020	2019	2020
Demand	8.7	9.3	9.7	10.0	7.9	7.5
Saving	35.4	34.5	32.8	31.9	32.5	32.6
Fixed	43.2	44.8	46.3	48.6	48.3	50.9
Other	12.7	11.3	11.3	9.4	11.3	9.0

*Private sector credit from BFIs increased 0.5 percent in the review period compared to a growth of 2.5 percent in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 9.8 percent in mid-September 2020.

In the review period, private sector credit from commercial banks and development banks increased 0.5 percent and 1.2 percent respectively while that of finance companies decreased 1.7 percent.

3. Inflation- Rise in inflation lowers consumer spending which reflects negatively upon company's profitability and hence the stock prices. [Indirect]

Table 1: y-o-y Consumer Price Inflation (Percent)			
Particulars	Mid-Month		
	Aug/Sept 2019	Jul/Aug 2020	Aug/Sept 2020
Overall Inflation	6.16	3.49	4.52
<i>Food and Beverage</i>	<i>6.51</i>	<i>5.38</i>	<i>6.91</i>
<i>Non-food and Service</i>	<i>5.89</i>	<i>2.04</i>	<i>2.68</i>

*wholesale price inflation stood at 8.80 per-cent compared with 6.40 per-cent a year ago.

* The y-o-y salary and wage index raised 1.20 percent. Such growth rate was 12.90 percent a year ago

4. Monetary Policy & Regulatory Requirements- Changes in regulatory requirements of industries has impact on their profitability whereby monetary policy changes also impacts industries which affects the stock prices directly or indirectly. Apart from BFIs which are exposed to interest rate changes and regulatory changes, other sectors are likely to be affected by fiscal budget of the nation.

4. Microfinance Merger FPO issuance: - The microfinance companies are financial institutions licensed by the central bank of Nepal. They are categorized as 'D' class institutions intended uplift rural sectors of Nepal.

The Nepal Rastra Bank (NRB) had guided microfinance companies to ensure minimum capital structure of 30 per-cent to general public and 51 per-cent to the company's promoter holdings. Such, if those capital structures were not met due to merger and acquisition or promoter shares conversion, the company will have to issue First Public Offering (FPO). The research was intended to figure out companies which were potentially issuing FPO as the recent NRB governor has focused his policies on merging microfinance institutions to ensure they are strong and in turn Nabil Invest could approach those companies to become their issue manager for FPO issuance. I created a database of mergers/acquisitions that took place earlier or recently. Ensuring accuracy, all data were collected from company's annual reports; there were a total of 8 companies which were likely to issue FPO. Companies that had recently gone into merger or acquired companies that had not floated their IPO were the ones which had mismatched capital structures. Further, issuance of Further Public Offering would result the money raised to directly be in reserve account of those companies. Generally, a strong reserve indicates a company is good and can afloat longer as well as companies give dividends through net distributable profits and certain portion through reserves. The FPO issuance would also influence the price of those stocks as it had positive change for the company and the market is driven towards right shares and dividends. The market participants tend to take companies issuing right shares and bonus shares positively increasing their stock price.

Firstly, I collected the capital structure of all existing microfinance companies that were afloat through their latest annual general reports. After that, I segregated companies that had potential for FPO issuance. There are many mergers and acquisitions happening recently such those of companies which were considered potential required capital structure calculation post merger or acquisition.

Such, I collected information of companies that had capital structure mismatch and considered their ongoing acquisitions and mergers. Then, incorporating the capital structure of those companies I came up with the list of companies that were likely to issue FPO.

5. Core Contributors to Industries: - This included figuring core contributing factors which reflect upon industry specific companies. For example:- if a company which was doing fair in its past reports has shown great growth in its current report, it can be due to its management efforts which clearly showed good upon its revenue and growth or due to selling of its assets. Such having clarity as to what are the core factors contributing to a company's revenue and growth seemed important. For example:- Kamana Sewa Bikas Bank Limited (KSBBBL) a script from development banking sector had negative reserves and EPS in past quarter showed outstanding reports with EPS standing at 30.15 with positive reserves and net profits. If an investor had invested seeing those ratios without regarding where its revenue actually came from would mislead that person. It seemed that the company had earned more from its non-operating income rather than its core contributors to revenue which has not been disclosed in its financial reports. Therefore, if a company does not have good core contributors to its revenue or other factors relevant to the company it requires more consideration. The above case cannot be regarded as an ill practice in financial reporting,

because its quarterly statement did not mislead its investors as it was clearly mentioned the company has earned majority of its income from non-operating means which was likely through sale of asset.



Figure 6: Kamana Sewa Bikas Bank Case analysis

The company was trading at Rs.140 and there was sudden spike in volume. Insider trading exists in all markets but the scale is considered to be different. The spike from Rs. 140 to nearly Rs.230 is an increase of 40% where the other banks in the sector did not have similar movement. Whereas in November 10, when the company published its financial reports there was a huge sell off represented by the volume spike. After the sell-off in a bullish market the price of the company was stagnant for nearly 3 months till the next quarter. Therefore, it seems very important to look after core contributors to growth in revenue and other aspects relevant to industry the company is in.

6.Research database: - Based on the first quarter reports of Fiscal Year 2077/78, the team worked on creating a database where they could rank the industry specific companies based on reports of that specific quarter. The ranking was based upon core contributors of business and growth of companies. For example:

- the core contributors of a commercial bank would be its deposits, loans and advances, revenue, asset size, growth and costs. Such, based on that excel sheet the ranking included accumulating the overall deposit structure of the companies

and ranking it based on its loans such it provided a ranking comparable with the industry. Such companies at end are classified in terms of Earnings, Assets Size, Growth and Health in turn the data was floated to PMS department which would provide reference as to which companies would best suit their clients risk appetite and investment preferences. Suppose an investor wants to pick upon high beta aggressive stocks to generate irregular returns then the stock preferences would be based upon its growth and earnings, similarly if an investor is risk averse it would best suit for them to invest in companies with a large asset base and healthy companies (which has low Non-performing loans and less provisioning). Similarly, that of all industries were ranked and the data was floated to PMS and mutual funds for investment reference.

However, not everything is learned through activities but more of it is learned through listening experiences too. Risk management is an integral part to a person investing, without risk management a person is considered to not bring weapon for war. Relating risk management, it differs according to market participants and the market the person is involved in. The efficient market hypothesis states that the markets have different levels of efficiency and are categorized into three types: strong, semi-strong and weak. In a strong market, both technical and fundamental analysis works as price reflects entirety of both public and private information. In strong form, not even insider knowledge can give investors a predictive edge that will enable them to consistently generate returns that outperform the overall market average.

The weak form implies that the price of securities reflect all available public market information but may not reflect new information that are not yet publicly available. It implies technical trading strategies cannot give consisted returns because past price performances cannot predict future price action. Whereas, the semi-strong form dismisses usefulness of both technical and fundamental analysis. It assumes that prices adjust quickly to any new public information that becomes available.

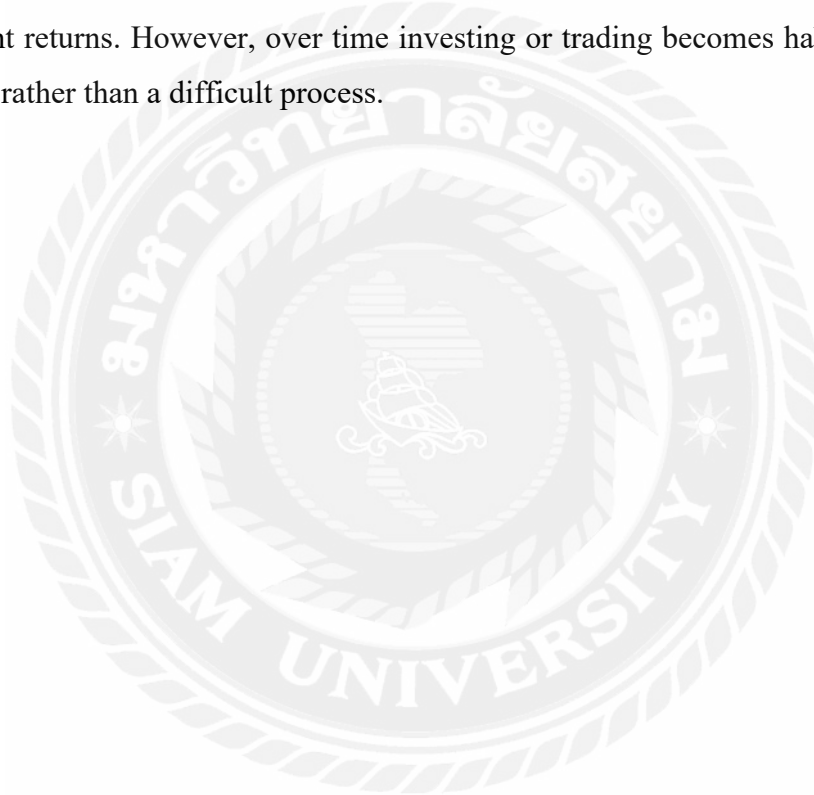
The Nepalese stock market can be considered as a Semi-strong market in terms of efficiency. There are instances that stock prices of securities fall although the information is to have positive impact on price of that security. This means the information is already reflected in the price of that security before it is publicly available. Such, technical analysis and fundamental analysis does not hold power to drive the stock price. Considering those aspects a person must have sound knowledge of both technical and fundamental analysis to keep up with these markets in order to earn good returns.

6. Contributions as an Co-op student in the company

The contribution made during the internship was focused around database creation and analysis. Along with these, contributions in many other departments were also made. With respect to the assigned roles and responsibilities, I was able to successfully make the following contributions during the internship: -

1. Major contribution made was in collecting accurate data of companies. As the Nepalese stock market does not have access to tailored data, and that most software companies have wrong data which can hugely impact investment decisions as they also manually enter it through reports, accessing apt data was very necessary. Such, a major contribution I made was by creating database with apt data such it was easy for research works.
2. With sheer interest in the research works assigned, I completed all tasks which can be regarded as a major contribution.
3. Another contribution I made was with opening DEMAT and Meroshare accounts, as there was less human resource available and piles of pending accounts to be opened. I assure I was a great contributing factor in opening accounts before deadline.
4. With my little knowledge in technical analysis, I was able to spot some companies which were priced lower than the industry and it was deemed appreciated as further research works were accounted to those findings.

Moreover, my learning outweighed contribution; I learned more through seeing, listening and visualizing the perspectives the employees put in table. I seem to have been more inclined towards the investment management techniques the company opted. I learned that over time it requires experience to become affluent and optimal in making investment decisions. Further a person must become very flexible in correcting biases involved in making investment decisions. They must learn to judge the consequences and take actions accordingly in order to make consistent returns. However, over time investing or trading becomes habitual and intuitive rather than a difficult process.



Chapter 3: Learning Process

3.1 Indicate the problem faced/noticed during internship

There is no data extraction software through which we can access correct data of reports yet. Whereas, that of existent data available online are also manually entered and there have been major mistakes. Therefore, manually going through reports and collecting data individually was monotonous. As, stock prices fluctuate and decisions have to be made quickly so does research workings need to be presented timely else opportunities get missed. The workload outweighing the number of employees seems to have added hassle and created negative working environment.

3.2 Solution to problems

If there have been problems with accessing data, which is core to decision making for the company. The company should designate certain employees to cross check and correctly compile and record data of all quarterly reports. Such, there may not be hassle due to data extraction and the company can make accurate decisions in lesser time engaging efficient working. It seems unfavorable to get work completed within short span with fewer employees therefore the HR department should look upon human resource addition in certain departments.

3.3 Recommendation to the Company

The company should look upon making work efficient by making changes to its conventional way of working. It must address its employee's problem in work which eventually will benefit the company in the longer term. As data is crucial to investment banks in conducting research, it is very necessary the company reworks upon creating database to conduct efficient research and accurate decision making.

3.4 Your learning during the Co-op studies

I have well met my objectives of this co-op study during the internship. My learning outweighed my contribution to the company. I would rather address my learning as an experience because it was my first time experiencing work as an intern in an investment bank. I have learned the structured work outline of an investment bank, how work flow and process is executed. Further, I had never

thoroughly gone through researching in that level before. The view and opinions of my co-workers helped clear my preexistent biases and confusions about stock market. Whereas, I got to learn how work happens in scale and how each data matters when it comes to decision making. I believe I have learned a lot about researching, picking stocks and overall decision making.

3.5 Application of knowledge from coursework to the real working situation

The knowledge learned from coursework has well helped in the real working situation. The concepts related to investment management are extensively used in this area of work. It seemed the concepts about portfolio and risk management and investment management would not be used such extensively in real life but it seemed wrong; it is believed to core in the real working situation.

3.6 Special skills and new knowledge learned

The overall internship experience has extensively built my capability for analysis as whole. I have learned to make good use of data into information and in turn create value out of it. Further, I believe to have been well informed about the Nepalese stock market and how an investor should have their take on investment and risk management. A special skill I learned is portfolio management which differs from person to person depending on their risk taking capability.

Chapter 4: Conclusion

4.1 Summary of highlights of Co-op study

The Co-op study highlights the work experience of the intern at an investment bank as a research intern. The overall report includes the introduction of the company, the contributions and learning attained by this co-op study. The overall program has been very valuable in terms of experience and learning for the intern.

4.2 Evaluation of the work experience

My overall work experience in this company has been good. I have got an opportunity to learn a lot about investment banking in Nepal and about how work takes place in such company. I seem to have built good analyzing skill through this internship. The overall contributions I made has built a good base on research and made to capable to work if I were to get position in any research work. I have been satisfied with the co-op study to have gotten a good experience working in an Investment Bank.

4.3 Limitation of Co-op study

There has not been introduction of sophisticated tools of investment such as derivatives, FOREX and OTC markets which are associated with investment banks. Such, this co-op report is only limited with the Nepalese stock market.

4.4 Recommendation for the Company

The company has provided a good opportunity for freshers who are willing to learn and experience work in an investment bank. It is recommended the company addresses its work flow and area of errors and take quick action to rectify it such work is efficient and easy for employees. The company can take consideration in solving problems its employees face with their work particularly.

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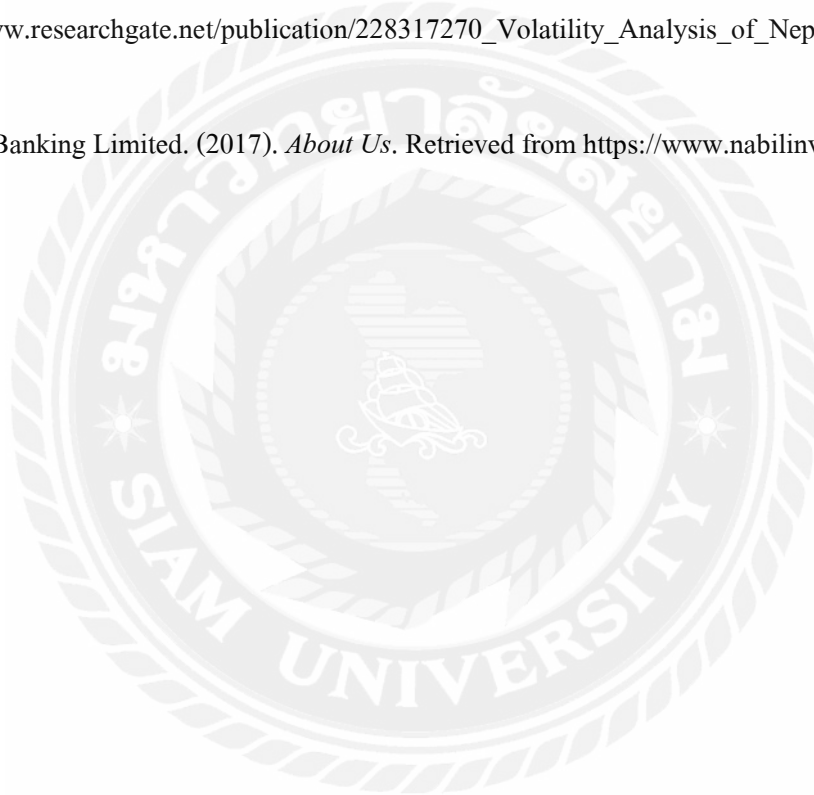
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Appendix



Figure 6: Front office Registrar and Transfer Agent (RTA)



Figure 7: Image at work desk