



Cooperative Education Report:

**The Analysis of Publicly Listed Businesses of Nepal for Shareholder Wealth  
Maximization**

**Written by**

Mr. Subrit Bajracharya

Student ID: 6108040013

**This report is submitted in partial fulfillment of the requirements for  
Cooperative Education, Faculty of Business Administration,  
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**Title:** The analysis of publicly listed businesses of Nepal for shareholder wealth maximization

**Written by:** Mr. Subrit Bajracharya

**Department:** Bachelor of Business Administration (Finance)

**Academic Advisor:** Dr. Chantip Suksai

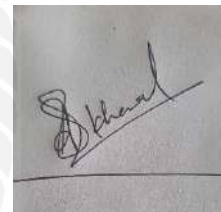
We have approved this cooperative education report as a partial fulfillment of the cooperative education program semester 2018-2022.

Oral Presentation Committees



(Dr. Chantip Suksai)

Academic Advisor



(Mr. Arpan Khanal)

Job Supervisor



(Asst. Prof. Maruj Limpawattana, Ph.D.)

Cooperative Education Committee



(Asst. Prof. Maruj Limpawattana, Ph.D.)

Assistant President and Director of Cooperative Education

**Project Title:** The analysis of publicly listed businesses of Nepal for shareholder wealth maximization

**Credits:** 5

**By:** Mr. Subrit Bajracharya

**Advisor:** Dr. Chanatip Suksai

**Degree:** Bachelor of Business Administration

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### **Abstract**

The report entitled “The analysis of publicly listed businesses of Nepal for shareholder wealth maximization” focuses on how investing in business and trading in stocks are different. This cooperative education report contains the working experience of different tasks carried out as an analyst intern. The objectives of the study include: (1) To apply financial concepts learned through academics while analyzing companies. (2) To learn from the depth of investing and apply it in the stock exchange. (3) To differentiate between investing and trading for shareholder wealth maximization. Working as an intern, we analyzed companies of different sectors listed in NEPSE along with their competitors and industry. All the duties and responsibilities assigned during the cooperative education are explained in detail in this study. Problems faced were solved with the alternatives from the team members of the company. This practical cooperative education program has helped me to understand how investing should be done with proper analysis of the business, improve learning habits and gain financial knowledge.

**Keywords:** Publicly Listed Businesses, Shareholder Wealth Maximization, Analysis of business

## **Acknowledgement**

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I perceive this opportunity as an open door in my career development. I will endeavor to use gained skills and knowledge in the most ideal manner, and I will continue to learn and improve to accomplish my desired career objectives.

Thank You

**Sincerely,**

Subrit Bajracharya

Student ID: 6108040013

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## List of Acronyms

CAGR: Compound Annual Growth Rate

ROCE: Return on Capital Employed

IBAS: Innovation Brand Architecture Strategic assets

## Chapter 1: Introduction



Figure 1: Khanal Pradhanang Investment Services (Company Logo)

### 1. Company profile

Khanal Pradhanang Investment Services (KPIS) is equity research and investment advisory house built to help people, families, and organizations to create wealth and enhance their financial prosperity. The core values of the company are Integrity, Compounding, Continuous Learning, Result Oriented Work, and Profitable Growth. It was set up by Arpan Khanal and Sumit Pradhanang with a strong research foundation to feed attractive, investable businesses into the Company's proprietary Investment Fund. During their investment research and market studies, they realized that the equity research, advisory, and management industry in Nepal is a highly disorganized space, due to which, many retail and institutional investors have lost money which lead to the development of various products and services for retail and institutional investors to create wealth.

The investment principles, processes, and offerings are greatly influenced by the value investment philosophy set out by Warren Buffet and Charlie Munger. The company seeks to identify growth-oriented companies with strong competitive moats in attractive industries run by motivated managers which will create wealth for shareholders through their research.

#### 1.1 Mission

To help people, families, and organizations create wealth and enhance their financial prosperity

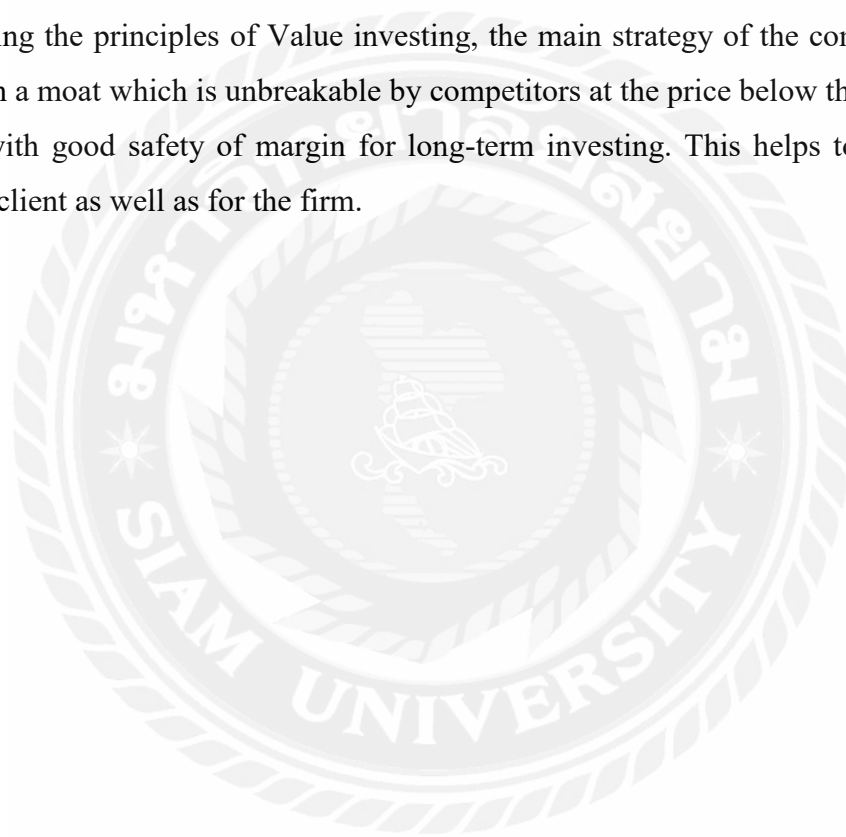


## 1.2 Vision

- To create an institution that manages people's money ethically
- To grow the value investment community in Nepal
- Profitable growth by providing dedicated service to clients

## 1.3 Strategies of the company

Following the principles of Value investing, the main strategy of the company is to find businesses with a moat which is unbreakable by competitors at the price below the intrinsic value (undervalue) with good safety of margin for long-term investing. This helps to generate good returns for the client as well as for the firm.



## 2. Organizational structure

### 2.1 Diagram of the organizational structure

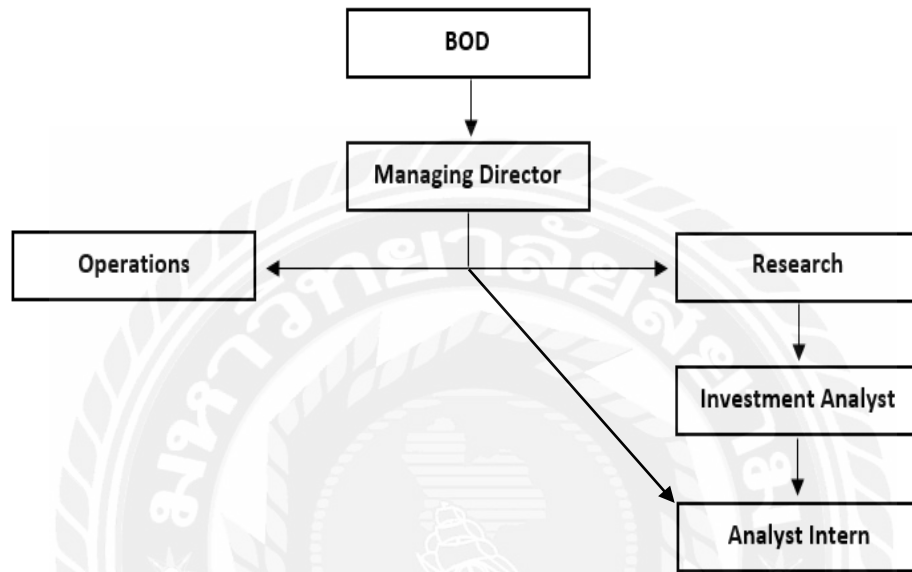


Figure 2: Organizational Hierarchical Chart

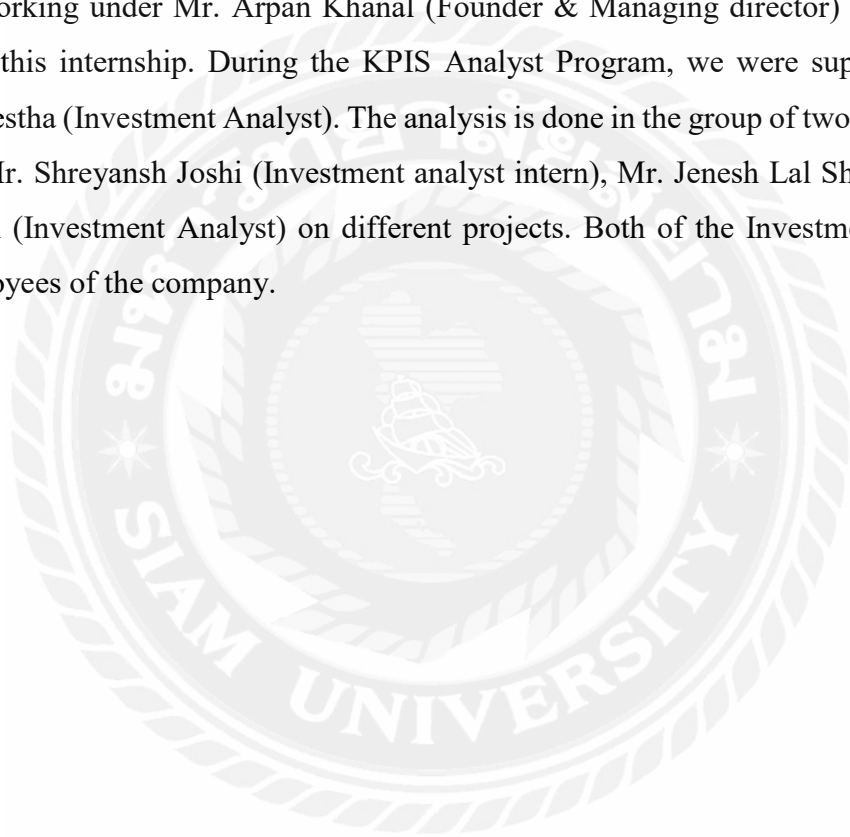
The board of the company includes the founder Arpan Khanal and co-founder Sumit Pradhanang. Arpan Khanal is also the managing director of the company. The company has two wings: Operations and Research. The Operation wing includes using a trade management system (TMS) to buy/sell companies, handling Mero share of clients to transfer and check shares, render client services, and looking after the finance department of the company. The research wing includes picking companies, researching and analyzing companies, and sorting out investable companies for clients. This job is done by an Investment analyst as well as an analyst intern. The investment analyst also calculates the weightage of investment in companies according to client profiles.

## 2.2 Job position

At Khanal Pradhanang Investment Services (KPIS), I have been designated as Investment Analyst Intern. As an Investment Analyst intern, we have to research both qualitative and quantitative data of businesses that are publicly listed on the stock exchange and analyze the business whether it is great, good, or gruesome businesses. (Buffett, 2007)

## 2.3 Job position in the company's organizational structure

I am working under Mr. Arpan Khanal (Founder & Managing director) who is also my supervisor for this internship. During the KPIS Analyst Program, we were supervised by Mr. Jenesh Lal Shrestha (Investment Analyst). The analysis is done in the group of two analysts, I have worked with Mr. Shreyansh Joshi (Investment analyst intern), Mr. Jenesh Lal Shrestha, and Mr. Nitesh Gautam (Investment Analyst) on different projects. Both of the Investment analysts are full-time employees of the company.



### **3. Intentions and Motivation to join this company as Co-op studies workplace**

I wanted to join this company to learn more about the stock market during my first year of internship. Back then I had no clue about writing a brief company analysis to apply for the internship and also the minimum level required was mentioned as a second-year student. I am glad I didn't apply for it at that time because I would have been a normal student excelling and only focusing on investing but missing all the experiences that I have gained from KCM and the previous internships. I am also glad that I have joined this internship now because it was the right time for me as I have seen both cycles (bull-bear) of the stock market. In the majority, I was trading where I made most of the gain in the upcycle but as the down cycle came the losses were greater than the gain. I had traded from technical analysis, floor sheet & broker analysis, and insights from big investors. Now I wanted to know what investing is and to choose between investing and trading for wealth maximization. It was also time to apply my theoretical knowledge gained from KCM-Siam University to the real world. Now I know how to analyze companies and say whether it is investable or not.

#### 4. Strategic analysis of the Company

##### SWOT Analysis



Figure 3: SWOT Analysis

- **Strengths:**

The company's research base is very strong with CFA holders and CFA candidates. We not only analyze a company but its competitor and the industry by using the Scuttlebutt approach which gives huge information and leads. The company isn't focused on only finance background employees but from vivid backgrounds because investment can be done by anyone if taught properly.

- **Weaknesses:**

There are opportunities to work in investment banks as well as in foreign countries which gives an HR problem of leaving the company. The company trains the analyst until s/he becomes skilled and this problem is faced by the majority of the companies in Nepal.

- **Opportunities:**

As NEPSE is in the correction phase, a lot of people have lost their money while investing (trading) in the bull run. People know that the stock exchange is a place where their money can be invested and have decent returns. People working in different fields can't provide time for the stock market. It's time to gain their trust and increase the company's client base.

- **Threats:**

As we all know, banks have their investment bank subsidiary which totals more than 25 and there are merchant banks as well as other private companies. The competition is very high. Nepal Rastra Bank and the Government have strict policies on BFI's and they keep changing them.

## **5. Objectives of the study**

The objectives of the study are mentioned below:

- To apply financial concepts learned through academics while analyzing companies
- To learn from the depth of investing and apply in the stock exchange
- To differentiate between value investing and trading for shareholder wealth maximization

## Chapter 2: Co-op Study Activities

### 1. Job description

**Job title:** Investment Analyst Intern

**Department:** Research

**Office:** Jaycees Bhawan

**Location:** Thapathali, Kathmandu

**Internship Date:** January 30 to May 31, 2022

### 2. Job responsibilities

As an Investment Analyst Intern, our job is to analyze publicly listed business of different sectors and verdict whether it is investable or not. The steps are explained briefly below:

- KPIS Analyst Program

Through this program, we learned the basics of investing, about successful investors guides, and to properly analyze companies of different sectors (Banking & Financial Institutions, Hydropower, FMCG, Manufacturing). Before analyzing any business, we must understand the core business model as well as the suppliers of the company to the end-user then we will be able to analyze the company. We need to know the sales to cost of raw materials to after service of the product.

- Data collection

We punched past 10 years' financial data's from annual reports and sorted out qualitative data from annual reports (Chairman's message, Promoter's profile, Notes to financial statements, etc.) as well as from rating reports from rating agencies from where we knew the company's current profile and ratings, strength & challenges of the company and key financial indicators. We also looked into promoters and BOD interviews and news to know more about their vision and the company which always turned out to be very insightful.

- Business Analyzation

We look for a competitive moat that couldn't be destroyed by any other business and past CAGR (Compound Annual Growth Rate) & potential growth of the business. Through the promoter's data, we look for their experiences and other businesses to know their potential and whether they have been entangled with any frauds in the past or present.

- Financial Analysis

After all the data is set into a framework, we calculate key indicators like Return on capital employed, Sales growth, Gross profit margin, Net profit margin, common-size statements, etc. to know the performance of the business. Then we try to figure out the reason behind it.

- Valuation

We value the company whether it is over or undervalued which helps us to determine whether to invest or not. We use ratios like PE, and PB and compare them with Shareholder's equity and Book value. This helps us to know the trend of the company in bull and bear run. We also forecast the Free Cash flow of the firm (FCFF) and Free cash flow to equity (FCFE) to know the future cash flows and to see whether it can do capital expenditure or pay off the debt in the future or not. Through the discounting of the Free Cash flow of the firm (FCFF) and Free cash flow to equity (FCFE), we get the present value of FCFF and FCFE which helps us to get the intrinsic value of the company (CFA Institute). The value of the company is then compared with the present market capitalization and if it's more than the market cap then the business is overvalued and vice versa.

- Presentation

After all the analysis, we summarize our findings in PowerPoint and present the thesis to the team. Discussions on our presentation are done and feedback is given back to us if required.



### **3. Activities in coordinating with co-workers**

In our research department, as most of the projects are assigned to a group of two analysts, coordination plays a vital role in achieving the goal. But we firstly do our research and analyze the company individually then, we discuss individual findings in the group which helps to bring different insights to the table and we synergize our discussion into an investment thesis and present it to the rest of the team.



#### 4. Job Process Diagram

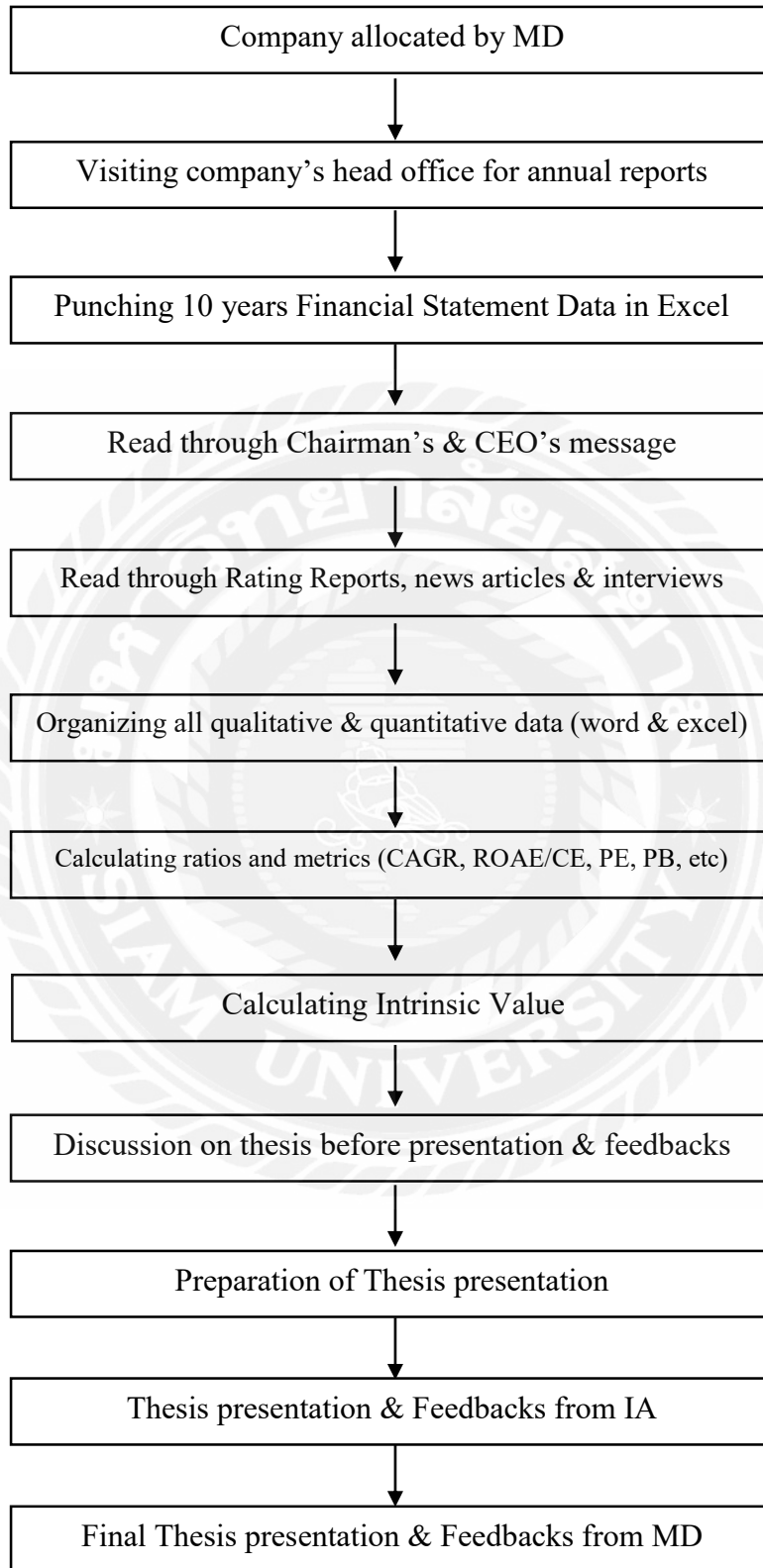


Figure 4: Diagram of my workflow working as an Investment Analyst Intern

As an Investment Analyst Intern, I work under the Managing Director as well as with Investment analysts from analyzing companies to analyzing the economic condition of the country.

### **5. Contributions as an CO-OP student in the company**

Our main goal as a student is to learn and one of the takeaways of this internship is to learn continuously from every situation as if you were to commit all the mistakes that humans can make then this life won't be enough. The major contribution that I made as a Co-OP student:

- Data collection of Shivam Cement

The team was analyzing Shivam Cement when I first joined the company. I was assigned to read through rating reports and the company's website of the 18 cement manufacturing competitors of Shivam Cement. The qualitative, as well as the quantitative data, were punched into the excel sheet which was the database for the team analyzing the cement industry.

- Individual analysis of CIT

Then I was assigned to read through the annual reports and rating reports of Citizen Investment Trust. The qualitative, as well as the quantitative data, were punched into the excel sheet which was a great help for Mr. Shreyansh Joshi who was going to start the analysis of CIT.

- Individual analysis of NABIL, NICA, and NIBL

During the KPIS Analyst Program, we were taught to analyze the banking sector. For that project, we analyzed Nabil bank with its peers (NIC Asia Bank and Nepal Investment Bank). Now I know how to analyze the banking sector from various metrics like CASA ratio, Non-performing loan ratio, deposit per branch, etc. One of the findings from this thesis was that NICA is the leading bank in Nepal in terms of loan and deposit growth but the bank has been lending the majority of its loan portfolio in overdraft loans which is very risky as this type of loan doesn't require to show the purpose of the loan.

## PEER Analysis



	P/E	P/B	ROE (%)	ROA (%)	NPA	NIM	CAR	Loans growth	Deposit growth	CASA Ratio
	40.48	5.3	15.19	<b>1.71</b>	0.84	3.1%	12.77	34%	17%	46.1%
	<b>20.9</b>	<b>2.35</b>	11	1.6	2.46	2.6%	<b>14.71</b>	16%	5%	<b>46.8%</b>
	35.27	5.5	<b>17.09</b>	1.64	<b>0.24</b>	<b>3.34%</b>	12.47	<b>59%</b>	<b>44%</b>	40.1%

Figure 5: Nabil, NICA & NIBL peer analysis

- Individual analysis of UNL

During the KPIS Analyst Program, we were also taught to analyze the FMCG sector. For that project, we analyzed Unilever Nepal Limited (UNL). One of the findings on the loss faced by the company in 2076/77 was due to the provision booked of ELIDA income receivable (NPR 332.99 million) which is earned from rendering management and marketing services which resulted in the company's PAT being lower than CFO.

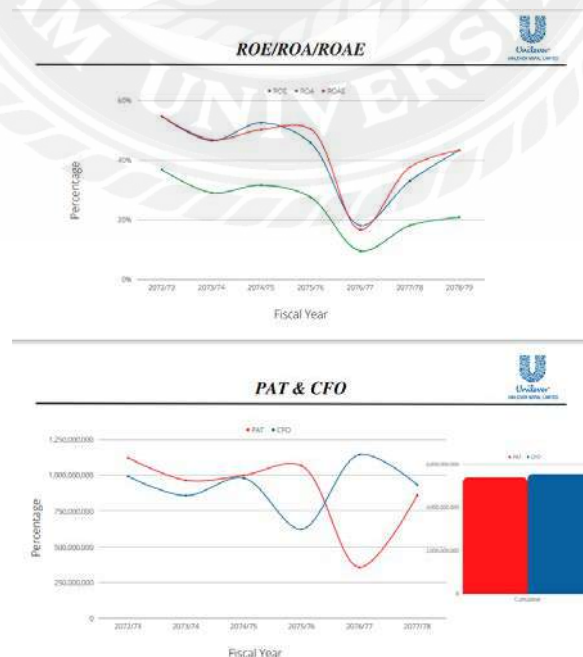


Figure 6: UNL’s PAT & CFO

- Data collection of SHPC

The financial data of Sanima Mai Hydropower Limited (SHPC) was punched into the excel file and qualitative data from the annual report, rating report, websites, and subsidiary companies were also framed into an excel file. Valuation metrics (PE &PB ratio), Debt to equity ratio, Profitability ratios, etc were calculated to know the clear picture of the company.

	2012	2013	2014	2015	2016	2017	2018
Market Cap (Billion)	7.39	10.76	15.97	6.92	5.27	5.66	14.41
PE ratio	128.94	0.00	57.20	24.94	22.78	15.53	35.44
PB ratio	6.75	10.19	9.08	2.53	1.85	1.78	4.13
ROAE	5.2%	-2.8%	20.6%	12.7%	8.3%	12.1%	12.1%
ROAA	1.3%	-0.7%	5.9%	5.4%	4.3%	6.7%	7.4%
Gross profit margin	100%	85%	91%	91%	90%	90%	91%
Net profit margin	70%	-7%	35%	35%	32%	43%	48%
Debt/Equity	2.5	3.1	1.9	1.0	0.9	0.7	0.6
Interest coverage	--	-0.1	1.1	1.0	0.9	1.5	2.2
Current Ratio	0.1	0.7	1.8	4.2	2.2	1.7	2.0
Revenue from Sale of Electricity	81.30	402.25	795.13	789.68	725.08	880.78	850.31
Net income	37.27	(29.61)	279.15	277.53	231.31	396.90	406.48
Dividend Income	--	--	--	38%	5%	35%	4%

Figure 7: SHPC data file

- Analysis and Valuation of SHPC

After the individual thesis was made up of SHPC, Shreyansh Joshi and I jointly started making the presentation of SHPC combining both our thesis into one. We also valued the company using FCFF, FCFE, and DCF methods and as the data of its subsidiary companies aren't being provided by the company stating that they only have the progress report, we are currently trying to get data.

## Company Structure



S.N.	Company	Project name	Capacity/Stage	Stake
<b>Wholly owned</b>				
1	SHPC	Mai	22 MW (Operational)	100%
2	SHPC	Mai Cascade	7 MW (Operational)	100%
<b>Associates</b>				
1	Swet Ganga HPL	Lower Likhu HEP	28.1 MW (76% Construction)	44.16%
2	Sanima Middle Tamor HPL	Middle Tamor HEP	73 MW (45% Construction)	22%
3	Matthilo Mailung HPL	Matthilo Mailung Khola HEP	14.3 MW (60% Construction)	38.53%
4	Tamor Sanima Energy Pvt. Ltd.	Upper Tamor HEP	285 MW (Infrastructure development and designing)	n/a
5	Sanima Jum HPL	Jum Khola HEP	56 MW (Infrastructure development and designing)	n/a
6	Babari Construction Pvt. Ltd.	-	-	n/a

Note: Stake data retrieved from ICRA/Care Agency Reports  
HPL/HEP – Hydropower Ltd./Hydroelectricity Project



Figure 8: SHPC company structure

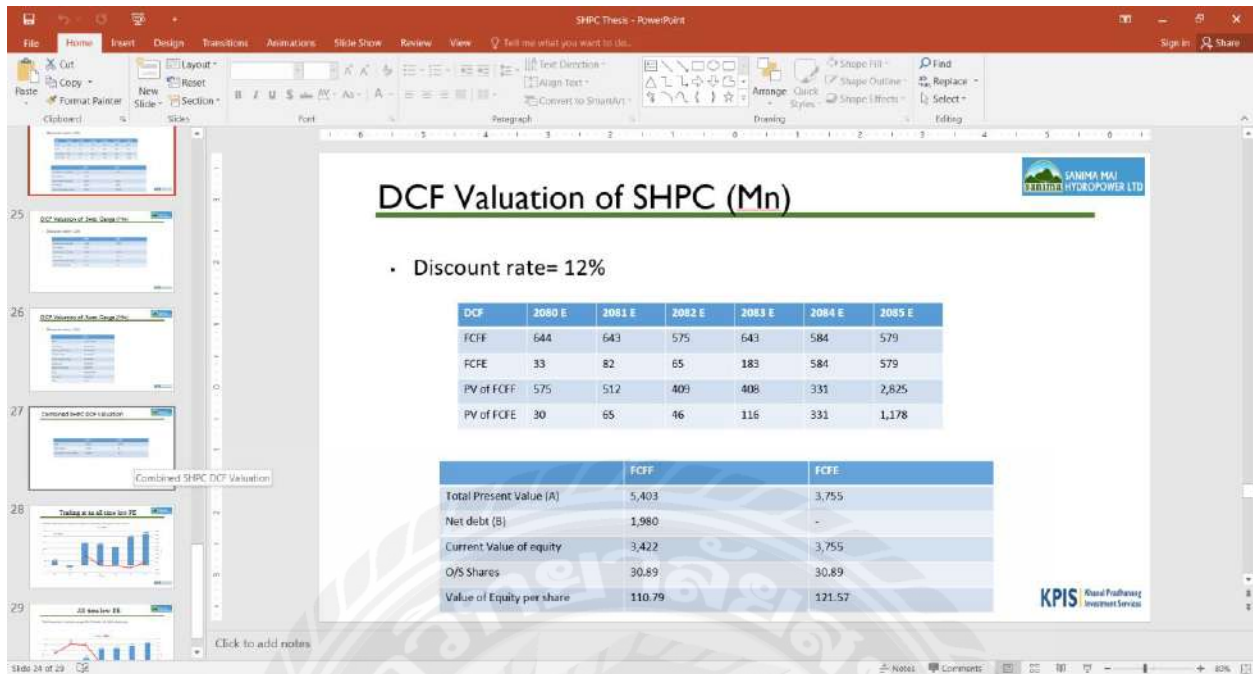


Figure 9: SHPC DCF Valuation

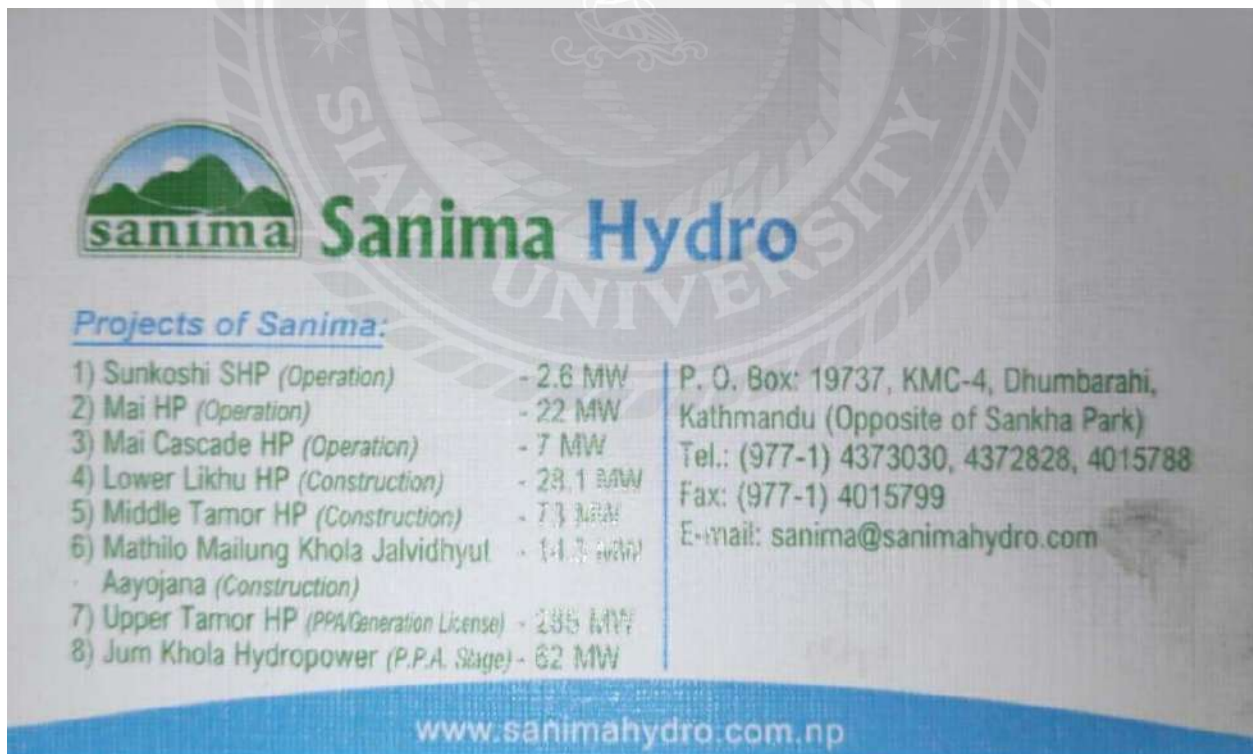


Figure 10: Sanima Hydro (SHPC parent company) card

- Industry database of hydropower

Currently, as we are trying to get data on SHPC subsidiary and associate companies, we are also making the database of all the hydropower companies listed in NEPSE. The database includes the project name, location, Megawatt, PPA signed date, Completion date, Debt to equity, etc.

S.No	Ticker	Company	SN	Projects	Installed (y/N)	Stage	Project Type	Location	Installed Capacity (MW)	PPA date	COD	Ownership %	Project Status	Project Cost	Debt O/S	Year for Debt Payoff
10	DHPL	Dibyashanti Hydropower Ltd.	1	Sabhu khola				Sankhuwasabha	4	2008/12/17	2016/06/02		Operation			
11	ADPL	Anun Kabei Power Ltd.	1	Kabel B-1				Taplejung, Panchthar	25	2009/03/29	2016/07/23		Operation			
12	SPDL	Synergy Power Development Ltd.	1	Spring khola				Dolakha	9.056	2005/10/20	2005/10/05		Operation			
13	UMHL	United Modi Hydropower Ltd.	1	Lower Modi 1				Parbat	10	2005/10/20	2009/08/10		Operation			
14	CHL	Chhyangdi Hydropower Ltd.	2	Lower Modi 2				Parbat	10.5	2012/12/14	2016/03/17		Development			
15	CHL	Chhyangdi Hydropower Ltd.	1	Chhanda				Lamjung	2	2008/12/23	2012/12/13		Operation			
15	HPPL	Himalayan Power Partner Ltd.	1	Darda khola				Lamjung	37	2005/03/01	2016/05/14		Construction			
16	PHDL	Nepal Hydro Developers Ltd.	1	Changanvati khola				Dolakha	3.52	2007/02/23	2010/02/24		Operation			
17	RADH	Radhi Biodyut Company Ltd.	1	Radhi khola				Lamjung	4.4	2006/10/18	2011/02/01		Operation			
18	PMHPL	Panchakanya Ma Hydropower Ltd.	1	Upper Ma khola				Ilam	9.98	2001/12/19	2013/01/09		Operation			
19	KPCL	Kalika Power Company Ltd.														
20	AKDL	Anku khola Biodyut Company Ltd.	1	Anku khola 1				Dhading	8.4	2006/02/02	2010/05/05		Operation			
21	UJHL	Upper Hydropower Development Company Ltd.	1	Upper Rawa 1				Ilam	3	2006/01/23	2011/10/01		Operation			
22	UPHL	Upper Tamakoshi Hydropower Ltd.	1	Upper Tamakoshi				Dolakha	456	2007/09/14	2012/09/10 (18MW) 2013/03/10 (30 MW)		Construction			
23	CHL	Chakrad Hydro Limited	1	Chakrad khola				Miyagi	5	2003/12/00	2016/11/05		Operation			
24	UPCL	Universal Power Company Ltd.	1	Lower khare				Dolakha	11	2009/10/22	2014/09/16 (8.28 MW) 2015/04/1		Construction			
25	PHHL	Moultan Hydro Nepal Limited	1	Talu Hara khola				Panchthar	22.1	2011/04/09 2	2016/04/21		Operation			
26	PHPL	Panchthar Power Company Limited	1	Hara khola A				Panchthar	14.9	2008/09/30	2013/10/22		Operation			

Figure 11: Industry data base of Hydropower



## Chapter 3: Learning Process

### 1. Indication of how I successfully solved the problems

- Background

Before investing in the stock market, I used to trade in forex by buying out dollars when it was at a low rate which was published on the Nepal Rastra Bank official page from families and friends who came back to Nepal from foreign countries and would hold and exchange for NPR when the rate was high. I had good profits but it wasn't that great. I started putting my savings into the stock market when I was in high school. I used to gain insights from investors' quotes like "Rule no.1 Never lose money & Rule no.2 Never forget rule no.1", "put money to work", "higher the risk higher the reward", and "The best investment is in yourself", etc.

- First two-bagger stock- SHIVM

Back then, the stock market of Nepal wasn't digitalized. We used to wait in lines of more than a hundred to submit IPO forms which nowadays can be applied through a click. My first two-bagger stock was Shivam Cement Limited (SHIVM) which I applied from its premium IPO.

- Financially Independent

I started to trade in the secondary market but the return on capital employed (ROCE) was good enough than putting it into a savings account. The desire to be financially independent was even high.

- In search of more knowledge of the stock market

I wanted to learn more about the stock market but had no idea where to look for. I had just completed my first year and it was time for an internship where I saw the opportunity to intern in KPIS but the requirement was to be a minimum second-year student and to write a brief company analysis to apply for it. Back then I was trading in stocks and didn't know how to analyze a business. I would have applied even though the requirement was the second year but didn't know how to analyze the company. I did my internship in marketing (a franchising company) and then in event management and real estate research. None of them beat the adrenaline that I gained from the stock market.

- Major in Finance during KCM-Siam BBA program

I learned company analysis and key indicators from my major in finance which helped me to apply for this internship at KPIS.

- Experience of the Bull market

I had a great ride in this bull of NEPSE and as the bear attacked me, my trading techniques were all useless. It was time to learn the real game-playing strategy “the big money is not in buying & selling but in waiting”.



## **2. Examples of how such problems were solved**

- KPIS Analyst Program

The great guidance was from the KPIS Analyst Program. The articles and videos that were given to us from compounding to different biases of humans, to basic financial statement analysis to calculating intrinsic value, it all was a great guide to following the path of investing.

- Learnings from KPIS Analyst Program

The guide to looking for qualitative and quantitative data from annual reports, rating reports, interviews, news, and financial statement to create a database that gives a clear picture of the business was major assistance. IBAS framework (Innovation Brand Architecture Strategic assets) of the company and its peers and industry helped to analyze the company and the industry according to the nature of the business.

- Articles, Videos, and Books

The articles and videos of successful investors around the globe like Peter Lynch, Li Lu, Dr. Vijay Malik, William Ackman, Warren Buffett, Howard Marks, Bill Nygren, Saurabh Mukherjea, Raamdeo Agrawal, Vijay Kedia, Deepak Nitrite, Charlie Munger, Benjamin Graham, Francois Rochon, Aswath Damodaran, Rakesh Jhunjhunwala, Ray Dalio, Robert Kiyosaki, Fundoo Professor- Sanjay Bakshi, Larry Fink, Mahesh Patil, Mohnish Pabrai, etc has helped a lot to solve the problems faced by implementing and modifying techniques they used and are the future guides if any obstruction is in the way of investing.

- Team discussion

The group discussion and presentation on all the topics in the program helped to understand more. Brainstorming during the discussion and feedback also helped to solve the problem.

- Continuous Learning

The habit of learning continuously and researching has helped a lot and will always be one of the major takeaways.

## Chapter 4: Conclusion

### 1. Things learned during the internship

The major things that I learned from the internship are as follows:

- To properly analyze a company

By knowing how the business operates to earn, the moat of the business, the entire industry which includes competitors, and the business cycle, we get a clear picture of the business. Then we look after the company's ratings done by rating agencies and the background of promoters and management. After that, we look into the past performance of the company and analyze the present financials which gives us the performance trend of the company. We then look after forecasted cash flows for future debt repayment or major capital expenditure potential. Next, we discount the cash flows to the present date and the intrinsic value of the company is calculated. The value is compared with the present market capitalization which tells whether the stock is undervalued or overvalued for us to invest.

- Strong Research Base

Investment is all about research, discipline, and patience. For the majority of the time spent in this internship, we were all researching and looking for more data about the company rather than using the TMS (Trade Management System) to participate in the stock market. 95% of investment is researching whereas 5% is about buying the business at the right price and selling the business at the overvalued price.

- Buy Low Sell High

We have to time the perfect low for buying to sell at the perfect high. In trading, as the Nepal Stock Exchange opens from 11 am to 3 pm, we used to look for trading opportunities to gain in a week or a month but every time it doesn't happen. But in investing, when we also find an investable company we look for more information to support our verdict and invest for the long run.

- To invest in the long term for shareholder wealth maximization

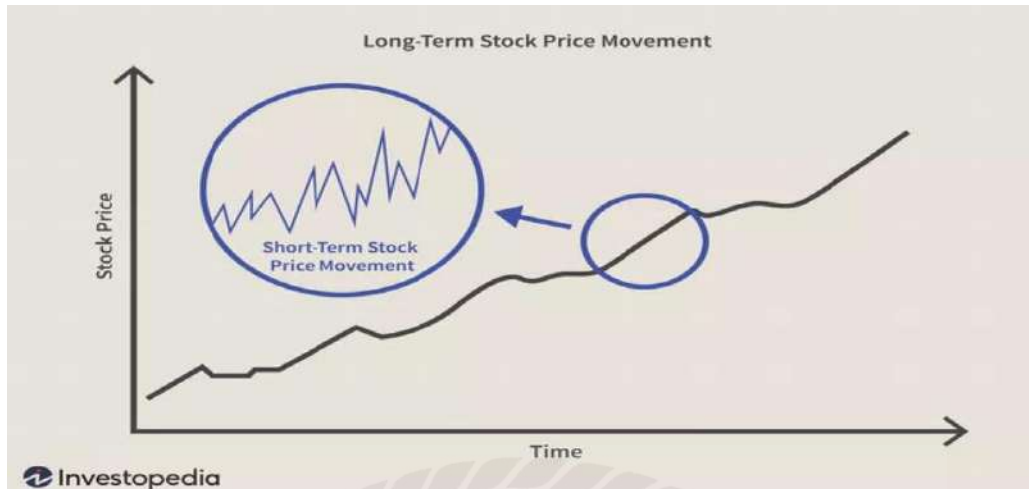


Figure 12: Long-Term Stock Price Movement (BEERS, 2020)

Even though there is a saying that in the long term we are all dead but the real gain is in the long term. In the short period, as shown in the image below, trading seems to be more attractive but in the real and long run, it is far less than the actual gain in the long term. We all will be tensed and pressurized whether the bet on trading will work off or not during trading but in investing, we would be patiently waiting and researching for investable companies and will enter the market when the company seems to be undervalued and exit when it is overvalued. Wealth maximization is done in the long term whereas in the short run the profits will come and go like a running river. You will never know the value of money earned in the short run.

- Continuous learning

Learning is a process that should never be stopped because when learning comes to end, the life of that person becomes stagnant. It was one of the learnings as well as a habit to seek to learn and read more about investment and investing decisions by global investors and economies. It is also important to look into the past as well as the saying, “History repeats itself”. The situation may be different but some part has already happened in past. If we commit every mistake during the process of investment, then we will only gain experience and lose money. So, we need to see what the successful investors have done through their letters and memos to shareholders and partners, interviews, and books to avoid these mistakes.

- Power of compounding

The diagram shows the compounding formula  $A = P \left( 1 + \frac{r}{100} \right)^t$ . A curved arrow points from the term  $\left( 1 + \frac{r}{100} \right)$  to the text "WHAT INVESTORS FOCUS ON." Another curved arrow points from the exponent  $t$  to the text "WHAT INVESTORS IGNORE." The background features a faint watermark of a university seal.

Figure 13: Compounding

Compounding is regarded as the eighth wonder of the world and the person who understands it, earns it; he who doesn't pay for it (Einstein, 2021). Compounding should never be interrupted unnecessarily (Munger, 2017). It means reinvesting the amount received as dividend into principal and generating additional returns next year and repeating the process. Most investors only focus on the rate of return and ignore the time which can be controlled directly (Khanal, 2019). This is the way to maximize the wealth and the result is proven in long run.

- Margin of safety

The difference between your calculated intrinsic value and the market price is known as the margin of safety. The margin should be higher if the assumption you made turns out to be wrong then the drop in market price will not affect you (Hartill, 2021). This cushion is available when we buy stocks cheaper than the intrinsic value.

## **2. Knowledge gained from the coursework and applied in the real world situation**

From financial ratios and statements (Income statement, Balance sheet & Cash Flow Statement) analysis and its interpretation to different biases of human beings, all have been a great help from my course work which I have applied in my internship. For example, the PE ratio (Price to Earning) means the time required to get back the investment done in the company through the company's earnings provided that the earnings are constant. The lower the PE ratio, the quicker your investment is returned. PB ratio (Price to Book) is the comparison of the market value of a business with the net assets (book value) of the company. The lower PB ratio means net assets (after deducting liabilities from assets) are higher than market value. Value investors regard the below 3 PB ratio as undervalued stock (Maverick, 2022). We used this ratio while valuing whether the company is undervalued or overvalued. We also compared the PE ratio trend with the Earnings trend and the PB ratio trend with the book value trend and justified it. We compared the sum of cash flow from operation (CFO) and profit after tax (PAT) to see whether the business is collecting or not the profit amount. If the CFO and PAT are similar, then we can say that the business is collecting profits in cash whereas if CFO is lower than PAT then we should avoid such companies as the profits are not realized in cash from consumers (Malik, 2014). We also used FCFF, FCFE, and intrinsic valuation multiples.

### **3. Self-assessment of work experience**

The internship program is one of the fruitful programs of KCM-Siam University. We all gain to learn and apply the knowledge that we have learned from our academic courses in real life. For me, it has been a great opportunity to revise and learn more about the subject that I am passionate about. The market is being corrected and as Warren Buffett says, “buy low sell high”, we are waiting to correctly time our investments. To be honest, I am really glad and would suggest everyone who is trying to know from the depth of investing to join the KPIS Analyst Program as in the future I surely would look back in life and say it was one of the turning points of my professional life.

### **4. Benefits from the internship for your future career**

This internship has given me clarity on how investing should be done. Now I know how to analyze different businesses in different industries. The learnings from my major in finance have been revised and through this internship, the practical way of using that theoretical knowledge has been the most beneficial gain for me. From reading through successful investors’ success and failures, investment philosophy, and company approaching techniques now, I can make my investment philosophy and refer back to them.



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## Annex



Figure 14: Image at workspace



Figure 15: Glimpse during analyzing Sanima Mai Hydropower Limited with Mr. Shreyansh Joshi (Investment Analyst Intern- KCM Classmate)



Figure 16: Mr. Nitesh Gautam (Investment Analyst) helped to revise financial and valuation concepts

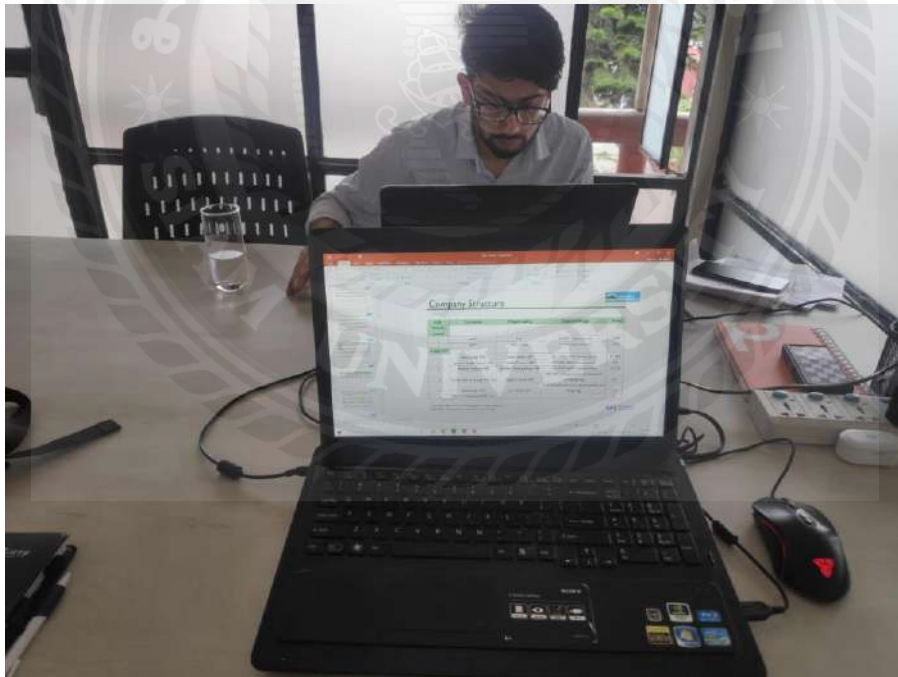


Figure 17: Combining the findings and thesis on Sanima Mai Hydropower Limited (SHPC) on Powerpoint for presentation



Figure 18: Ms. Prachi Shakya (Intern) presented her investment thesis on Unilever Nepal Limited (UNL) during KPIS Analyst Program



Figure 19: Annual Report Collections



Figure 20: This meeting room is also used to read books during break time



Figure 21: Books for daily reference



Figure 22: KPIS Research Team and Interns together on the day of successful completion of KPIS Analyst Program

