



**COOPERATIVE EDUCATION REPORT**

**NEPSE EQUITY OUTLOOK: A SECTORAL DEEP DIVE INTO HYDROPOWER,  
BANKING, & MANUFACTURING**

**WRITTEN BY**

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**Title:** NEPSE Equity Outlook: A Sectoral Deep Dive into Hydropower, Banking & Manufacturing

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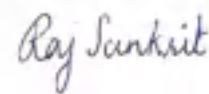
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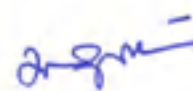
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### ABSTRACT

This cooperative education report, titled “**NEPSE Equity Outlook: A Sectoral Deep Dive into Hydropower, Banking and Manufacturing,**” presents my internship experience at **National Capital Limited** as a **Research Intern** in the Investments team from **5th January 2026 to 27th April 2026**. National Capital Limited is a SEBON-licensed investment management and merchant banking firm based in Kathmandu, Nepal.

The main objectives of the internship were to apply academic knowledge of finance and investment analysis in a real capital market setting, develop investment theses through fundamental research, and understand NEPSE-listed companies across major sectors. During the internship, I prepared independent investment research on three companies: **Upper Solu Hydro Electric Company Limited (USHEC)** from hydropower, **Standard Chartered Bank Nepal Limited (SCBNL)** from banking, and **Unilever Nepal Limited (UNL)** from manufacturing. The research process included sector analysis, financial statement review, DuPont analysis, IBAS framework application, and risk assessment.

In addition, I developed a detailed database of more than 100 NEPSE-listed hydropower companies covering project cost, funding structure, operational status, commercial operation date, contracted plant load factor, and other key indicators. This supported investment idea generation and helped build a stronger understanding of the hydropower sector.

The major challenge faced during the internship was the limited and inconsistent disclosure among smaller hydropower companies. Overall, the internship improved my skills in investment research, financial analysis, sector evaluation, data organization, and professional communication.

**Keywords:** *Equity Research, NEPSE, Hydropower, Banking, Manufacturing*

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I would like to express my sincere gratitude to **National Capital Limited** for the opportunity to undertake my cooperative education internship within the Investments team. This placement provided an environment of genuine intellectual rigor and professional challenge that exceeded my expectations.

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I would also like to thank my Academic Advisor, **Dr. Chutimavadee Thongjeen**, and the faculty of the Business Administration program at Siam University and Kathmandu College of Management, for the academic foundation that made this research possible.

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Sincerely,

Nirvik Shrestha

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## LIST OF ABBREVIATIONS



IBAS	– Innovation, Brand, Architecture, Strategic Assets
NEPSE	– Nepal Stock Exchange
SEBON	– Securities Board of Nepal
NRB	– Nepal Rastra Bank
NEA	– Nepal Electricity Authority
PPA	– Power Purchase Agreement
PLF	– Plant Load Factor
COD	– Commercial Operation Date
ROR	– Run-of-River
PMS	– Portfolio Management Services
SIF	– Specialized Investment Fund
USHEC	– Upper Solu Hydro Electric Company Limited
SCBNL	– Standard Chartered Bank Nepal Limited
UNL	– Unilever Nepal Limited
FMCG	– Fast-Moving Consumer Goods
CASA	– Current Account Savings Account
NIM	– Net Interest Margin
NPL	– Non-Performing Loan
CAR	– Capital Adequacy Ratio
ROCE	– Return on Capital Employed
ROE	– Return on Equity
ROA	– Return on Assets
DIO	– Days Inventory Outstanding
DSO	– Days Sales Outstanding
DPO	– Days Payable Outstanding
ICRA	– Investment Information and Credit Rating Agency
SWOT	– Strengths, Weaknesses, Opportunities, and Threats
HNI	– High Net Worth Individual
KPIS	– Khanal Pradhanang Investment Services
BBA	– Bachelor of Business Administration
CCC	– Cash Conversion Cycle

## CHAPTER 1 INTRODUCTION

### 1.1 Company Profile



Figure 1: Company Logo

National Capital Limited is a SEBON-licensed investment management and merchant banking firm headquartered in Kathmandu, Nepal. The company is a subsidiary of National Life Insurance Company, one of Nepal's leading life insurers, and was officially granted its merchant banking license by the Securities Board of Nepal (SEBON) in 2025 following the restructuring and rebranding of its predecessor entity, Khanal Pradhanang Investment Services (KPIS). The firm is led by CEO Arpan Khanal, who brings over 13 years of combined experience in investment banking at J.P. Morgan, private equity at True North Associates, and investment management at KPIS.

National Capital's investment philosophy is grounded in a disciplined value investing approach, guided by the principles of Warren Buffett and Charlie Munger; seeking companies with durable competitive advantages, ethical and competent management, and prices that offer a meaningful margin of safety relative to intrinsic value. This philosophy explicitly differentiates the firm from the speculative, price-momentum-driven behavior that characterizes much of Nepal's retail investor base on NEPSE.

The firm serves individuals, families, institutions, and the Nepali diaspora (NRN community), providing a full spectrum of investment management and merchant banking services. Portfolios under the firm's management have generated a compounded return of approximately 18% over six years, reflecting a proven track record rooted in rigorous stock selection and long-term capital allocation.

### *Service Portfolio*

National Capital Limited operates through two primary service divisions:

Table 1: Investment Banking Division

<b>Service</b>	<b>Description</b>
Issue Management	End-to-end management of IPO, FPO, and right share issuances
Underwriting	Subscription guarantees services for public offerings
Registrar to Share (RTS/RTA)	Share Registry and investor services
Depository Participant (DP)	Securities demat account and custody services
Investment Banking Advisory	Fundraising, valuations, and deal advisory for corporates

Table 2: Investments Division

<b>Service</b>	<b>Description</b>
Portfolio Management Services (PMS)	Discretionary investment management for HNI and institutional clients
Mutual Fund Management	Collective investment scheme management
Specialized Investment Fund (SIF)	Private equity and venture capital fund management
Capital & Wealth Management	Long-term wealth compounding for individuals and families
Corporate Advisory	Strategic financial advisory for listed and unlisted corporates
Equity Research	In-depth fundamental research on NEPSE-listed companies

### *Core Values*

National Capital Limited operates on a well-defined set of core values that guide its investment philosophy, client relationships, and organizational conduct:

- Integrity

The company upholds the highest standards of ethics, transparency, and honesty in all its activities. Integrity is treated as non-negotiable across all levels of operation.

- Long-term Orientation

The firm emphasizes patience and discipline, focusing on sustainable value creation rather than short-term gains.

- Compounding Mindset

The company believes in the power of compounding not only in investments but also in decision making and long-term value generation.

- Client-Centric Approach

The organization prioritizes clients' interests by aligning investment strategies with their long-term financial goals.

- Continuous Learning

The firm fosters a culture of ongoing learning and improvement, recognizing the dynamic nature of financial markets.

- Result-Oriented Execution

National Capital Limited focuses on disciplined execution to deliver measurable and consistent outcomes.

### **1.2 Mission of the Company**

- To deliver consistent, research-backed, and ethically driven investment management services to every client.

- To build Nepal's capital market capabilities through rigorous fundamental analysis and continuous investor education.

- To uphold transparency, independence, and integrity in all research, advisory, and portfolio management activities.

- To serve as a bridge between global investment best practices and Nepal's local financial ecosystem.

- To identify and invest in businesses with durable competitive advantages, competent management, and an adequate margin of safety.

### **1.3 Vision of the Company**

To become Nepal's most trusted and credible investment management and merchant banking institution: one that generates consistent, long-term, risk-adjusted returns for clients through disciplined, research-driven, and ethics-led capital allocation in Nepal's developing capital markets.

### **1.4 Strategies of the Company**

- Research-Led Investing:

National Capital's investment process is anchored in deep-dive fundamental research. Rather than relying on market momentum or technical price signals, all investment decisions are supported by thorough financial analysis, sector-level understanding, and business model evaluation. Structured frameworks including the IBAS framework (Innovation, Brand, Architecture, Strategic Assets), are applied systematically to assess competitive advantages, earnings quality, and long-term return potential.

- Value Investing Philosophy:

The firm follows the principle of margin of safety investing. This means only investing in businesses where the market price is significantly below the estimated intrinsic value, calculated through rigorous analysis of earnings quality, competitive moat, and long-term growth prospects. This disciplined approach minimizes downside risk and enables compounding over time.

- Sector Specialization:

Given NEPSE's relatively concentrated listed universe, National Capital builds specialized, proprietary knowledge in key sectors including hydropower, banking and financial institutions, manufacturing, and insurance. Sector understanding improves the ability to assess company-specific risks, identify mispriced opportunities, and avoid businesses with structurally poor economics.

- Ethics-Driven Culture:

In a market where speculative behavior and information asymmetry are prevalent, National Capital differentiates itself through a strong commitment to investment ethics. All research, recommendations, and advisory work are conducted with full transparency, alignment to client interest, and adherence to SEBON regulatory standards.

## 1.5 Organizational Structure

National Capital Limited follows a functional organizational structure designed to separate governance, executive leadership, core business divisions, and support functions. The company is governed by the Board of Directors, while the Chief Executive Officer is responsible for the overall execution of strategy and day-to-day management.

The company's main operational activities are carried out through two core divisions: **Investment Banking** and **Investments**. These divisions are supported by departments such as compliance, finance, accounts, administration, legal, business development, and operations. This structure allows National Capital Limited to manage its merchant banking, investment management, advisory, and research-related functions in an organized and accountable manner.

### 1.5.1 Organizational Overview

The organizational structure of National Capital Limited can be understood through the following key levels:

#### *Board of Directors*

At the highest level is the Board of Directors, which provides strategic direction, governance oversight, and institutional supervision.

- Chairman: Mr. Prajwol Sayami
- Directors: Ms. Prapti Rajya Laxmi Rana, Mr. Sumit Bahadur Pradhanang, and Mr. Sumit Man Singh Baniya

#### *Executive Leadership*

The executive leadership is responsible for implementing the company's strategy and managing overall operations.

- Founder and Chief Executive Officer: Mr. Arpan Khanal, CFA

#### *Senior Management and Department Heads*

The company is supported by department heads who manage its major business and control functions.

- Head of Investments: Ms. Shraddha Pant
- Head of Merchant Banking: Mr. Ujesh Shrestha
- Head of Corporate Advisory Division: Ms. Manju Lekhak
- Accounts, Finance and Compliance Officer: Mr. Sujan Adhikari

### *Core Functional Divisions*

The Investment Banking division mainly handles services such as issue management, depository participant services, underwriting, and RTS/RTA-related functions. The Investments division focuses on investment research, portfolio-related work, capital deployment, mutual fund activities, specialized investment funds, and investment idea generation.

### *Support Function*

The core divisions are supported by finance, accounts, IT, administration, legal, compliance, business development, and operations teams. These functions help maintain regulatory discipline, internal coordination, documentation, and smooth service delivery. During my internship, I was placed in the Investments team under the supervision of Ms. Shraddha Pant, Head of Investments, where my work focused mainly on sector research, company analysis, investment thesis preparation, and hydropower database development.

### *1.5.2 Diagram of the organizational structure*



Figure 2: Organizational Chart of National Capital Limited

### *1.5.3 Your Job Position*

- Position: Research Intern - Investments Team
- Company: National Capital Limited
- Duration: January 5, 2026 - April 27, 2026 (16 Weeks)
- Supervisor: Ms. Shraddha Pant

### *1.5.4 Your job position in the company's organizational structure*

As a Research Intern, I was embedded within the Investments division of National Capital Limited, working directly under the guidance of Ms. Shraddha Pant. My functional role sat at the analyst level within the research function, contributing to the Investment Analysts and Investment Manager layer of the Investments division. All research outputs including investment theses and sector databases were produced to serve the Investments division's portfolio management and corporate advisory activities. My placement within the Investments division provided me with direct exposure to the company analysis, financial modeling, and investment research functions of the firm.

## **1.6 Intention and motivation to choose this company as my CO-OP studies workplace**

My decision to pursue an internship at National Capital Limited was driven by a deliberate alignment between my academic interests in finance and investment, and the firm's distinctive investment philosophy. Having studied corporate finance, investment analysis, and financial statement interpretation at Siam University through the Kathmandu College of Management, I sought a placement where theoretical knowledge could be tested against real investment decisions.

Nepal's capital market presents a paradox that I found intellectually compelling: NEPSE is a market with significant long-term structural tailwinds; a growing middle class, energy export potential, and increasing institutional participation, yet it is plagued by speculative retail behavior, poor corporate disclosure, and limited fundamental research coverage. The opportunity to work in an environment that actively challenges this norm through rigorous.

National Capital's explicit grounding in value investing principles: the idea that one should invest in businesses; resonated deeply with my academic formation and personal investment curiosity. The firm's track record (~18% compounded returns from PMS) and its parent institution credibility (National Life Insurance) made it a combination of professional rigor and institutional stability in Nepal's merchant banking landscape.

Equally important was the learning environment. I was looking for an internship where

my analytical output would genuinely matter, where research finding could influence a real portfolio decision. National Capital, as an investment firm whose core product is research-driven allocation, offered exactly that accountability.

## 1.7 Strategic analysis of the Company

Table 3: SWOT Analysis of National Capital

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Ethics-driven, research-first investment philosophy differentiating it from speculative market participants</li> <li>• Backing of National Life Insurance provides institutional credibility, capital stability, and client network</li> <li>• Full-service SEBON-licensed merchant banking capabilities under one roof</li> <li>• Experienced leadership with international investment banking and Private Equity background</li> <li>• Proven ~18% compounded PMS track record.</li> <li>• Value investing culture aligned with global best practices (Buffett/Munger framework)</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively new SEBON merchant banking license limits track record in capital markets advisory</li> <li>• Small team size may constrain bandwidth for multiple large concurrent mandates</li> <li>• Limited brand recognition compared to bank-backed merchant banks with larger distribution networks</li> <li>• NEPSE's thin liquidity can restrict execution of sizeable portfolio positions without market impact.</li> </ul>

(Cont.)

Table 4: (Cont.) SWOT Analysis of National Capital

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Nepal's growing retail investor base and rising financial literacy create demand for professional, trustworthy investment management</li> <li>• Massive hydropower sector development pipeline creates rich deal advisory and research opportunities</li> <li>• Increasing interest from NRN diaspora in Nepal capital markets as an investment destination</li> <li>• Government capital market development initiatives under financial sector reform programs</li> <li>• SIF-licensed private equity space is nascent and underserved in Nepal</li> </ul>	<ul style="list-style-type: none"> <li>• Competition from 30+ SEBON-licensed merchant banks, several backed by large commercial banks with wider distribution</li> <li>• NEPSE's speculative retail culture limits organic demand for fundamental research-based services</li> <li>• Regulatory policy uncertainty from NRB and SEBON affecting capital market operations</li> <li>• Macroeconomic headwinds — youth emigration, low GDP growth, tight liquidity — constraining market returns and client activity</li> <li>• Corporate governance deficiencies among listed companies limit research depth and investment confidence</li> </ul>

### 1.8 Objective of these co-operative studies

The following objectives guided the 16-week cooperative education internship at National Capital Limited:

- To apply the theoretical knowledge of financial analysis, corporate valuation, and investment research gained through the BBA program to practical, real-world investment decisions in Nepal's capital market.
- To develop proficiency in conducting fundamental, sector-specific investment research using structured analytical frameworks including the IBAS framework, DuPont decomposition, working capital cycle analysis, and credit quality assessment.
- To build a rigorous understanding of key NEPSE-listed sectors through deep-dive analysis of representative companies.

- To contribute to the firm's investment research function by preparing investment theses that serve as actionable decision-support tools for portfolio and advisory activities.
- To understand the practical challenges of investing in a frontier capital market, including data scarcity, corporate governance gaps, and the disconnect between market price and intrinsic value.

### **1.9 Statement of the Report**

This report has been prepared as a part of the cooperative education requirement and is based on my internship experience at **National Capital Limited**. I worked as a Research Intern in the **Investments team** from **5th January 2026 to 27th April 2026** at the company's office in Kathmandu, Nepal.

The report focuses on the nature of work performed during the internship, the working environment of the Investments team, and the practical exposure gained in Nepal's capital market. Rather than only describing the organization, the report reflects how investment research is carried out in a professional setting, including how company information is collected, organized, analyzed, and used for investment idea generation.

During the internship, I was involved in studying listed companies from major sectors of NEPSE and preparing research-based outputs under the guidance of the Investments team. The experience helped me understand the importance of structured research, reliable data, sector knowledge, and professional judgment in investment decision-making.

This report therefore presents my assigned responsibilities, work process, learning outcomes, challenges faced, and the skills developed throughout the internship period. It also explains how the cooperative education experience helped me connect academic learning with the practical demands of investment research and equity market analysis.

## CHAPTER 2

### CO-OP STUDY ACTIVITIES

#### 2.1 Your job descriptions

As a Research Intern in the Investments team at National Capital Limited, my primary responsibility was to conduct fundamental equity investment research on NEPSE-listed companies across multiple sectors. The role involved reading and interpreting annual reports, financial statements, Power Purchase Agreements (PPA), ICRA Nepal credit rating reports, BASEL disclosures, NRB statistics, and AGM minutes to build a comprehensive, evidence-based view on each company's investment merit.

Research was not conducted in isolation. Each analysis was guided by the firm's value investing philosophy, where the objective was to determine whether a business has a durable competitive advantage, whether its economics make long-term sense, and whether the current market price offers an adequate margin of safety. The role required translating complex financial data and qualitative business observations into structured investment theses.

In addition to company-level analysis, the role extended to building a sector-level database of all NEPSE-listed hydropower companies which could serve as a structured tool for the firm's ongoing sector monitoring and deal origination activities.

#### 2.2 Your job responsibilities, work duties

The following were the primary responsibilities undertaken during the 16-week internship:

- **Investment Thesis Preparation:** Conducting deep-dive fundamental research on NEPSE-listed companies across the hydropower, banking, and FMCG manufacturing sectors, and preparing formal investment theses for each.
- **Financial Statement Analysis:** Reading, interpreting, and modeling multi-year financial data from annual reports: computing key profitability metrics (gross, operating, and net margins), return metrics (ROCE, ROE via DuPont, ROA), working capital cycle (CCC, DIO, DSO, DPO), and sector-specific metrics (NIM, CASA, NPL, CD ratio for banking; cash conversion cycle and operating float for FMCG).
- **Sector Research:** Building foundational understanding of each target sector's economics; including NEA's single-buyer model and PPA structure for hydropower; NRB

regulatory framework, capital adequacy requirements, and CASA dynamics for banking; and distribution economics, price competitiveness, and consumer behavior for FMCG.

– **NEPSE Hydropower Database Construction:** Building a comprehensive database of 80+ NEPSE-listed hydropower companies cataloging installed capacity, project type, river, PPA tariffs (wet/dry split), escalation provisions, contracted energy, contracted PLF, commercial operation date, required COD, total project cost per MW, lock-in expiry, and financial highlights.

– **Risk Identification and Analysis:** Identifying and articulating key investment risks for each company, including regulatory risks, sectoral vulnerabilities, macroeconomic factors, asset quality concerns, and company-specific governance or operational red flags.

– **Presentation Preparation:** Structuring and presenting research findings to the Investments team through professional slide decks.

### 3.3 Activities in coordinating with co-workers

Throughout the internship, I coordinated closely with my supervisor, Ms. Shraddha Pant, and fellow members of the Investments team. Regular check-ins were conducted to review research progress, validate interpretations of complex disclosures, and refine the analytical approach. Peer discussions were particularly valuable when navigating ambiguous financial disclosures or corporate governance red flags which was a common challenge in Nepal's hydropower sector. Coordination with the firm's operations function was also required for data sourcing and database infrastructure.

## Your job process

Table 5: Job Process Diagram

Phase	Activity	Key Tools & Sources
1. Sector Foundation	<ul style="list-style-type: none"> <li>Understanding macro context &amp; NEA/PPA structure (Hydropower)</li> <li>NRB regulations, CASA dynamics (Banking)</li> <li>FMCG competitive landscape (Manufacturing)</li> </ul>	<ul style="list-style-type: none"> <li>NRB statistics,</li> <li>NEA annual reports,</li> <li>SEBON guidelines,</li> <li>Industry reading</li> </ul>
2. Company Screening	<ul style="list-style-type: none"> <li>Initial review of annual reports,</li> <li>ICRA credit ratings,</li> <li>ShareSansar data,</li> <li>Quarterly results to identify companies for deep-dive analysis</li> </ul>	<ul style="list-style-type: none"> <li>ShareSansar,</li> <li>NPStocks,</li> <li>ICRA Nepal</li> </ul>
3. Deep-Dive Research	<ul style="list-style-type: none"> <li>IBAS framework analysis</li> <li>Multi-year financial ratio computation</li> <li>DuPont decomposition</li> <li>Working capital cycle analysis</li> <li>Risk identification</li> </ul>	Annual reports, BASEL disclosures, AGM minutes, related-party notes
4. Thesis Construction	Translating research into a structured investment thesis: company snapshot → IBAS analysis → financial metrics → valuation → recommendation	PowerPoint, Excel financial model
5. Presentation & Review	<ul style="list-style-type: none"> <li>Presenting findings to the Investments team</li> <li>Incorporating feedback</li> <li>Refining investment recommendation</li> </ul>	Team review sessions
6. Hydropower Database	Data collection → entry → cross-source verification → gap analysis → categorization (operational/under-construction/reject)	ShareSansar, ICRA, DOE license register, company annual reports, Excel

## Contributions as a Co-Op student in the Company

During the 16-week placement at National Capital Limited, the following contributions were made to the firm's Investments division:

### 2.5.1 Investment Thesis 1: Standard Chartered Bank Nepal Limited (SCBNL) / Banking Sector

The SCBNL thesis examined Nepal's only international bank; a subsidiary of the Standard Chartered Group; applying the IBAS framework and detailed financial ratio analysis to assess its investment case.

Key findings are summarized below:

Table 6: SCBNL Investment Thesis Summary

Analytical Dimension	Key Finding
IBAS — Brand	ICRANP-IR AAA rated; safest bank in Nepal; only international bank, providing unique Letter of Credit and foreign currency service advantage
IBAS — Strategic Assets	Highest CASA composition in industry → lowest cost of funds. High foreign deposit composition → ability to grow NIM above NRB's 4% domestic NIM cap. Operative leverage from only 14 branches vs 100+ for peers
Capital Adequacy	CAR 18.6%, Tier-1 16.58% well above NRB minimums of 11% and 8.5% respectively
Asset Quality	NPL 1.71% vs industry ~5%; however, rising new slippages in Substandard bucket flagged
ROE Trend	Three-year declining ROE trend — driven by loan de-growth (net interest income on loans below 3%) rather than margin compression
What-If Scenario	27% loan book expansion capacity assuming 200% risk weight and minimum 12% CAR — significant relative to capital-constrained peers
<b>Conclusion</b>	Cyclical grower that benefits in high-interest-rate environments; observation stance pending clarity on credit market growth strategy.

### 2.5.2 Investment Thesis 2: Unilever Nepal Limited (UNL) | Manufacturing/FMCG Sector

The UNL thesis analyzed Nepal's largest FMCG manufacturer; a Unilever Global subsidiary operating since 1992, as a potential investment. The analysis was conducted using the IBAS framework, multi-year financial ratio analysis, DuPont decomposition, and working capital cycle study, and identified both enduring structural strengths and material emerging risks.

Table 7: UNL Investment Thesis Summary

Analytical Dimension	Key Finding
IBAS — Brand	45,000+ outlet network; 8/10 Nepali households use UNL products; positioned as a platform business, not just product company
IBAS — Strategic Assets	Non-cyclical demand (essential goods); impregnable 45,000+ outlet distribution network as entry barrier; operating float (negative CCC); access to Unilever Global proprietary R&D; operating leverage
Operating Float	Negative Cash Conversion Cycle (-32 days FY2024/25); DPO 193 days vs DSO 58 days -finances working capital through supplier credit, not external debt
ROE Trend	Declining from 43.3% (2021/22) to 38.2% (2024/25) -DuPont shows asset turnover declining from 131% to 104% and low-yield FD investments (~32% of total assets) as key drivers
Key Risks	Grey-channel import threat from India GST revisions; Nepal youth emigration (~1.52 Mn left in 2025) eroding premium consumer base; consumer behavior shifts toward Korean skincare and organic products; macro headwinds (low GDP growth, tight credit)
Conclusion	High-quality business with enduring competitive advantages but facing structural headwinds. At a PE of ~25x, current valuation appears expensive given earnings growth uncertainty. Recommended waiting for headwinds to ease for capital allocation.

### 2.5.3 *Investment Thesis 3: Upper Solu Hydro Electric Company Limited (USHEC)* *Hydropower Sector*

The investment thesis on **Upper Solu Hydro Electric Company** evaluates whether its operating performance, financial structure, and market valuation justify investment within Nepal's hydropower sector. **USHEC** operates a 23.5 MW run-of-river project with a total project cost of around NPR 5,000 million, financed through approximately 73 percent debt. The project has contracted energy of 132.53 MU at a designed PLF of 64.38 percent under a PPA signed in November 2013, with tariffs of NPR 4.80 per kWh for the wet season and NPR 8.40 per kWh for the dry season, along with 3 percent annual escalation over eight periods. Although the plant achieved COD on March 23, 2020, transmission bottlenecks constrained energy evacuation until February 2022. After this issue was resolved, generation recovered to around 93 to 95 percent of contracted capacity. This operational recovery, supported by relatively stable snow-fed hydrology, has improved revenue visibility under the take-or-pay arrangement with NEA.

However, from a financial and business quality perspective, the company still reflects important limitations. Despite improved generation, the project's high cost per MW, caused by delays and capitalized interest, has weakened overall return potential. The company remains significantly leveraged, and with only around six years of debt repayment remaining, cash flow coverage continues to be tight. Its credit rating of [ICRANP] LBB+ for long-term facilities and A4+ for short-term facilities indicates moderate risk and vulnerability. While the PPA provides a degree of revenue certainty, the company remains heavily dependent on a single off-taker, NEA, creating concentration risk. In addition, although the tariff escalation clause exists, the real benefit of escalation is limited when compared with rising operating costs, financing obligations, and broader inflationary pressure.

From a valuation standpoint, the company's market price appears significantly disconnected from its underlying fundamentals. Although USHEC has achieved operational recovery, the current valuation seems to price in this improvement too aggressively, leaving little to no margin of safety for investors. The intrinsic value estimate of around **NPR 221.94** per share, based on a 10 percent discount rate, does not provide strong support for the prevailing market valuation. The company's underlying cash generation remains weak due to heavy debt servicing, moderate tariff growth, and limited free cash surplus. Overall, while USHEC has transitioned into a more stable operating asset, its investment case is weakened by high leverage, limited cash flow strength, and a market valuation that appears materially above what the fundamentals support.

#### 2.5.4 *NEPSE Hydropower Company Database*

A comprehensive database of over 100+ NEPSE-listed hydropower companies was constructed, cataloging project-level and financial data for every listed hydropower company on NEPSE. This database serves as a structured research and screening tool for the Investments division's ongoing sector monitoring and investment decision-making.

Key data fields captured for each company included:

- **Project-level:** Installed capacity (MW), river name, project type (ROR/cascade/storage), PPA tariff (wet/dry split), escalation provisions, contracted energy (MU), contracted PLF (%), COD, required COD, and license expiry
- **Cost structure:** Total project cost (NPR Mn), cost per MW, and funding structure
- **Operational status:** Current operational/under-construction/offline status, and lock-in expiry dates
- **Financial highlights:** Revenue, PAT, EPS, NWPS, and current market price

A critical finding from this exercise was the pervasive lack of adequate corporate disclosure among smaller hydropower companies which serves as a direct manifestation of Nepal's broader corporate governance deficit. Significant data gaps were identified for 12+ companies, and a rejection code system (valuation, project quality, governance, credit) was used to systematically flag companies with hard-stop investment concerns.

## **CHAPTER 3**

### **LEARNING PROCESS**

#### **3.1 Problems/issues of the Company**

During the internship, my understanding of the company's challenges was confined mainly to the **Investment Team**, as my work was focused on sector and company-level research of NEPSE-listed companies. Therefore, the issues discussed in this section do not represent the overall problems of National Capital as an organization, but rather the challenges observed and experienced within the investment research function.

- **Fragmented and Inconsistent Data Availability**

One of the most recurring challenges was the fragmented nature of company information. Relevant data was often spread across annual reports, rating reports, NEA project records, DOE license data, news portal updates, company notices, and regulatory filings. In many cases, no single source provided a complete and reliable view of the company. This required extensive cross-verification before the information could be used for database preparation, financial analysis, or company profiling.

- **Weak Disclosure Practices Among Listed Companies**

A major limitation was the weak disclosure quality among several NEPSE-listed companies, particularly smaller hydropower companies. Many companies did not provide sufficient operational and project-level details such as PPA structure, contracted energy volume, seasonal generation, project cost breakdown, debt repayment schedule, or detailed management commentary. As a result, the research process often required filling information gaps through secondary sources rather than relying solely on company filings.

- **Limited Depth of Market Research Coverage**

Nepal's capital market still lacks a strong culture of independent fundamental research. Most listed companies receive little to no formal analyst coverage, and publicly available commentary is often driven by price movements, market sentiment, or basic ratio comparisons. This created a challenge in forming a well-supported investment view, as the research had to move beyond surface-level information and focus on business quality, earnings sustainability, governance risk, and fundamentals.

- **Difficulty in Establishing Comparability Across Companies**

Another challenge was the lack of uniform reporting standards across companies within the same sector. Some companies provided detailed disclosures, while others reported only

basic financial information. This made peer comparison difficult, especially when assessing profitability, leverage, operational efficiency, project execution, and valuation multiples. Considerable effort was required to standardize data before meaningful comparisons could be made.

– **Adapting Analytical Frameworks to Nepal’s Market Context**

Standard valuation and analytical frameworks could not be applied directly without adjustment. Nepal’s market is characterized by low liquidity, limited institutional participation, speculative retail activity, inconsistent earnings quality, and weak governance enforcement. Therefore, frameworks such as valuation multiples, DuPont analysis, and sector comparison models had to be interpreted carefully considering local market conditions and company-specific risks.

### 3.2 Prepared Solutions to the Identified Problems

To address the problems faced during the internship within the Investment Team, several practical solutions were applied to improve the reliability, consistency, and usefulness of the research output. The solutions focused mainly on strengthening data verification, improving company comparison, adapting analysis to Nepal’s market context, and maintaining transparency in research judgment.

*Multi-Source Data Triangulation*

- A multi-source data triangulation approach was used to reduce dependency on a single source of information.
- Company-related information was collected from annual reports, credit rating reports, regulatory filings, company notices, DOE license records, NEA project data, SEBON disclosures, and NRB publications.
- This was especially useful in sectors such as hydropower, where company-level disclosures were often incomplete, inconsistent, or difficult to verify.
- Key information such as project capacity, commercial operation date, paid-up capital, debt level, revenue, profitability, generation data, and project status were cross-checked from more than one source.
- If differences were found between sources, the discrepancy was flagged instead of making unsupported assumptions.
- This helped make the research database more transparent and improved the reliability of the final analysis.

### *Prioritization of Primary Sources*

- Primary company documents were prioritized over secondary data aggregators.
- The main sources used included audited annual reports, financial statements, AGM minutes, notes to accounts, SEBON filings, NRB directives, BASEL disclosures, and official company announcements.
- This helped reduce the risk of using outdated, incomplete, or incorrectly summarized information.
- Primary sources also provided deeper insights through related-party transaction notes, management discussion, risk disclosures, and detailed financial notes.
- For example, related-party transaction disclosures were useful in understanding raw material purchase trends in FMCG companies, while BASEL disclosures were useful in evaluating asset quality and capital adequacy in banking companies.
- This made the research more evidence-based and decision-making useful.

### *Standardized Data Collection Format*

- A standardized data collection format was followed while preparing company databases and sector sheets.
- Common headings and indicators were used across companies to make comparison easier.
- The key fields included project capacity, commercial operation date, revenue, net profit, paid-up capital, debt level, valuation multiples, dividend history, key risks, and analyst remarks.
- Standardization helped reduce inconsistencies caused by different company reporting formats.
- It also made peer comparison more structured, especially across hydropower, banking, and FMCG companies.
- This improved the overall usefulness of the research output because companies could be compared using similar indicators.

### *Nepal-Specific Framework Calibration*

- Standard investment analysis frameworks were adjusted to reflect Nepal's market conditions.
- Instead of applying general international models directly, the analysis considered Nepal-specific risks, regulations, and sector characteristics.
- In hydropower, factors such as NEA dependency, dry season generation risk,

project delays, cost overruns, PPA structure, and debt burden were considered.

- In banking, NRB regulations, capital adequacy requirements, spread rate restrictions, non-performing loan movement, liquidity pressure, and sectoral lending requirements were included.

- In FMCG, grey-channel imports, raw material dependency, changing consumer demand, competition, and youth emigration were considered.

- This helped make the analysis more realistic and relevant to Nepal's capital market.

#### *Use of Materiality-Based Research Judgment*

- A materiality-based approach was used to decide which information was important for investment analysis.

- Since annual reports often contain large amounts of general information, the focus was placed on information that could affect earnings, valuation, risk, growth, or investment outlook.

- Important findings such as rising non-performing loans, margin pressure, related-party transactions, high debt burden, weak generation performance, regulatory restrictions, and expansion plans were given greater attention.

- Routine disclosures that did not significantly affect the company's financial position or investment case were treated as less important.

- This helped make the research more analytical instead of only descriptive.

- It also improved the quality of conclusions drawn from company reports.

#### *Documentation of Assumptions, Gaps, and Limitations*

- Data gaps, inconsistencies, and limitations were clearly documented during the research process.

- If a figure could not be verified from reliable sources, it was either excluded, marked for further review, or clearly mentioned as a limitation.

- This was important because Nepal's disclosure environment does not always provide complete and uniform company-level information.

- By documenting limitations, the research avoided presenting uncertain information as confirmed fact.

- This improved the credibility of the research output and made it easier for future analysts to review or update the database.

#### *Internal Review and Professional Consultation*

- Internal review with supervisors and investment professionals was used to improve the quality of analysis.

- Some company disclosures required professional interpretation, especially in sectors such as banking, hydropower, and FMCG.
- Feedback from experienced members of the Investment Team helped clarify whether certain issues were material from an investment perspective.
- Professional review also helped connect theoretical financial analysis with practical market judgment.
- This made the final research output more relevant for real investment decision-making.

### **3.3 Recommendations to the Company**

Based on the challenges observed during the internship and the solutions applied within the Investment Team, the following recommendations are suggested for National Capital to further improve its investment research process.

#### *Develop a Centralized Research Database*

- National Capital should develop a centralized internal research database for NEPSE-listed companies.
- The database should include financial statements, valuation multiples, dividend history, sector-specific indicators, company risks, regulatory updates, and analyst remarks.
- This would reduce repeated data collection work and make it easier for analysts to update and compare companies.
- A centralized database would also improve continuity, especially when different analysts work in the same sector over time.

#### *Create a Formal Source Hierarchy*

- The company should create a clear hierarchy of sources to guide analysts during research.
- Primary sources such as annual reports, audited financial statements, SEBON filings, NRB publications, BASEL disclosures, ICRA Nepal reports, DOE records, and NEA data should be given the highest priority.
- Secondary sources should only be used for supporting information or quick reference.
- This would help reduce the risk of using unreliable or outdated data & improve consistency.

### *Introducing a Reliability Rating for Data Points*

- Each important data point in the research database could be assigned to a reliability status.
- For example, data could be marked as “verified,” “partially verified,” “estimated,” or “requires further review.”
- This would help analysts clearly understand the confidence level of each figure.
- It would be especially useful in sectors like hydropower, where project data may differ across company reports, rating reports, and regulatory records.
- This system would improve transparency and reduce the risk of over-relying on uncertain information.

### *Use Sector-Specific Research Templates*

- National Capital should use separate research templates for different sectors.
- A hydropower template should include capacity, COD, PPA structure, generation performance, debt burden, dry season risk, and project delay risk.
- A banking template should include capital adequacy, NPL ratio, liquidity position, deposit growth, loan growth, base rate, spread rate, and regulatory compliance.
- An FMCG template should include revenue growth, margin movement, raw material dependency, related-party transactions, distribution strength, competition, and consumer demand trends.
- Sector-specific templates would make research more focused and relevant.

### *Conduct Professional and Industry-Level Interviews*

- National Capital should include more primary research through interviews with industry professionals, company representatives, sector experts, and market participants.
- This would help fill the gap where published data is limited or unclear.
- For example, discussions with hydropower professionals could help understand project delay risks, generation issues, and construction cost pressures.
- Discussions with bankers could provide insight into credit quality, liquidity pressure, and regulatory challenges.
- Such interviews would make the research more practical and grounded in market reality.

### *Maintain a Research Assumption Log*

- A formal assumption log should be maintained for each major company or sector report.

- The log should record assumptions related to revenue growth, margin movement, valuation multiples, project timelines, regulatory impact, and risk factors.
- This would make the research process more transparent.
- It would also help future analysts understand the reasoning behind previous investment views.
- An assumption log would be useful during report updates, internal reviews, and investment committee discussions.

#### *Provide Training on Financial Statement Analysis and Sector Research*

- Regular training should be provided to interns and junior analysts on financial statement analysis, valuation methods, sector research, and regulatory interpretation.
- Training should also cover how to read notes to accounts, related-party disclosures, BASEL reports, credit rating reports, and industry data.
- This would improve the quality of research prepared by new analysts.
- It would also reduce the time needed for supervisors to correct basic errors.
- Over time, this would strengthen the company's overall research capability.

### **3.4 Literature Review**

The literature review provides the academic foundation for the solutions and recommendations proposed in this report. Since the internship challenges were mainly related to data scarcity, weak disclosure quality, inconsistent company reporting, limited research coverage, and the difficulty of applying standard frameworks to Nepal's capital market, the review focuses on data triangulation, disclosure quality, comparability, materiality, Nepal-specific sector risks, and professional judgment.

#### *Data Triangulation and Reliability of Research Findings*

Data triangulation is widely used in research to improve credibility, reliability, and validity of findings. Denzin (1978) explains triangulation as the use of multiple data sources, methods, theories, or investigators to study the same issue from different perspectives. Similarly, Yin (2018) argues that using multiple sources of evidence strengthens case-based research because findings become more reliable when evidence from different sources supports the same conclusion. This is important in investment research because company-level information may be scattered across annual reports, regulatory filings, credit rating reports, government records, and market databases.

In the context of this internship, data triangulation was relevant because a single source was often not sufficient to verify company information. For example, in hydropower sector

analysis, project capacity, commercial operation date, generation performance, debt level, and license details required verification from multiple sources. This practice is supported by research methodology literature, which suggests that triangulation reduces the weakness of relying on one source and improves the overall trustworthiness of research findings, (Denzin, 1978; Yin, 2018).

#### *Disclosure Quality and Use of Primary Sources*

Disclosure quality plays an important role in reducing information asymmetry between companies and investors. Chang, D'Anna, Watson, and Wee (2008) found that firms with higher disclosure quality through investor relations tend to have greater analyst following, higher institutional interest, and more active trading. This suggests that better disclosure improves the information environment of the capital market and supports more informed investment decisions.

The IFRS Conceptual Framework also explains that useful financial information should be relevant and faithfully represented, while comparability, verifiability, timeliness, and understandability further enhance the usefulness of financial reporting (International Accounting Standards Board [IASB], 2018). Therefore, audited annual reports, financial statements, notes to accounts, regulatory filings, BASEL disclosures, SEBON filings, NRB publications, and company announcements are important primary sources for investment research.

This literature supports the internship practice of prioritizing primary sources over secondary data aggregators. Primary sources provide detailed information such as accounting policies, related-party transactions, risk disclosures, management discussion, and regulatory compliance details. These details are often not available in summarized secondary sources, which makes primary documents more useful for company-level analysis (Chang et al., 2008; IASB, 2018).

#### *Comparability and Standardization in Financial Analysis*

Comparability is one of the enhancing qualitative characteristics of useful financial information. The IASB (2018) states that financial information becomes more useful when it can be compared with similar information from other companies or from the same company across different reporting periods. The Conceptual Framework also explains that consistency helps achieve comparability by using the same methods for similar items over time or across entities (IASB, 2018).

This supports the use of standardized data collection formats in investment research. When companies present information in different formats, analysts may face difficulty

comparing revenue, profitability, leverage, valuation multiples, dividend history, project capacity, and risk profile. A common template helps organize company data under similar headings and improves the quality of peer comparison.

In the internship context, standardization was useful because NEPSE-listed companies differed in reporting format and disclosure quality. By using a common sector sheet and company database structure, the Investment Team could compare hydropower, banking, and FMCG companies more consistently. This approach is supported by the accounting principle of comparability, which helps users identify similarities and differences across reporting entities (IASB, 2018).

#### *Corporate Governance and Disclosure Issues in Nepal's Capital Market*

Corporate governance and disclosure quality are important issues in Nepal's capital market. G. C. and Baral (2019) studied 25 firms listed on the Nepal Stock Exchange and found that board structure, ownership structure, transparency, and disclosure standards are important dimensions of corporate governance in Nepalese listed companies. Their findings suggest that stronger governance and better disclosure practices are relevant for improving firm performance and investor confidence.

This literature supports the challenges observed during the internship. In some NEPSE-listed companies, especially smaller companies and hydropower companies, disclosure quality was limited. Important details related to project performance, debt structure, generation data, cost overruns, related-party transactions, and operational risks were not always clearly presented. Therefore, the use of source verification, limitation documentation, and professional judgment was necessary to improve the reliability of the research output.

In Nepal's context, corporate governance literature shows that transparency and disclosure are not only compliance issues but also important factors in investment analysis. Since weak disclosure increases information gaps between companies and investors, analysts need to use multiple sources and document uncertainty carefully when conducting company-level research (G. C. & Baral, 2019).

#### *Professional Judgment, Interviews, and Primary Research*

Professional judgment is important in business and investment research because published documents may not always provide complete explanations. Saunders, Lewis, and Thornhill (2019) explain that business research often requires the use of multiple research methods, including documentary analysis and primary research, to understand business problems more clearly. Similarly, Brinkmann and Kvale (2015) explain that interviews are useful for collecting detailed insights because they allow researchers to understand

participants' experiences, interpretations, and professional reasoning.

This supports the recommendation that investment research should include professional consultation and industry-level interviews where possible. In Nepal's capital market, published data may be limited, delayed, or unclear. Therefore, discussions with supervisors, investment professionals, sector experts, company representatives, employees, or customers can help clarify sector risks and company-specific issues.

During the internship, professional judgment helped connect theoretical financial analysis with practical market understanding. Internal review by supervisors and members of the Investment Team helped assess whether certain findings were material from an investment perspective. This is consistent with business research literature, which recognizes professional discussions and interviews as useful methods when secondary data alone is insufficient (Brinkmann & Kvale, 2015; Saunders et al., 2019).

### **3.5 Learning Outcomes from the Co-Op Studies**

The 16-week internship at National Capital Limited contributed significantly to my intellectual and professional development. The most important learning outcome was the development of a genuine investment thinking process, where the focus shifted from simply reading financial statements to understanding the quality, sustainability, and risk profile of a business. Conducting research across hydropower, banking, and FMCG helped me build sector-specific mental models while still applying a consistent investment philosophy.

A key learning was understanding the difference between accounting profit and business quality. In the case of UNL, stable margins initially suggested strong business, but DuPont decomposition showed declining asset efficiency as assets grew faster than revenue. Similarly, working capital analysis showed that the company benefited from supplier credit through a negative cash conversion cycle, which provided deeper insight than margin analysis alone. For SCBNL, the declining ROE trend appeared concerning at first, but DuPont analysis showed that it was mainly driven by loan book de-growth rather than margin compression.

The hydropower database project developed my ability to work with ambiguity and limited data. Extracting useful information from ICRA reports, DOE filings, NEA records, and AGM minutes, while clearly flagging data gaps, helped me build stronger research discipline and professional integrity. Overall, the internship strengthened my ability to analyze businesses, question headline numbers, and form more balanced investment judgments.

#### **Application of Knowledge from Coursework to the Real Working Situation**

The internship provided a practical platform to apply several academic concepts learned

during the BBA program. Concepts that were previously studied in theory, such as financial statement analysis, investment valuation, corporate strategy, banking indicators, and business ethics, became more meaningful when applied to real companies and market data. The research work helped connect classroom learning with practical investment decision-making.

#### *Financial Statement Analysis*

Ratio analysis, DuPont decomposition, working capital management, and cash flow interpretation were applied while preparing investment theses. For example, UNL's cash conversion cycle analysis and the ROE DuPont analysis of both UNL and SCBNL reflected the direct application of financial accounting and corporate finance concepts.

#### *Investment Theory*

Concepts such as intrinsic value, margin of safety, competitive moat, and valuation discipline were applied in real investment analysis. These concepts helped assess whether a company's market price was supported by its fundamentals, particularly in the valuation assessment of UNL.

#### *Corporate Strategy*

Strategic management concepts such as Porter's Five Forces and competitive advantage theory were used to understand business quality. For example, UNL's large distribution network and SCBNL's low-cost foreign deposit base were analyzed as structural advantages that strengthen long-term competitiveness.

#### *Financial Institutions Management*

Banking-related concepts such as NIM, CASA ratio, CD ratio, NPL, capital adequacy, and Tier-1 capital were applied in the SCBNL thesis. These indicators helped evaluate the bank's profitability, asset quality, liquidity position, and regulatory strength.

#### *Special Skills and New Knowledge Gained*

##### *Analytical Skills*

- DuPont decomposition of ROE for multi-year trend analysis: identifying the specific drivers of ROE change (margin vs turnover vs leverage)
- Working capital cycle analysis: Cash Conversion Cycle (CCC), Days Inventory Outstanding (DIO), Days Sales Outstanding (DSO), Days Payable Outstanding (DPO)
- Credit rating report interpretation: Reading (Infomerics, Care, ICRA Nepal) reports for project-level risk assessment, rating triggers, and covenant analysis
- PPA structure analysis: understanding NEA's single-buyer model, wet/dry tariff mechanics, contracted PLF, escalation provisions, and evacuation risk

- What-If scenario modeling: loan book expansion analysis under regulatory capital constraints for banking sector research

#### *Sector-Specific Knowledge*

- Hydropower: Nepal's run-of-river project economics; NEA's take-or-pay and best-efforts PPA structures; wet/dry energy split and seasonal tariff implications; cost-per-MW benchmarking across NEPSE-listed projects; promoter lock-in dynamics
- Banking: NRB regulatory framework (NIM cap, SSL mandates, CAR requirements); CASA dynamics and cost of funds competition; BASEL III implementation in Nepal; current NPL crisis context across the banking sector
- FMCG: Operating float mechanics (negative CCC as a competitive advantage); premiumization strategy and its inventory signal; grey-channel import risk from India GST arbitrage.

#### *Professional Skills*

- Structuring ambiguous research questions into actionable analytical frameworks with clear investment conclusions,
- Navigating data scarcity through creative multi-source triangulation without compromising research integrity,
- Presenting investment arguments concisely and with analytical rigor to a professional audience,
- Building resilience and intellectual humility in the face of frontier market complexity & knowing when to flag uncertainty rather than force a conclusion.

## **CHAPTER 4**

### **CONCLUSION**

#### **4.1 Summary of Highlights of My Co-Op Studies at National Capital Limited**

The 16-week cooperative education placement at National Capital Limited was one of the most intellectually demanding and professionally formative experiences of my academic journey. The internship provided meaningful exposure to investment research as practiced by a research-driven Nepali investment firm. It also offered a clear contrast to the speculative and price-driven behavior that often dominates retail participation in NEPSE.

The three investment theses formed the core deliverables of the internship. The SCBNL thesis highlighted a structurally differentiated bank with a low-cost foreign deposit base, lean branch network, and strong capital adequacy position. However, the analysis also identified rising substandard loan slippage through BASEL disclosures, showing the importance of going beyond headline financial figures. Similarly, the UNL thesis revealed a high-quality FMCG business with strong distribution reach, stable demand, supplier-financed working capital, and access to Unilever Global's research capabilities. At the same time, risks such as grey-channel imports, youth emigration, and changing consumer preferences supported a wait-and-watch investment stance.

The USHEC thesis helped build a foundation for understanding hydropower project economics in Nepal. It showed the importance of factors such as transmission line evacuation, PPA tariff structure, seasonal generation, and debt servicing capacity in determining the value and risk profile of hydropower companies.

The hydropower database was the most technically demanding output of the internship. Covering more than 100+ NEPSE-listed hydropower companies, it required cross-referencing data from annual reports, rating reports, DOE records, NEA registers, and other public sources. This exercise provided one of the most important lessons of placement: data quality sets the ceiling for research quality. It also reinforced that an analyst should clearly flag data gaps rather than fill them with unsupported assumptions.

## **4.2 My Evaluation of the Work Experience**

The overall work experience at National Capital Limited was highly positive and exceeded my initial expectations in terms of both analytical exposure and professional learning. The firm's research-driven and ethics-focused culture created an environment where meaningful learning was possible. I was encouraged to ask questions & analytical frameworks were often developed via discussions, and the quality of reasoning was valued more than simply producing a large volume of work.

A major part of the learning experience came from understanding that the research work was not only academic in nature, but also relevant to real investment decisions. Preparing investment theses that could contribute to portfolio discussions created a strong sense of responsibility. This made every stage of the work, from data collection to analysis and final presentation, more serious and motivating. It also helped me understand the importance of accuracy, professional judgment, and disciplined reasoning in investment research.

The 16-week duration was sufficient to experience a complete research process, beginning with sector study and company screening, followed by deep-dive analysis, thesis development, and presentation. The most valuable outcome of the internship was not limited to learning a single technical skill. Rather, it was the development of a more structured investment thinking process, including the ability to ask relevant questions, identify useful data, interpret business fundamentals, and form a clear and defensible view on investment merit.

## **4.3 Limitations of My Co-Op Studies**

Although the internship at National Capital Limited was highly valuable, certain limitations were observed during the 16-week placement. These limitations were mainly related to the scope of exposure, market structure, data constraints, and the time-bound nature of the internship.

### *Limited Scope Beyond Listed Equities*

The internship was primarily focused on NEPSE-listed equities and secondary market research. While this provided strong exposure to company analysis and sector research, it represented only one part of National Capital Limited's broader activities. Greater exposure to pre-IPO advisory, private equity through SIF structures, issue management, and NRN-focused investment opportunities would have provided a more complete understanding of the firm's overall service portfolio.

### *Disclosure and Data Quality Constraints*

A major limitation was the poor quality of disclosures among several listed companies, particularly in the hydropower sector. Many companies provided incomplete, delayed, or inconsistent operational and financial information. Although multi-source triangulation improved reliability, the depth of analysis was still limited by the quality of information available in public filings. This created a natural ceiling on research depth for companies with weak governance and disclosure practices.

### *Limited Market Cycle Exposure*

The 16-week duration did not cover a full NEPSE market cycle. As a result, there was limited exposure to how investment decisions and portfolio positioning are adjusted during periods of sharp market correction, liquidity stress, interest rate shocks, or major macroeconomic changes. Observing a full cycle would have provided deeper insight into risk management and behavioral discipline in real market conditions.

### *Limited Direct Interaction with Company Management*

Most of the research was based on secondary sources such as annual reports, rating reports, regulatory filings, and public disclosures. There was limited opportunity to interact directly with company management, sector experts, or industry participants. Such interactions could have helped clarify strategic direction, operational challenges, capital allocation decisions, and forward-looking assumptions that are not always visible in published documents.

### *Limited Exposure to Portfolio Implementation*

The internship provided strong exposure to research and thesis preparation, but limited exposure to the final stages of portfolio implementation. Areas such as position sizing, portfolio rebalancing, risk budgeting, liquidity management, and execution strategy were not explored in significant detail. These areas would have helped connect research conclusions more directly with actual investment decision-making.

## **4.4 Recommendation for Co-op Studies**

### *Introducing a pre-internship orientation based on industry placement*

The co-op program should provide students with a short orientation before the internship begins, based on their assigned industry or department. For students placed in investment, finance, or capital market-related roles, the orientation should cover basic financial statement analysis, investment terminology, valuation concepts, and capital market research methods. This would help students enter the workplace with better preparation and reduce the initial adjustment period.

*Provide training on Excel, data handling, and report writing*

Since many professional roles require working with large datasets, students should receive practical training in Excel, data organization, financial databases, and professional documentation before beginning their internship. During investment research, data collection and structuring are critical, especially when dealing with sectors such as hydropower where information is scattered across annual reports, prospectuses, company disclosures, and regulatory sources. Stronger technical preparation would improve both efficiency and work quality.

*Encourage analytical thinking rather than only task completion*

The objective of co-op studies should not be limited to completing assigned workplace tasks. Students should be encouraged to understand the reason behind the work they are doing. For example, in investment research, simply collecting financial data is not enough; students must also interpret what the data suggests about company quality, sector attractiveness, risk factors, and investment potential. This would help students develop judgment, independent thinking, and professional decision-making ability.

*Improve coordination between academic supervisors and workplace supervisors*

Regular communication between the university, the academic supervisor, and the workplace supervisor would make the co-op experience more structured. Periodic check-ins could help ensure that the student's tasks are aligned with the learning objectives of the program. It would also allow students to raise concerns early if their assigned work is unclear, repetitive, or not directly connected to their academic field.

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### APPENDIX: Daily Work Log

Table 9: Daily Work Log | National Capital Limited records the daily activities undertaken during the 16-week cooperative education internship at **National Capital Limited** from January 5, 2026, to April 27, 2026. The engagement was further extended until May 5, 2026, to complete document compilation and finalize reporting related to the internship period.

Table 8: Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Jan 5, 2026	Mon	Orientation: introduction to firm, investment philosophy, team structure, and SEBON compliance overview
Jan 6, 2026	Tue	NEPSE structure overview; understanding of SEBON-regulated intermediaries and capital market participants
Jan 7, 2026	Wed	Study of IBAS framework and value investing principles
Jan 8, 2026	Thu	Introduction to Nepal's hydropower sector; run-of-river project economics and NEA single-buyer model
Jan 9, 2026	Fri	PPA structure study: wet/dry tariff mechanism, contracted energy, PLF, and escalation provisions
Jan 10, 2026	Sat	Non-working day
Jan 11, 2026	Sun	Data source orientation: ShareSansar, NPStocks, ICRA Nepal, and NRB statistics portal
Jan 12, 2026	Mon	USHEC deep dive: annual report FY 2023/24 and ICRA Nepal rating report review
Jan 13, 2026	Tue	USHEC project economics: 23.5 MW ROR on Solu Khola, Solukhumbu; PPA signed with NEA in Nov 2013
Jan 14, 2026	Wed	USHEC financial analysis: total project cost NPR 5,000 Mn, around 73% debt financing, and COD in Mar 2020
Jan 15, 2026	Thu	USHEC PPA terms: wet tariff NPR 4.80/kWh, dry tariff NPR 8.40/kWh, and 3% annual escalation

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

<b>Date</b>	<b>Day</b>	<b>Tasks Completed</b>
Jan 16, 2026	Fri	USHEC contracted energy and PLF analysis; transmission line evacuation history review
Jan 17, 2026	Sat	Non-working day
Jan 18, 2026	Sun	USHEC credit rating review, ICRA LBB+ reaffirmation, and generation recovery analysis
Jan 19, 2026	Mon	USHEC revenue and EBITDA analysis FY 2023/24; valuation framework preparation
Jan 20, 2026	Tue	USHEC IBAS framework analysis covering Innovation, Brand, and Strategic Assets
Jan 21, 2026	Wed	Sick leave
Jan 22, 2026	Thu	USHEC risk identification: hydrology risk, debt servicing risk, and NEA dependency; recommendation draft
Jan 23, 2026	Fri	USHEC investment thesis write-up, slide deck preparation, and supervisor review
Jan 24, 2026	Sat	Non-working day
Jan 25, 2026	Sun	USHEC thesis revision, finalization, and submission to Investments team
Jan 26, 2026	Mon	Banking sector study: NRB regulatory framework, BFIs structure, NIM cap, and CASA dynamics
Jan 27, 2026	Tue	SCBNL introduction: Standard Chartered Group subsidiary, global network, and international banking presence in Nepal
Jan 28, 2026	Wed	SCBNL company snapshot: market capitalization, interest rate spread, and CD ratio analysis
Jan 29, 2026	Thu	SCBNL IBAS analysis: Innovation and Brand, including digital banking and credit rating strength

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Jan 30, 2026	Fri	SCBNL IBAS analysis: Architecture and Strategic Assets, including ECL models, CASA, and foreign deposits
Jan 31, 2026	Sat	Non-working day
Feb 1, 2026	Sun	SCBNL low cost of funds analysis; CASA composition, foreign deposit advantage, and NIM cap regulation
Feb 2, 2026	Mon	SCBNL operating leverage analysis based on branch network and fixed cost efficiency
Feb 3, 2026	Tue	SCBNL capital adequacy review: CAR and Tier-1 capital compared with NRB requirements
Feb 4, 2026	Wed	SCBNL asset quality analysis: NPL comparison with industry average and substandard loan review
Feb 5, 2026	Thu	SCBNL ROA trend analysis and impact of loan de-growth
Feb 6, 2026	Fri	SCBNL ROE DuPont decomposition and NIM decline analysis
Feb 7, 2026	Sat	Non-working day
Feb 8, 2026	Sun	SCBNL what-if scenario analysis on loan book expansion capacity
Feb 9, 2026	Mon	SCBNL risk factor analysis: borrower and depositor concentration
Feb 10, 2026	Tue	SCBNL conclusion: cyclical growth profile, capital-light income strategy, and observation stance
Feb 11, 2026	Wed	SCBNL investment thesis write-up, PowerPoint preparation, and financial model review
Feb 12, 2026	Thu	SCBNL thesis refinement; IBAS and DuPont slides finalized with supervisor feedback
Feb 13, 2026	Fri	SCBNL thesis formal submission and presentation to investment team
Feb 14, 2026	Sat	Non-working day
Feb 15, 2026	Sun	Manufacturing/FMCG sector study: Nepal's consumer landscape, key players, and import dynamics

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Feb 16, 2026	Mon	UNL introduction: FMCG market leadership, operating history in Nepal, and Unilever Global link
Feb 17, 2026	Tue	Sick leave
Feb 18, 2026	Wed	UNL company snapshot and initial financial data entry
Feb 19, 2026	Thu	UNL financial data entry: sales revenue trend and net profit margin analysis
Feb 20, 2026	Fri	UNL IBAS analysis: Innovation through Shikhar App, DEOC AI quality systems, and Universal Data Lake
Feb 21, 2026	Sat	Non-working day
Feb 22, 2026	Sun	UNL IBAS analysis: Brand strength, outlet reach, household penetration, and platform positioning
Feb 23, 2026	Mon	UNL IBAS analysis: Architecture, eNPS, core behaviors, and supplier sourcing approach
Feb 24, 2026	Tue	UNL IBAS analysis: Strategic Assets including demand stability, distribution network, operating float, and R&D access
Feb 25, 2026	Wed	UNL operating float and negative cash conversion cycle analysis
Feb 26, 2026	Thu	UNL working capital analysis: DIO, DSO, DPO, and credit penalty policy
Feb 27, 2026	Fri	UNL operating leverage analysis between sales growth and profit growth
Feb 28, 2026	Sat	Non-working day
Mar 1, 2026	Sun	UNL profitability analysis: gross margin, operating margin, net margin, and ROCE
Mar 2, 2026	Mon	UNL DuPont ROE analysis using net profit margin, asset turnover, and leverage

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Mar 3, 2026	Tue	UNL capital employment analysis and identification of declining ROE drivers
Mar 4, 2026	Wed	UNL growth analysis: premiumization, Beauty & Wellbeing focus, and raw material procurement
Mar 5, 2026	Thu	UNL global portfolio comparison with HUL and review of missing Foods & Nutrition category
Mar 6, 2026	Fri	UNL Key Risk 1: grey-channel imports and India GST impact
Mar 7, 2026	Sat	Non-working day
Mar 8, 2026	Sun	UNL Key Risk 2: youth emigration and premium consumer base erosion
Mar 9, 2026	Mon	UNL Key Risk 3: Korean skincare trend, counterfeit products, and market fragmentation
Mar 10, 2026	Tue	UNL Key Risk 4: macroeconomic risks including credit constraints, commodity risk, and muted government spending
Mar 11, 2026	Wed	UNL valuation summary and wait-and-watch recommendation
Mar 12, 2026	Thu	UNL investment thesis finalization, PDF compilation, slide deck, and supervisor review
Mar 13, 2026	Fri	UNL thesis formal submission, team presentation, and risk scenario discussion
Mar 14, 2026	Sat	Non-working day
Mar 15, 2026	Sun	Hydropower database project: scope definition, data field mapping, and source identification
Mar 16, 2026	Mon	Hydropower DB: initial data collection from ShareSansar for NEPSE-listed hydropower companies
Mar 17, 2026	Tue	Hydropower DB: 86-company cross-reference and identification of duplicates, ticker errors, and unlisted entries

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Mar 18, 2026	Wed	Hydropower DB: data entry for installed capacity, river, and project type for companies 1–25
Mar 19, 2026	Thu	Sick leave
Mar 20, 2026	Fri	Hydropower DB: PPA term extraction for companies 1–25 and catch-up on companies 26–50
Mar 21, 2026	Sat	Non-working day
Mar 22, 2026	Sun	Hydropower DB: contracted energy, PLF, project cost, and cost/MW data entry for companies 26–50
Mar 23, 2026	Mon	Hydropower DB: PPA details, operational status, and promoter lock-in expiry review
Mar 24, 2026	Tue	Hydropower DB: data entry and PPA review for companies 51–75; ICRA rating cross-reference
Mar 25, 2026	Wed	Hydropower DB: companies 76–86; DOE license and generation license expiry data review
Mar 26, 2026	Thu	Hydropower DB: financial data extraction from System X quarterly reports
Mar 27, 2026	Fri	Hydropower DB: NP Stock price integration using VLOOKUP and market capitalization computation
Mar 28, 2026	Sat	Non-working day
Mar 29, 2026	Sun	Hydropower DB: data gap analysis for missing PPA terms and undisclosed project costs
Mar 30, 2026	Mon	Hydropower DB: cross-source verification between NPStocks, ShareSansar, and annual reports
Mar 31, 2026	Tue	Hydropower DB: corporate governance red flag tagging
Apr 1, 2026	Wed	Hydropower DB: project categorization into operational, under-construction, and pre-construction pipeline projects

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Apr 2, 2026	Thu	Hydropower DB: cost overrun analysis including Upper Tamakoshi and KKHC
Apr 3, 2026	Fri	Hydropower DB: PLF benchmarking between contracted PLF and actual generation trends
Apr 4, 2026	Sat	Non-working day
Apr 5, 2026	Sun	Hydropower DB: transmission line bottleneck identification and promoter lock-in data cross-check
Apr 6, 2026	Mon	New work week effective; associate company mapping and sub-analysis for Mountain Hydro Nepal and Chilime
Apr 7, 2026	Tue	Hydropower DB: sub-analysis for Ankhukhola, Khani Khola, and Himalayan Power Partner
Apr 8, 2026	Wed	Hydropower DB: Dibyashwari and Upper Tamakoshi detailed review
Apr 9, 2026	Thu	Hydropower DB: comparison of above-10 MW operational projects based on cost/MW and PLF benchmarks
Apr 10, 2026	Fri	Hydropower DB: sector-level insights, rejection code tagging, and investment categorization
Apr 11, 2026	Sat	Non-working day
Apr 12, 2026	Sun	Non-working day
Apr 13, 2026	Mon	Hydropower DB: final data validation and missing data flags for 12 companies
Apr 14, 2026	Tue	Hydropower DB: Excel formatting, conditional formatting, pivot tables, and summary dashboard
Apr 15, 2026	Wed	Hydropower DB: submission for team review and discussion on future investment use
Apr 16, 2026	Thu	Internship documentation: preparation of internship summary report draft

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
Apr 17, 2026	Fri	Review of three investment theses; compilation of key learnings and IBAS methodology note
Apr 18, 2026	Sat	Non-working day
Apr 19, 2026	Sun	Non-working day
Apr 20, 2026	Mon	Final presentation preparation: summary of contributions and key findings across sectors
Apr 21, 2026	Tue	Final presentation to the investment team at National Capital Limited
Apr 22, 2026	Wed	Post-presentation feedback incorporation and additional research queries addressed
Apr 23, 2026	Thu	Research notes archiving and database handover to supervisor Ms. Shraddha Pant
Apr 24, 2026	Fri	Internship wrap-up, exit meeting, completion certificate collection, and self-assessment
Apr 25, 2026	Sat	Non-working day
Apr 26, 2026	Sun	Non-working day
Apr 27, 2026	Mon	Final handover, documentation, and formal conclusion of internship
Apr 28, 2026	Tue	Final internship report editing; refinement of daily work log, sector summaries, and learning outcomes
Apr 29, 2026	Wed	Compilation of appendix materials, including investment thesis notes, hydropower database screenshots, and presentation evidence
Apr 30, 2026	Thu	Formatting of final internship report; review of grammar, table numbering, citations, and appendix references
May 1, 2026	Fri	Final review of internship documentation and preparation of submission-ready report file
May 2, 2026	Sat	Non-working day

(Cont.)

Table 8 (Cont.): Daily Work Log | National Capital Limited

Date	Day	Tasks Completed
May 3, 2026	Sun	Non-working day
May 4, 2026	Mon	Final corrections after review; alignment of report sections with internship objectives and supervisor feedback
May 5, 2026	Tue	Final submission preparation; completion of report packaging, appendix verification, and formal closure of documentation



**APPENDIX: Photo Gallery | National Capital Limited**



Figure 3: Picture Infront of Company Logo

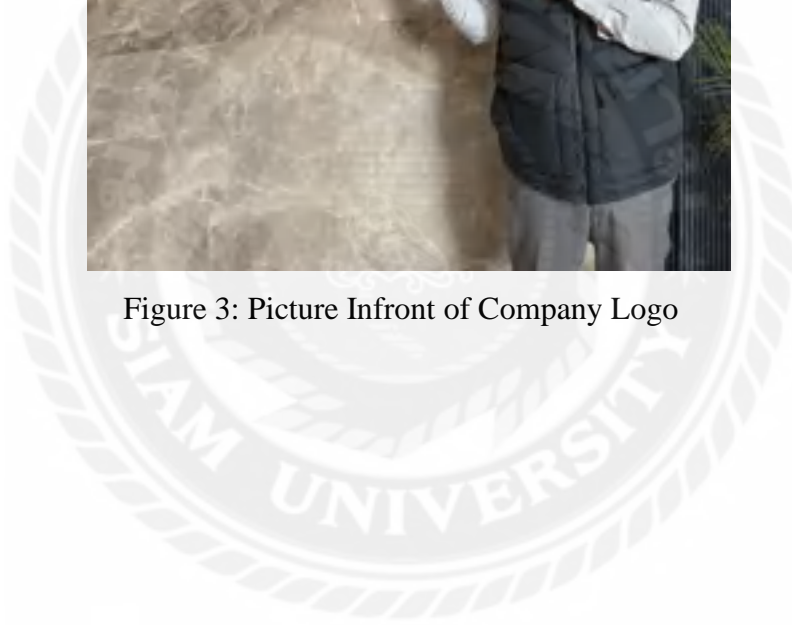




Figure 4: Picture with CEO, Head of Investments & Co-Workers





Figure 5: Working in MS Excel at my Work Desk



Figure 6: Picture at my Work Desk

**APPENDIX: Appendix: Screenshots of Publicly Shared Work Completed During the Internship**

**1. SCBNL Investment Thesis**

LinkedIn Post: *SCBNL Investment Thesis*

[Link to SCBNL Investment Thesis](#)

**2. UNL Investment Thesis**

LinkedIn Post: *UNL Investment Thesis*

[Link to UNL Investment Thesis](#)